弘海
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Grand Ocean Advanced Resources Company Limited
弘海高新資源有限公司

Incorporated in the Cayman Islands with limited liability
Stock code : 65

2023
ANNUAL REPORT

CONTENTS

CORPORATE PROFILE

Board of Directors

Executive Directors

Mr. NG Ying Kit
Mr. LEUNG Ka Hong *(resigned on 30 November 2023)*
Mr. GUO Jianpeng
Ms. YANG Mo *(appointed on 5 April 2024)*
Mr. JIANG Xin *(appointed on 30 November 2023)*
Mr. TAO Ye *(resigned on 31 October 2023)*

Non-Executive Directors

Mr. HU Xiutong *(appointed on 15 February 2023 and resigned on 5 April 2024)*
Mr. ZHOU Hongliang *(resigned on 31 October 2023)*

Independent Non-Executive Directors

Mr. LEE Wai Ming
Mr. CHANG Xuejun
Mr. HO Man *(resigned on 17 April 2024)*
Mr. LI Juhui *(appointed on 17 April 2024)*

Company Secretaries

Mr. LEUNG Ka Hong *(resigned on 30 November 2023)*
Ms. CHENG On Yi

Authorised Representatives

Mr. NG Ying Kit
Mr. GUO Jianpeng

Audit Committee

Mr. LEE Wai Ming *(Chairman)*
Mr. CHANG Xuejun
Mr. HO Man *(resigned on 17 April 2024)*
Mr. LI Juhui *(appointed on 17 April 2024)*

Remuneration Committee

Mr. CHANG Xuejun *(Chairman)*
Mr. LEUNG Ka Hong *(resigned on 30 November 2023)*
Mr. HO Man *(resigned on 17 April 2024)*
Mr. JIANG Xin *(appointed on 30 November 2023)*
Mr. LI Juhui *(appointed on 17 April 2024)*

Nomination Committee

Mr. LEE Wai Ming *(Chairman)*
Mr. LEUNG Ka Hong *(resigned on 30 November 2023)*
Mr. HO Man *(resigned on 17 April 2024)*
Mr. JIANG Xin *(appointed on 30 November 2023)*
Mr. LI Juhui *(appointed on 17 April 2024)*

Registered Office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Corporate Website

www.grandocean65.com

Head Office and Principal Place of Business in Hong Kong

Unit 1102, 11/F
29 Austin Road
Tsim Sha Tsui
Kowloon
Hong Kong

Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586
Gardenia Court
Camana Bay
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Abacus Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Principal Bankers

Hang Seng Bank Limited
Shanghai Commercial Bank

Independent Auditor

BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

Legal Advisers

As to Hong Kong Law:
Hastings & Co.

As to Cayman Islands Law:
Conyers Dill & Pearman

Stock Code

65

DEFINITIONS

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

"2022 AGM"	an annual general meeting held by the Company on 21 June 2023;
"Second Amended and Restated Memorandum and Articles"	the memorandum and the articles of association of the Company adopted by a special resolution passed at a general meeting held on 21 June 2023, and "Article" shall mean an article of the articles of association;
"Audit Committee"	the audit committee of the Company;
"Board"	the board of Directors of the Company;
"CG Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules;
"Coal Mining Business"	production and sale of coal and minerals;
"Company"	Grand Ocean Advanced Resources Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 65);
"Director(s)"	the director(s) of the Company from time to time;
"Group"	the Company and all of its subsidiaries from time to time;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"INED(s)"	the independent non-executive Director(s) of the Company;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules;
"NED(s)"	the non-executive Director(s) of the Company;

"Nomination Committee"	the nomination committee of the Company;
"PRC" or "China"	the People's Republic of China;
"Remuneration Committee"	the remuneration committee of the Company;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time;
"Share(s)"	ordinary share(s) with par value of HK$0.01 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of issued Share(s) from time to time;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited; and
"%"	percent.

CHAIRMAN'S STATEMENT

In 2023, the global economy recovery was hindered by rising inflation and interest rates, disrupting the supply chains worldwide. Given the increasing geopolitical tensions, the global economy may remain full of challenges and uncertainties in the coming year.

In addition to maintain and strengthen the competitive edges of our existing coal mining business, the Group will also strive to capture all potential business and investment opportunities from the mining and energy related sectors, and expand our business portfolio internationally. The Board believes these initiatives will enhance the Group's profitability and geographic diversity with an aim to deliver a long-term and sustainable return to our shareholders.

Last but not least, on behalf of the Board, we wish to take this opportunity to express our sincere gratitude to all shareholders, customers and business partners for their unwavering supports for the Group, and appreciation to the our management and staff for their commitment, dedication and tireless efforts to the growth of the Group. The Group will stay focused on enhancing its operations and capital efficiencies, as well as identifying new business opportunities, with an aim to enhancing shareholders' value for the Group in the long run.

The Board of the Directors of the Company

17 April 2024

FINANCIAL HIGHLIGHTS

Financial Highlights

	2023 HK$'000	2022 HK$'000	Change
Operating Results			
Revenue	**187,960**	191,180	-1.7%
Gross profit	**65,211**	81,166	-19.7%
Finance costs	**827**	1,170	-29.3%
(Loss)/Profit for the year attributable to owners of the Company	**(23,734)**	10,237	-331.8%
(Loss)/Earnings per share – Basic	**HK(1.46) cents**	HK0.68 cents	-314.7%
Financial Position			
Total assets	**307,225**	305,350	0.6%
Total liabilities	**109,737**	111,940	-2.0%
Bank and cash balances	**95,359**	117,494	-18.8%
Equity attributable to owners of the Company	**138,598**	123,125	12.6%
Financial Ratio			
Current ratio	**1.56**	1.52	2.6%

Five-Year Financial Summary

The following is a summary of the published consolidated results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the audited consolidated financial statements as follows:

Results

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**187,960**	191,180	183,016	133,012	178,301
(Loss)/Profit from operations	**(32,009)**	34,072	31,628	(67,193)	(2,645)
Finance costs	**(827)**	(1,170)	(38)	(128)	(630)
(Loss)/Profit before tax	**(32,836)**	32,902	31,590	(67,321)	(3,275)
Income tax (expense)/credit	**(774)**	(6,802)	385	4,445	86
(Loss)/Profit for the year	**(33,610)**	26,100	31,975	(62,876)	(3,189)
Attributable to:					
Owners of the Company	**(23,734)**	10,237	14,372	(42,505)	(10,629)
Non-controlling interests	**(9,876)**	15,863	17,603	(20,371)	7,440
	(33,610)	26,100	31,975	(62,876)	(3,189)

Five-Year Financial Summary (Continued)

Assets, Liabilities and Equity

	As at 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**167,364**	166,967	154,850	144,988	162,598
Current assets	**139,861**	138,383	105,149	118,311	157,478
TOTAL ASSETS	**307,225**	305,350	259,999	263,299	320,076
Non-current liabilities	**20,292**	20,721	22,424	21,801	19,978
Current liabilities	**89,445**	91,219	58,800	56,822	63,840
TOTAL LIABILITIES	**109,737**	111,940	81,224	78,623	83,818
NET ASSETS	**197,488**	193,410	178,775	184,676	236,258
Attributable to:					
Owners of the Company	**138,598**	123,125	119,128	105,497	141,823
Non-controlling interests	**58,890**	70,285	59,647	79,179	94,435
TOTAL EQUITY	**197,488**	193,410	178,775	184,676	236,258

Note:

The results of the Group for the year ended 31 December 2023 and of the assets, liabilities and equity of the Group as at 31 December 2023 are those set out on pages 74 to 78 of the audited consolidated financial statements.

Business and financial review

The Group recorded total revenue of approximately HK$187,960,000 for the year ended 31 December 2023, representing a decrease of approximately HK$3,220,000 or approximately 1.7% as compared to the revenue of approximately HK$191,180,000 for the year ended 31 December 2022. The loss for the year ended 31 December 2023 amounted to approximately HK$33,610,000 as compared to the profit of approximately HK$26,100,000 for the year ended 31 December 2022. The loss attributable to owners of the Company for the year ended 31 December 2023 amounted to approximately HK$23,734,000 as compared to profit attributable to owners of the Company of approximately HK$10,237,000 for the year ended 31 December 2022.

The loss for the year ended 31 December 2023 is primarily attributable to (i) the recognition of the one-off expense of approximately HK$22,188,000 in relation to the settlement agreement entered by an indirect non wholly-owned subsidiary of the Company as detailed below; (ii) the increase in depreciation expense resulting from the additions of mining machineries during the year ended 31 December 2023; and (iii) no reversal of impairment loss on property, plant and equipment and intangible asset has been made for the year ended 31 December 2023.

As a result, the Coal Mining Business segment reported a loss after tax of approximately HK$22,170,000 for the year ended 31 December 2023 as compared to a profit after tax of approximately HK$36,706,000 for the year ended 31 December 2022. The Coal Mining Business is reported as the only business segment of the Group.

The Coal Mining Business

Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited ("**Inner Mongolia Jinyuanli**"), an indirect non wholly-owned subsidiary of the Company, operates the Group's Inner Mongolia Coal Mine 958 (the "**Inner Mongolia Coal Mine 958**") in the Inner Mongolia region with an allowed annual coal production capacity of 1,200,000 tonnes. During the year ended 31 December 2023, approximately 904,000 tonnes (2022: 909,000 tonnes) of coals were produced and approximately 901,000 tonnes (2022: 910,000 tonnes) of coals were sold.

In September 2020, Inner Mongolia Jinyuanli entered into a Contract for State-Owned Construction Land Use Right Assignment (國有建設用地使用權出讓合同) with the Huolinguole Natural Resources Bureau (霍林郭勒市自然資源局) and a land premium of RMB11.6 million (equivalent to approximately HK$13.0 million) was paid in November 2020. Thereafter, Inner Mongolia Jinyuanli had submitted the application for the grant of the real estate ownership certificates (不動產所有權證) pending for the approval.

Business and financial review (Continued)

The Coal Mining Business (Continued)

During the year ended 31 December 2023, Inner Mongolia Jinyuanli had successfully renewed its: (i) safety production permit (安全生產許可證) granted by the Energy Administration of Inner Mongolia autonomous region (內蒙古自治區能源局); and (ii) coal mining license (採礦許可證) granted by the Tongliao Natural Resources Bureau (通遼市自然資源局), both of which were extended until 24 September 2026 and 26 October 2034 respectively.

At present, the local government authorities of the Inner Mongolia region visited Inner Mongolia Jinyuanli occasionally to review mainly the workplace safety and coal resources of the Inner Mongolia Coal Mine 958. During the year ended 31 December 2023, administrative fines of RMB1,391,000 (equivalent to approximately HK$1,535,000) (2022: RMB1,020,000 (equivalent to approximately HK$1,184,000)) were paid to the local government authorities for certain minor workplace safety matters.

In view of current conditions of our production facilities, the annual coal production output of our Inner Mongolia Coal Mine 958 is expected to remain at around 900,000 tonnes.

Impairment assessment review on property, plant and equipment, intangible asset and right-of-use assets of the Coal Mining Business segment

The management of the Company has performed an impairment assessment review on the carrying amounts of the property, plant and equipment, intangible asset and right-of-use assets under the non-financial assets of the Coal Mining Business cash-generating unit (the "**Coal CGU**") at each of the reporting period.

The recoverable amount of the Coal CGU was estimated based on the value in use calculation, determined by discounting the future cash flows to be generated from the continuing use of these assets. The key assumptions of the cash flow projections were made based on the current business and financial conditions of Inner Mongolia Jinyuanli. An independent professional valuer has been engaged by the Company to review the appropriateness and reasonableness of the assumptions applied in the cash flow projections, and conduct a valuation on the Coal CGU.

The key assumptions and parameters adopted in the cash flow projections of the Coal CGU as at 31 December 2022, 30 June 2023 and 31 December 2023 are set out below:

Key assumptions	**31 December 2022**	**30 June 2023**	**31 December 2023**
Projected annual coal production output for the period until the expiry date of the business license (note 1)	900,000 tonnes	900,000 tonnes	**900,000 tonnes**
Average unit coal selling price per tonne (including value-added tax) (note 2)	2023: RMB178 2024: RMB182 2025 onwards: increase with inflation rate	2023: RMB178 2024: RMB182 2025 onwards: increase with inflation rate	**2024: RMB188 2025: RMB193 2026 onwards: increase with inflation rate**
Inflation rate	2.5%	2.5%	**2.5%**
Pre-tax discount rate	16.49%	16.21%	**16.60%**

Business and financial review (Continued)

Impairment assessment review on property, plant and equipment, intangible asset and right-of-use assets of the Coal Mining Business segment (Continued)

Notes:

(1) The forecasted annual coal production output was estimated to be 900,000 tonnes based on the existing status of the Inner Mongolia Coal Mine 958.

(2) The estimated unit selling price of coal (average unit selling price) was determined by referencing to: (i) the current unit selling price of coals; (ii) the prevailing market price of coals in the Inner Mongolia region; and (iii) the historical average unit selling price of coals produced by Inner Mongolia Jinyuanli over past few years.

Based on the impairment assessment review for the year ended 31 December 2023, no reversal of impairment loss had been recognised on the carrying amounts of non-financial assets of the Coal Mining Business segment of the Group.

Selling and distribution expenses

The selling and distribution expenses of the Group for the year ended 31 December 2023 in the amount of approximately HK$4,548,000 was 100% attributed to the Coal Mining Business, representing a slight decrease of approximately HK$13,000 as compared to approximately HK$4,561,000 for the year ended 31 December 2022.

Administrative expenses

The administrative expenses of the Group for the year ended 31 December 2023 amounted to approximately HK$72,986,000, representing an increase of approximately HK$826,000 as compared to approximately HK$72,160,000 for the year ended 31 December 2022. The increase in administrative expense was mainly attributable to the increase of professional fees. The Group will continue to adopt cost saving measures in order to improve the financial performance.

Other operating expense

In April 2023, Inner Mongolia Yuanyuan Energy Group Co., Ltd ("**Inner Mongolia Yuanyuan Energy**"), a non-controlling shareholder of Inner Mongolia Jinyuanli, asserted that the operating activities of Inner Mongolia Jinyuanli had caused damages to the land, properties and ancillary facilities owned by Inner Mongolia Yuanyuan Energy (the "**Damaged Properties**").

On 18 July 2023, Inner Mongolia Jinyuanli and Inner Mongolia Yuanyuan Energy entered into a settlement agreement, pursuant to which Inner Mongolia Jinyuanli shall pay approximately RMB20,110,000 (equivalent to approximately HK$22,188,000) to Inner Mongolia Yuanyuan Energy as a settlement for the Damaged Properties and the relocation costs. The aforesaid settlement amount was recognised as "Other operating expense" during the year ended 31 December 2023.

RMB3,000,000 (equivalent to approximately HK$3,310,000) had been settled during the year ended 31 December 2023 and the remaining balance of approximately RMB17,110,000 (equivalent to approximately HK$18,844,000) was included in the "Accruals and other payables" as at 31 December 2023.

The Directors considered that this event will not cause material adverse impacts to the Group's operations.

Business and financial review (Continued)

Finance costs

The finance costs of the Group for the year ended 31 December 2023 amounted to approximately HK$827,000 as compared to approximately HK$1,170,000 for the year ended 31 December 2022. The decrease in finance costs was mainly attributable to the conversion of the Convertible Bonds (as defined hereinafter) in May 2023 and July 2023.

Loss for the year

The loss for the year ended 31 December 2023 amounted to approximately HK$33,610,000 as compared to the profit of approximately HK$26,100,000 for the year ended 31 December 2022. The loss attributable to owners of the Company for the year ended 31 December 2023 was approximately HK$23,734,000 as compared to the profit attributable to owners of the Company of approximately HK$10,237,000 for the year ended 31 December 2022.

Convertible bonds

On 21 June 2022, the Company entered into a subscription agreement with Blossom Investment Consultant Limited ("**Blossom**"), pursuant to which the Company had conditionally agreed to issue, and Blossom had conditionally agreed to subscribe for, convertible bonds in the aggregate principal amount of HK$40,000,000 (the "**Convertible Bonds**") which could be converted into a maximum of 220,000,000 conversion shares of the Company (with a nominal value of HK$2,200,000) at an initial conversion price of approximately HK$0.1818 per conversion share at the option of the convertible bondholder(s) at any time during the period from 18 July 2022 to 16 July 2023. The issuance of the Convertible Bonds was completed on 18 July 2022, the net proceeds from the Convertible Bonds were approximately HK$39,800,000.

The Convertible Bonds, with maturity date on 17 July 2023 (the "**Maturity Date**"), carried an interest rate of the average of the rate of interest offered on Hong Kong dollar loans by banks in the interbank market for one year (1-year HIBOR) on (i) 21 June 2022, and (ii) the Maturity Date, plus 0.25% per annum.

The initial conversion price of approximately HK$0.1818 per conversion share, represents (i) a premium of approximately 6.95% over the closing price of HK$0.170 per Share as quoted on the Stock Exchange as at the date of the subscription agreement; and (ii) a premium of approximately 2.49% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five consecutive trading days up to and including 20 June 2022 of HK$0.1774 per Share.

During the year ended 31 December 2023, the Convertible Bonds were transferred to independent third parties not connected to the Company and its connected person(s) within the meaning of the Listing Rules, and the entire Convertible Bonds with an aggregate principal amount of HK$40,000,000 were converted into 220,000,000 new Shares. As such, 110,000,000 new Shares and 110,000,000 new Shares were issued and allotted on 19 May 2023 and 14 July 2023 respectively at conversion price of approximately HK$0.1818 per conversion share.

Business and financial review (Continued)

Use of proceeds of the Convertible Bonds

The net proceeds from the issue of the Convertible Bonds were approximately HK$39,800,000. As disclosed in the announcement of the Company dated 9 February 2024, the Board resolved to change the use of the unutilised net proceeds of approximately HK$15,462,000 from enhancing the mining and mineral related businesses to the potential investment in the copper mine located in the Lao People's Democratic Republic ("**Laos**") as refundable deposit announced by the Company on 4 January 2024.

Set forth below are the detailed breakdown of the utilisation of net proceeds from the issue of the Convertible Bonds:

	Original intended use of net proceeds HK$'000	**Accumulated amount of net proceeds utilised as at 31 December 2022** HK$'000	**Accumulated amount of net proceeds utilised as at 30 June 2023** HK$'000	**Accumulated amount of net proceeds utilised as at 31 December 2023** HK$'000	**Unutilised net proceeds as at 31 December 2023** HK$'000	**Revised allocation of the net proceeds as disclosed in the announcement dated 9 February 2024** HK$'000
(1) Enhance the mining and mineral related businesses						
(i) Enhance the existing coal mining machineries and systems		8,708	10,526	13,781		
(ii) Coal trading business		–	26,474	7,757 (note)		
Subtotal	37,000	8,708	37,000	21,538	15,462	–
(2) Potential investment in the copper mine located in Laos as announced by the Company on 4 January 2024	–	–	–	–	–	15,462
(3) General working capital	2,800	2,800	2,800	2,800	–	–
Total	39,800	11,508	39,800	24,338	15,462	15,462

Note:

An amount of approximately HK$18.7 million utilised in coal trading business had returned to the Group as at 31 December 2023.

As of the date of this annual report, the net proceeds from the issue of the Convertible Bonds have been fully utilised.

Business and financial review (Continued)

Liquidity and financial resources

As at 31 December 2023,

(a) the aggregate amount of the Group's: (i) restricted bank deposits; and (ii) bank and cash balances was approximately HK$103,938,000 (2022: HK$122,450,000);

(b) the Group had no borrowing (2022: the Group's total borrowings comprised of the Convertible Bonds amounted to approximately HK$39,582,000);

(c) the Group's gearing ratio was zero (2022: approximately 0.20). The gearing ratio was calculated as the Group's total borrowings divided by total equity; and

(d) the Group's current ratio was approximately 1.56 (2022: 1.52). The current ratio was calculated as total current assets divided by total current liabilities.

The Board will continue to closely monitor the consolidated financial position of the Group to maintain its financial capacity for future operations and business developments.

Pledge of assets

As at 31 December 2023, the Group did not have any pledge of assets (2022: the entire issued share capital of two wholly-owned subsidiaries of the Company were pledged being the collaterals of the Convertible Bonds issued by the Company in July 2022).

Foreign currency risk

The Group's sales and purchases are mainly transacted in RMB and the books are recorded in HK$. The management of the Company noted the recent fluctuation in the exchange rate between RMB and HK$, and is of the opinion that it does not have any material adverse impact to the Group's consolidated financial position at present. The Group currently does not have a foreign currency hedging policy. The management of the Company will continue to monitor the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Acquisition and disposal of material subsidiaries, associates and joint ventures

The Group did not acquire nor dispose of any material subsidiaries, associates and joint ventures during the year ended 31 December 2023.

Significant investment

The Group did not purchase, sell or hold any significant investments during the year ended 31 December 2023.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2023.

Business and financial review (Continued)

Capital commitment

As at 31 December 2023, the Group's capital expenditure contracted for but not provided in the consolidated financial statements in respect of property, plant and equipment amounted to approximately HK$1,989,000 (2022: HK$5,366,000).

Employees

The Group employed 466 full-time employees as at 31 December 2023 (2022: 451) in Hong Kong and the PRC. Remuneration of the staff comprises monthly salaries, provident fund contributions, medical benefits, training programs, housing allowances and discretionary bonus based on their qualifications, job nature, performance and working experiences referencing to the prevailing market rate and contributions to the Group. Staff costs including Directors' emoluments for the year ended 31 December 2023 were approximately HK$78,716,000 (2022: HK$83,194,000).

Events after the reporting period

Memorandum of understanding in relation to the proposed investment

On 4 January 2024, Big Wish Group Limited, a direct wholly-owned subsidiary of the Company, Thaisan Jiujiu Investment Laos Trade Co., Ltd (老撾泰山久久投資貿易有限公司) ("**Thaisan Jiujiu**") and the shareholders of Thaisan Jiujiu entered into a memorandum of understanding (the "**MOU**") for the proposed investment in the equity interest of Thaisan Jiujiu. Subsequent to the end of the reporting period, a refundable deposit of RMB30,000,000 (equivalent to approximately HK$33,000,000) was paid to Thaisan Jiujiu as earnest money in accordance with the terms of the MOU.

Placing of new Shares

On 9 February 2024, the Company entered into a placing agreement with Yuen Meta (International) Securities Limited (the "**Placing Agent**") pursuant to which the Company had conditionally agreed to place through the Placing Agent, on a best effort basis, a maximum number of 322,692,000 placing shares at the placing price of HK$0.185 per placing share to not less than six placees who and whose ultimate beneficial owners shall be independent third parties not connected to the Company and its connected person(s) within the meaning of the Listing Rules (the "**Placing**").

The placing price of HK$0.185 per placing share represented: (i) a discount of approximately 18.86% to the closing price of HK$0.228 per Share as quoted on the Stock Exchange as at the date of the placing agreement; (ii) a discount of approximately 19.77% to the average closing price per Share of approximately HK$0.2306 as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the placing agreement; and (iii) a premium of approximately 65.18% to the net assets value per Share of approximately HK$0.112 based on the net assets value and the number of issued Shares of 1,613,477,166 as at 30 June 2023.

The Directors consider that the Placing represents an opportunity to raise additional funding for the business operations and development of the Group and will further broaden the Group's shareholders and capital base, providing working capital to the Group to meet any financial needs of the Group without any interest burden under current market sentiment.

Business and financial review (Continued)

Events after the reporting period (Continued)

Placing of new Shares (Continued)

The Placing was completed on 4 March 2024 and 322,692,000 new Shares (with a nominal value of HK$3,226,920) were issued and allotted at the placing price of HK$0.185 per placing share. The gross proceeds from the Placing were approximately HK$59,698,000 with issuance costs of approximately HK$597,000, the net proceeds were approximately HK$59,101,000. The net issue price was approximately HK$0.183 per placing share. These shares rank pari passu in all respects with other shares in issue.

The Company intends to apply the net proceeds from the Placing as follows:

(1) approximately HK$35.0 million shall be applied for the potential investment in the copper mine located in Laos as announced by the Company on 4 January 2024 and other potential mining related investments;

(2) approximately HK$14.0 million will be applied to enhance the existing mining machineries and systems and other potential mining related business, including but not limited to the coals, commodities and minerals trading business; and

(3) approximately HK$10.1 million will be used for general working capital of the Group.

Prospects

During 2023, the recovery of the domestic economy remained unstable in view of the current global political and economic environment. The Group's Coal Mining Business is still facing various challenges such as rising competitions from renewable energies, and tightening government regulations and industry practices. Furthermore, the incident of subsidence and deformation of land adjacent to the Inner Mongolia Coal Mine 958 during the year had caught the attention of our management the additional operation risk to our Coal Mining Business.

Looking forward, apart from strengthening the operation safety awareness among all the employees to ensure production safety, the Group will expedite to explore suitable business and investment opportunities arising from the mining and energy sectors not limited to the domestic market. The Group aims to diversify its business portfolio and increase the geographic diversity in order to benefit from the diversified return in the near future to enhance shareholders' value.

Furthermore, the Group will continue to monitor the development of the overall business environment and regulations to adjust our business strategy in a timely manner, as well as implement effective cost saving measures and funding management with an aim to enhance its financial position to seizing future business and investment opportunities.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Ng Ying Kit
Aged 46, joined the Company as the vice president of the business development and corporate finance division in June 2014, and was appointed as an executive Director and the compliance officer of the Company in February 2015. He is mainly responsible for the business development and corporate finance function of the Group and holds directorships in various subsidiaries of the Company. Mr. Ng has more than 10 years of experience in corporate finance and investment banking and has considerable experience in mergers and acquisitions, debt and equity financing and corporate strategic planning. Prior to joining the Company, he held senior management position in a Hong Kong listed company overseeing corporate finance function. Mr. Ng graduated from the University of Hong Kong with a Bachelor's degree in Electrical and Electronic Engineering. Mr. Ng has been an independent non-executive director of TBK & Sons Holdings Limited (stock code: 1960), a company listed on the Main Board of the Stock Exchange since October 2020.

Mr. Guo Jianpeng
Aged 35, joined the Company as an executive Director in August 2021. He is responsible for the areas of corporate finance and business development of the Group and holds directorships in various subsidiaries of the Company. Mr. Guo holds a bachelor's degree in Business Administration (Applied Economics) from Hong Kong Baptist University. Mr. Guo has extensive experience in the area of corporate finance. Since May 2019, Mr. Guo is the vice president and the responsible officer of Sigma Management Limited, a licensed corporation under Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

Ms. Yang Mo *(whose former name was Yang Hongyan)*
Aged 47, joined the Company as an executive Director on 5 April 2024. She is mainly responsible for the legal compliance of the Group. Ms. Yang has over 20 years of experience in legal compliance, corporate investment and financing and business operation management. She served as the legal counsel, business executive and sub-branch manager of the Shenzhen Branch of China Construction Bank from July 1996 to October 2005. She then worked as the vice-president of Shenzhen City Longhao Tiandi Company Limited (深圳市龍浩天地有限公司) from October 2005 to January 2011. From January 2011 to July 2017, she held the position of general manager at Shenzhen City Yima Cultural Communication Company Limited (深圳市翼馬文化傳播有限公司). From August 2017 to November 2019, she served as the deputy general manager for Shenzhen Youboshi Technology Company Limited (深圳優博視科技有限公司). Since December 2022, Ms. Yang has been serving as the general manager of Shenzhen Chenluo Creative Cultural Development Company Limited (深圳辰洛創意文化發展有限公司) up to the present.

Ms. Yang graduated from the Southwest University of Political Science and Law (西南政法大學) with a bachelor's degree in Law in July 1996 and a master's degree in Law (Economic Law) from Wuhan University (武漢大學) in December 2005. She has been awarded the Legal Professional Qualification Certificate and the Registered Qualification Certificate for Enterprise Legal Adviser (企業法律顧問執業資格證書) issued by the Ministry of Justice of the People's Republic of China in 1999 and 2001, respectively. She has also been awarded the Securities Industry Qualification (證券從業資格) issued by the Securities Association of China since 2004. Ms. Yang has been a Registered Financial Planner of the Society of Registered Financial Planners Limited since October 2004.

Executive Directors (Continued)

Mr. Jiang Xin

Aged 41, joined the Company as an executive Director in November 2023. He is a member of the Nomination Committee and of the Remuneration Committee. He is mainly responsible for the business development of the Group. Mr. Jiang has over 15 years working experience in research, investment and management of the mineral exploitation industry focused on the mineral market in various jurisdictions. From April 2012 to December 2016, Mr. Jiang worked as an engineer of China Kingho Energy Group Co., Ltd. (中國慶華能源集團有限公司) for the mineral projects in the Republic of Sierra Leone. From December 2016 to December 2018, Mr. Jiang worked at Tunghsu Group Co., Ltd. (東旭集團有限公司) as an investment director for the new energy investment center, which was principally engaged in the study and negotiation on the acquisition of mineral products and resources in relation to lithium, cobalt and nickel. From December 2018 to December 2019, Mr. Jiang worked as an investment director principally focused on the investment management of Kunming Shining Star Group Industry Co., Ltd. (昆明星耀集團實業有限公司). Mr. Jiang graduated from the China University of Geosciences (中國地質大學) with a bachelor's degree in Geochemistry in July 2007 and a master's degree in Geological Engineering in December 2020 and is a qualified geological engineer in the PRC since September 2014. From January 2020 up to the present, Mr. Jiang is acting as an independent consultant providing advice on investment projects for various mineral enterprises in the PRC.

Independent Non-executive Directors

Mr. Lee Wai Ming

Aged 56, has been appointed as an independent non-executive Director of the Company since November 2020. He is the chairman of the Audit Committee and of the Nomination Committee. Mr. Lee had served as a professional accountant in the audit department in Deloitte Touche Tohmatsu for over 10 years. He had also served various senior positions at various private and listed companies (the shares of which have been listed on the Main Board and GEM of the Stock Exchange). He previously acted as the financial controller and company secretary in each of Dadi International Group Limited (stock code: 8130) and Wealth Glory Holdings Limited (stock code: 8269), both companies' shares are listed on the GEM of the Stock Exchange. Mr. Lee also acted as an independent non-executive director of Kelfred Holdings Limited (stock code: 1134) during June 2019 to August 2020, a company listed on the Main Board of the Stock Exchange and acted as an independent non-executive director of Evershine Group Holdings Limited (stock code: 8022) during January 2021 to February 2021, a company formerly listed on the GEM of the Stock Exchange. Mr. Lee has more than 25 years of experience in the field of accounting, corporate finance and management. He holds a Bachelor of Arts (Hons) degree in Accountancy from the Hong Kong Polytechnic University. Mr. Lee is a Certified Public Accountant in Hong Kong, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. Chang Xuejun

Aged 53, was appointed as an independent non-executive Director of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 17 March 2016. Mr. Chang was re-designated to the chairman from a member of the Remuneration Committee and the Nomination Committee on 22 January 2020 and he ceased to be the chairman and member of the Nomination Committee on 23 November 2020. Mr. Chang is a qualified lawyer in the PRC. He graduated from Northwest University of Political Science and Law in Xi'an City, the PRC in 1993. Mr. Chang has more than 20 years' legal experience. He had been working as a secretary and assistant judge at the Intermediate People's Court in Lanzhou City, Gansu Province, the PRC from August 1993 to May 1999. He has joined LI & PARTNERS Attorneys at Law in Shenzhen, the PRC as a lawyer since May 1999. Mr. Chang is currently the partner of LI & PARTNERS Attorneys at Law in Shenzhen, the PRC.

Independent Non-executive Directors (Continued)

Mr. Li Juhui

Aged 44, was appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 17 April 2024 on 17 April 2024. Mr. Li has more than 10 years' experience in the finance industry. He worked for LC Securities Co., Ltd. (聯儲證券有限責任公司) for seven years, during which he was the head of the asset management headquarter, the chairman of the project review committee (立項審核委員會) and a member of project determination committee (項目決策委員會) under non-standardised assets management business (非標準化資產管理業務), and a member of the assets management business committee (資產管理業務委員會). He was the head of trust business department of the Shanghai regional center (上海區域中心) of Everbright Xinglong Trust Co., Ltd (光大興隴信託有限責任公司) for two years. He worked for Anyang Investment Group Co., Ltd (安陽投資集團有限公司), a local government financing vehicle entity, for three years. Mr. Li holds a bachelor's degree in International Economics and Trade from Zhengzhou University (鄭州大學), a master's degree in Business Administration from Shanghai Jiao Tong University (上海交通大學) and a degree of Doctor of Business Administration in Global Financial Management from Arizona State University.

Senior Management

Ms. Cheng On Yi

Aged 33, the group financial controller and company secretary of the Company. She joined the Company and was appointed to the positions in July 2022. Ms. Cheng obtained a bachelor's degree in business administration from the City University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England & Wales. Ms. Cheng has approximately 10 years of experience in finance, accounting and auditing listed companies in Hong Kong. Prior to joining the Company, Ms. Cheng serviced as a senior manager in an international audit firm.

Mr. Wang Yun Lung

Aged 60, the financial director of Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited, the Company's indirect non-wholly owned subsidiary. Mr. Wang graduated from the Jilin Radio and TV University in the PRC in 1989 with major in financial accounting. Prior to joining the Group in August 2007, Mr. Wang served as financial controller in construction and technology development companies and has more than 25 years of experience in financial management.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2023.

Corporate Governance Practices

The Company is committed to enhancing shareholder value and safeguarding interests of shareholders and other stakeholders through maintaining high standard of corporate governance. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business. The Board focuses on creating long-term sustainable growth for shareholders and delivering long-term values to all stakeholders.

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code. The Company has complied with the applicable code provisions as set out in the CG Code during the year ended 31 December 2023 except for the following deviations:

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Following the passing away of the former chairman and executive Director of the Company, and the resignation of chief executive officer of the Company, the Board does not have any chairman and chief executive officer. The duties and responsibilities of the Company's business are handled by the existing executive Directors and senior management of the Company so as to achieve the overall commercial objectives of the Company. The Company is looking for suitable person to fill the vacancy of the chairman and chief executive officer.

The corporate value of the Company is acting in lawful, ethical and responsible manner. All Directors act with integrity and promote the culture of integrity. Such culture instils and continually reinforces across the corporate values.

The Board will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

Board of Directors

The Company has adopted the Model Code as the required standard governing securities transactions by the Directors. The Company had made specific enquires to all the Directors and all the Directors confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2023.

The Board is primarily responsible for guiding the management to ensure the interests of the shareholders of the Company are safeguarded, overseeing and supervising the management of the business affairs and the strategic development and overall performance of the Group. The Board sets the Group's purposes, values, strategy and culture, and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives. The functions performed by the Board include but are not limited to formulating the Group's business plans and strategies, deciding all significant financial (including major capital expenditure) and operational issues, developing, monitoring and reviewing the Group's financial reporting, compliance and corporate governance practices. Major corporate matters that are specifically delegated by the Board to the executive Directors and senior management of the Group including the preparation of annual and interim consolidated financial statements for the Board's approval before public reporting, execution of business strategies and initiatives adopted by the Board, day-to-day management and operations, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations. Approval shall be obtained from the Board prior to any significant transactions being entered into by the senior management of the Group. While allowing management substantial autonomy to run and develop the business, the Board plays a key role in structuring and monitoring the reporting systems and internal controls.

Board Members

During the year ended 31 December 2023 and up to the date of this annual report, the Board comprised the following Directors:

Executive Directors

Mr. Ng Ying Kit
Mr. Leung Ka Hong *(resigned on 30 November 2023)*
Mr. Guo Jianpeng
Ms. Yang Mo *(appointed on 5 April 2024)*
Mr. Jiang Xin *(appointed on 30 November 2023)*
Mr. Tao Ye *(resigned on 31 October 2023)*

Non-Executive Directors

Mr. Hu Xiutong *(appointed on 15 February 2023 and resigned on 5 April 2024)*
Mr. Zhou Hongliang *(resigned on 31 October 2023)*

Independent Non-Executive Directors

Mr. Lee Wai Ming
Mr. Chang Xuejun
Mr. Ho Man *(resigned on 17 April 2024)*
Mr. Li Juhui *(appointed on 17 April 2024)*

There is no financial, business, family or other material/relevant relationship among the Directors.

Ms. Yang Mo, who was appointed as executive Director on 5 April 2024 and Mr. Li Juhui who was appointed as independent non-executive Director on 17 April 2024, obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 3 April 2024 and 17 April 2024 respectively, and have confirmed that they understood their obligations as a director of the Company.

Details of the qualifications and experience of the Directors are set out in the section headed "Profiles of Directors and Senior Management" of this annual report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently.

The Company had independent non-executive Directors who have appropriate and sufficient experience and qualifications to carry out their duties so as to protect the interests of the Shareholders. The Company has received an annual confirmation from each of the independent non-executive Directors, who acted in such capacities during the year ended 31 December 2023, on their respective independence pursuant to Rule 3.13 of the Listing Rules and the Company considered each of them to be independent.

Board Independence

The Board has established mechanisms to ensure independent views and inputs from any Director are available to the Board for improving the effectiveness of decision making. The governance framework and the following mechanisms are reviewed annually by the Board, through its Nomination Committee and Remuneration Committee, to ensure their implementation and effectiveness:

- Three out of the seven Directors are independent non-executive Directors, which meets the requirements of the Listing Rules that the Board must have at least three independent non-executive Directors and must appoint independent non-executive Directors representing at least one-third of the Board.

- The Nomination Committee will assess the independence, qualification and time commitment of a candidate who is nominated to be a new independent non-executive Director before appointment and the continued independence of existing independent non-executive Directors and their time commitments annually. All independent non-executive Directors are required to confirm in writing their compliance of independence requirements pursuant to Rule 3.13 of the Listing Rules, and to disclose the number and nature of offices held by them in public companies or organisations and other significant commitments.

Board Independence (Continued)

- External independent professional advice is available as and when required by individual Directors.
- All Directors are encouraged to express their views during the Board/Board Committee meetings.
- A Director (including independent non-executive Director) who has a material interest in a contract, arrangement or other proposal shall not vote or be counted in the quorum on any Board resolution approving the same.

Board Meeting

Details of the attendance record of the Board members during the year ended 31 December 2023 are as follows:

Directors	Number of board meeting attended/held	Board meeting attendance percentage	2022 AGM attended/held	2022 AGM attendance percentage
Mr. Ng Ying Kit	8/8	100%	1/1	100%
Mr. Leung Ka Hong[(1)]	7/7	100%	1/1	100%
Mr. Guo Jianpeng	8/8	100%	1/1	100%
Ms. Yang Mo[(2)]	N/A	N/A	N/A	N/A
Mr. Jiang Xin[(3)]	N/A	N/A	N/A	N/A
Mr. Tao Ye[(4)]	6/6	100%	1/1	100%
Mr. Hu Xiutong[(5)]	7/7	100%	1/1	100%
Mr. Zhou Hongliang[(6)]	5/6	83%	1/1	100%
Mr. Lee Wai Ming	8/8	100%	1/1	100%
Mr. Chang Xuejun	8/8	100%	1/1	100%
Mr. Ho Man[(7)]	8/8	100%	1/1	100%
Mr. Li Juhui[(8)]	N/A	N/A	N/A	N/A

Notes:

(1) Mr. Leung Ka Hong was resigned as an executive Director on 30 November 2023.

(2) Ms. Yang Mo was appointed as an executive Director on 5 April 2024.

(3) Mr. Jiang Xin was appointed as an executive Director on 30 November 2023.

(4) Mr. Tao Ye was resigned as an executive Director on 31 October 2023.

(5) Mr. Hu Xiutong was appointed and resigned as a non-executive Director on 15 February 2023 and 5 April 2024 respectively.

(6) Mr. Zhou Hongliang was resigned as a non-executive Director on 31 October 2023.

(7) Mr. Ho Man was resigned as an independent non-executive Director on 17 April 2024.

(8) Mr. Li Juhui was appointed as an independent non-executive Director on 17 April 2024.

(9) All Directors attended the 2022 AGM either in person or by teleconference.

(10) The 2022 AGM was held on 21 June 2023 and no other shareholder meeting held during the year ended 31 December 2023.

During the year ended 31 December 2023, the Board has held 8 meetings. Apart from four regular Board meetings each year, the Board met on occasions when a board-level decision on a particular matter was required. For regular Board meeting, a notice of the meeting is sent to all Directors at least 14 days before the intended date of meeting and an agenda and accompanying board papers of the meeting are sent to all Directors at least three days before the intended date of meeting. For all other Board meeting, a notice of the meeting together with an agenda and accompanying board papers of the meeting are sent to all Directors in reasonable time. All Directors are entitled to have access to board papers and related materials, have unrestricted access to the advice and services of the company secretary, and have the liberty to seek independent professional advice if so required. All Directors have direct access to the senior management of the Group and has unrestricted and immediate access to any information relating to the Company's business and affairs. 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.

Board Meeting (Continued)

All minutes of board meetings and board committee meetings are kept by the company secretary and are opened for inspection by any Director during normal office hours. Minutes of each board meeting and board committee meeting record in sufficient details the matters considered and decisions reached. Draft and final of minutes have been sent to all Directors for their comments and records within a reasonable time after the relevant meetings were held.

Board Diversity Policy

The Board has adopted a policy of the Board diversity (the "**Board Diversity Policy**") and discussed all measurable objectives set for implementing the same. The Board will from time to time review this policy and monitor its implementation to ensure the continued effectiveness and compliance with regulatory requirements and good corporate governance practices. A summary of the Board Diversity Policy is set out below:

The Company recognises and embraces the benefits of a diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

As at 31 December 2023, the Board composition under diversified perspectives is set out as follows:

	Number of Directors	Proportion of the Board
Educational Background		
Accounting or finance	3	44%
Business administration	1	14%
E&E Engineering	1	14%
Geological Engineering	1	14%
Legal	1	14%
Gender Diversity		
Male	7	100%
Female	–	N/A
Age Group		
31 – 35	1	14%
36 – 40	1	14%
41 – 45	1	14%
46 – 50	1	14%
51 – 55	2	30%
56 – 60	1	14%
Length of Service		
1 – 5 years	5	71%
6 – 10 years	2	29%

Board Diversity Policy (Continued)

On 5 April 2024, the Board appointed a female Director. The Nomination Committee was of the opinion that the Board consisted of members with diversified age, gender, cultural and education background, professional/business experience, skills and knowledge.

Appointment and Re-election of Directors

The Directors had received a comprehensive, formal and tailored induction on appointment regarding the Group's operation and business as well as the statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Nomination Committee and Remuneration Committee are responsible for assessing the candidate for appointment as Director and submit recommendation to the Board for consideration and approval.

In accordance with article 83(3) of the Second Amended and Restated Memorandum and Articles, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office until the first general meeting of the Company after his/her appointment and shall then be eligible for re-election.

In accordance with article 84(1) of the Second Amended and Restated Memorandum and Articles, at each annual general meeting of the Company one-third of the Directors for the time being (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 of the Company at least once every three years.

The biographical details of those Directors who are subject to re-election at the annual general meeting of the Company will be assessed by the Nomination Committee and Remuneration Committee and recommended to the Board to decide the tabling of the proposed re-election of Directors for shareholders' approval at the annual general meeting of the Company.

Directors' Insurance

The Company has arranged appropriate directors' and officers' liabilities insurance for the Directors and officers of the Company.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Board Committees

The Board has established three Board Committees, being the Audit Committee, Nomination Committee and Remuneration Committee, for overseeing particular aspects of the Group's affairs. The Board has delegated to these Board Committees various responsibilities as set out in their respective terms of reference.

Remuneration Committee

The Company has established the Remuneration Committee in September 2005. The terms of reference of the Remuneration Committee are available on the websites of the Company and of the Stock Exchange, it is consistent with the code provisions set out in the relevant section of the CG Code. As at 31 December 2023, the Remuneration Committee comprised two INEDs, namely Mr. Chang Xuejun (the chairman) and Mr. Ho Man, and one executive Director, Mr. Jiang Xin.

The role and function of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy for all Directors and senior management of the Company, the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and the making of recommendations of the remuneration of independent non-executive Directors to the Board.

Remuneration policy for the Directors

The remuneration of the Directors is determined with reference to their expertise and experience in the industry, level of responsibility, efforts and time dedicated to the participation in the Group's affairs, the performance and profitability of the Group as well as remuneration benchmarks from other companies and prevailing market conditions. Executive Directors also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance. None of the Directors is entitled to determine his own remuneration package.

During the year ended 31 December 2023, three meetings were held by the Remuneration Committee which the following works were performed:

(i) discussed and reviewed the existing policy and structure of the remuneration for the Directors and senior management of the Company;

(ii) reviewed and recommended to the Board the remuneration packages for the executive Directors and senior management of the Company;

(iii) reviewed the Directors' fees; and

(iv) made recommendations on the remuneration of the Directors to the Board and approved the terms of the service agreements and appointment letters.

The attendance record of each member of the Remuneration Committee during the year ended 31 December 2023 is as follows:

	Number of the Remuneration Committee meeting attended/held	**Attendance percentage**
Mr. Chang Xuejun *(chairman)*	3/3	100%
Mr. Ho Man(1)	3/3	100%
Mr. Leung Ka Hong(2)	2/2	100%
Mr. Jiang Xin(3)	N/A	N/A
Mr. Li Juhui(4)	N/A	N/A

Board Committees (Continued)

Remuneration Committee (Continued)

Notes:

(1) Mr. Ho Man was resigned as member of the Remuneration Committee from 17 April 2024.

(2) Mr. Leung Ka Hong was resigned as a member of the Remuneration Committee from 30 November 2023.

(3) Mr. Jiang Xin was appointed as a member of the Remuneration Committee from 30 November 2023.

(4) Mr. Li Juhui was appointed as member of the Remuneration Committee from 17 April 2024.

The Remuneration Committee had considered and reviewed service agreements and appointment letters of the Directors. It considered that the existing terms of service agreements and appointment letters of the Directors were fair and reasonable.

Nomination Committee

The Company established the Nomination Committee in September 2005. The terms of reference of the Nomination Committee are available on the websites of the Company and of the Stock Exchange, it is consistent with the code provisions set out in the relevant section of the CG Code. As at 31 December 2023, the Nomination Committee comprised two INEDs, namely Mr. Lee Wai Ming (the chairman) and Mr. Ho Man, and one executive Director, Mr. Jiang Xin.

The role and function of the Nomination Committee include, among others, reviewing the structure, size, composition and diversity of the Board at least annually, assessing the independence of INEDs and the selection and recommendation on any proposed changes to the Board. In doing so, the Nomination Committee considered the past performance, the individual's qualification and, for INEDs, independence, as well as the general market conditions in selecting and recommending candidates for directorship.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee. The nomination process is conducted in accordance with the Director Nomination Policy and Board Diversity Policy, which set out the selection criteria and process and the Board succession planning considerations in relation to the nomination and appointment of the Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Director on the Board and independence of the proposed independent non-executive Director in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

Board Committees (Continued)

Nomination Committee (Continued)

During the year ended 31 December 2023, three meetings were held by the Nomination Committee which the following works were performed:

(i) reviewed the structure, size, composition and diversity of the Board;

(ii) make recommendations to the Board on the appointment or re-appointment of Directors;

(iii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; and

(iv) assessed the independence of independent non-executive Directors.

The attendance record of each member of the Nomination Committee during the year ended 31 December 2023 is as follows:

	Number of the Nomination Committee meeting attended/held	Attendance percentage
Mr. Lee Wai Ming *(chairman)*	3/3	100%
Mr. Ho Man(1)	3/3	100%
Mr. Leung Ka Hong(2)	2/2	100%
Mr. Jiang Xin(3)	N/A	N/A
Mr. Li Juhui(4)	N/A	N/A

Notes:

(1) Mr. Ho Man was resigned as a member of the Nomination Committee from 17 April 2024.

(2) Mr. Leung Ka Hong was resigned as a member of the Nomination Committee from 30 November 2023.

(3) Mr. Jiang Xin was appointed as a member of the Nomination Committee from 30 November 2023.

(4) Mr. Li Juhui was appointed as a member of the Nomination Committee from 17 April 2024.

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. The terms of reference of the Audit Committee are available on the websites of the Company and of the Stock Exchange. The primary duties of the Audit Committee are to review the financial information of the Group, to oversee the financial reporting system, risk management and internal control systems to ensure the integrity of the consolidated financial statements of the Group and the effectiveness of internal control and risk management systems of the Group.

As at 31 December 2023, the Audit Committee comprised three INEDs, namely Mr. Lee Wai Ming (the chairman), Mr. Chang Xuejun and Mr. Ho Man. Among the Committees, Mr. Lee Wai Ming possessed appropriate professional accounting and related financial management expertise in compliance with the requirements set out in Rules 3.10(2) of the Listing Rules.

Board Committees (Continued)

Audit Committee (Continued)

The Audit Committee held three meetings during the year ended 31 December 2023 to review interim and annual financial results and reports, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, the effectiveness of the Group's internal audit function and scope of work and appointment of external auditors. Details of the attendance of the Audit Committee meetings during the year ended 31 December 2023 are as follows:

	Number of the Audit Committee meeting attended/held	Attendance percentage
Mr. Lee Wai Ming *(chairman)*	3/3	100%
Mr. Chang Xuejun	3/3	100%
Mr. Ho Man[(1)]	3/3	100%
Mr. Li Juhui[(2)]	N/A	N/A

Notes:

(1) Mr. Ho Man was resigned as a member of the Audit Committee from 17 April 2024.

(2) Mr. Li Juhui was appointed as a member of the Audit Committee from 17 April 2024.

During the year ended 31 December 2023, the Group's unaudited interim results for the six months ended 30 June 2023 and annual audited results for the year ended 31 December 2022 had been reviewed by the Audit Committee, which was of the opinion that the preparation of such results had complied with the applicable accounting standards and requirements and adequate disclosure had been made.

Directors' Training

Pursuant to C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. From time to time, the Directors are provided with written materials to develop and refresh their professional skills. The Directors had fulfilled the relevant requirements under C.1.4 of the CG Code during the year ended 31 December 2023.

Directors	Training
Executive Directors	
Mr. Ng Ying Kit	✓
Mr. Leung Ka Hong *(resigned on 30 November 2023)*	✓
Mr. Guo Jianpeng	✓
Ms. Yang Mo *(appointed on 5 April 2024)*	N/A
Mr. Jiang Xin *(appointed on 30 November 2023)*	✓
Mr. Tao Ye *(resigned on 31 October 2023)*	✓
Non-executive Directors	
Mr. Hu Xiutong *(appointed on 15 February 2023 and resigned on 5 April 2024)*	✓
Mr. Zhou Hongliang *(resigned on 31 October 2023)*	✓
Independent non-executive Directors	
Mr. Lee Wai Ming	✓
Mr. Chang Xuejun	✓
Mr. Ho Man *(resigned on 17 April 2024)*	✓
Mr. Li Juhui *(appointed on 17 April 2024)*	N/A

Company Secretary

The Board approves the selection, appointment or dismissal of the company secretary. All members of the Board have access to the advice and service of the company secretary. The company secretary has day-to-day knowledge of the Group's affairs.

Mr. Leung Ka Hong was resigned as the joint company secretaries of the Company on 30 November 2023 and Ms. Cheng On Yi remains in office and acts as the sole company secretary of the Company. Ms. Cheng On Yi is the employee of the Company. The company secretary provided the training records to the Company, indicating that she had taken no less than 15 hours of relevant professional training during the year ended 31 December 2023 pursuant to Rule 3.29 of the Listing Rules.

Remuneration of Independent Auditor

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. The fees received and receivable by the independent auditor of the Company in respect of audit services for the year ended 31 December 2023 amounted to approximately HK$1,350,000 (2022: HK$1,300,000) and non-audit service for reviewing 2023 interim report amounted to approximately HK$150,000 (2022: HK$150,000).

Remuneration of Directors and Senior Management

Particulars of the Directors' remuneration for the year ended 31 December 2023 are set out in Note 14 to the consolidated financial statements.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Profiles of Directors and Senior Management" in this annual report for the year ended 31 December 2023 by band is set out below:

Remuneration band	**Number of individuals**
Nil – HK$1,000,000	2

Accountability and Audit

Financial Reporting

The Board is committed to providing a balanced, clear and understandable assessment of the Group's financial position and performance in its annual reports, interim reports and other financial disclosures as required by regulatory authorities. The annual and interim results of the Company are published in a timely manner, within three months and two months respectively of the year end and the half-year end. The Board, as assisted by the Audit Committee, oversees the financial reporting process and the quality of the financial reporting of the Group. Audit Committee reviews and monitors the integrity of the Group's annual and interim consolidated financial statements. It also reviews the appropriateness of the Group's accounting policies and the changes to these policies as well as ensures these consolidated financial statements comply with accounting standards and regulatory requirements. The management of the Group provides sufficient explanation and information to the Board and Audit Committee to enable it to make an informed assessment of financial and other information put before it for approval.

Accountability and Audit (Continued)

Directors' and Independent Auditor's Responsibilities for the Consolidated Financial Statements

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

As at 31 December 2023, the Directors were not aware of any material uncertainties relating to events or conditions which might cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

The reporting responsibilities of the external auditor of the Company are set out on pages 72 to 73 of this annual report.

Risk Management and Internal Controls

The Board has overall responsibility for maintaining sound and effective risk management and internal control systems (including ESG) on an ongoing basis in order to manage rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable and not absolute assurance against material misstatement or loss.

The Company has not established an internal audit department and the Directors are of the view that given the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professional firms to perform the internal audit function for the Group as the need arises.

The Board conducted a review and assessment of the effectiveness of the Group's risk management and internal control systems and procedures in 2023 through the discussions with all the business segments heads, the management of the Group and members of the Audit Committee. The review covered financial, operational and compliance controls, which include fixed assets management, purchasing and payment cycle, inventory management, credit risk management and payroll handling, to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions as well as those relating to the ESG performance and reporting. The management of each business segment was responsible for its daily operations and identify, evaluate and manage of operational risks and implementation of mitigation measures for significant risk identified. In respect of the breach of the Listing Rules in relation to the advance to an entity and financial assistance during the year ended 31 December 2023, the Board will adopt the following measures to strengthen the internal control procedures: (i) arrange training sessions for the Directors and management of the Group to reinforce their understandings of and importance of compliance with the Listing Rules and the other relevant rules and regulations; (ii) review, strengthen and continue to monitor the internal control measures of the Group, including but not limited to contract signing procedures, to ensure that the Directors and management within the Group shall promptly report to the Board any proposed transactions or events involving significant financial advances of the Group, to seek the Board's approval before proceeding such transactions; and (iii) work more closely with its legal adviser and consult other professional advisers before entering into any potential notifiable transaction. If necessary, the Company might also consult the Stock Exchange on the proper treatment of the proposed transaction.

The Board will ensure the risk management and internal control systems are effective and adequate and that the Company will comply with the code provisions relating to risk management and internal control of the CG Code.

Risk Management and Internal Controls (Continued)

The Company is aware of its obligation under the SFO, the Listing Rules and the overriding principle that inside information should be announced on a timely manner and conducts its affairs in strict compliance with the applicable laws and regulations prevailing in Hong Kong. The Company has established disclosure mechanism regarding the procedures of identifying inside information and preserving its confidentiality until proper dissemination with the Board's approval through the electronic publication systems operated by the Stock Exchange and the Company.

The Group adopts zero tolerance to corruption or any misconduct that is against the Group's interest and implements various measures in compliance with the relevant laws and regulations in relation to anti-corruption and anti-briber. In case any employee violates the Group's policy regarding anti-corruption, the Group will terminate its labour contract and transfer such case to the judicial authorities. All employees are required to avoid conflicts of interest by not conducting any illegal financial activities or other illegal activities, and report any situations that may involve conflict of interest with the Group, either directly or indirectly. There is also a whistle-blowing policy in place that provides a channel for employees to report suspected misconduct and prevents any malpractice or misconducts relating to bribery, extortion, fraud and money laundering that will happen in the Group. The management of the Group will take immediate action to investigate the issue. The Group endeavours to protect the whistle-blower from common concerns such as potential retaliation and is assured that their identity as a whistle-blower will be kept confidential.

Constitutional Documents

During the year ended 31 December 2023, a special resolution was proposed and passed by the Shareholders at the 2022 AGM for the proposed amendments (the "**Amendments**") to the amended and restated memorandum of association and the articles of association of the Company and the adoption of the Second Amended and Restated Memorandum and Articles of Association. Details of the Amendments were set out in the circular of the Company dated 28 April 2023.

The Second Amended and Restated Memorandum and Articles of Association is available on both the websites of the Company and of the Stock Exchange.

Dividend Policy

The Company had a dividend policy. The Board has the discretion to declare and distribute dividends to the Shareholders after taking into account factors such as financial performance, working requirement and external economic conditions. The Directors do not recommend any dividend for the year ended 31 December 2023 (2022: Nil).

Communications with Shareholders

The Company's shareholders' communication policy aims to ensure the Shareholders can have equal, regular and timely access to material information about the Company in order to maintain an on-going dialogue with the Shareholders and to enable the Shareholders to exercise their rights in an informed manner.

Communications with Shareholders (Continued)

The Company's annual general meeting is one of the principal channels of communication with its Shareholders. It provides an opportunity for Shareholders to communicate directly with the Directors about the Group's performance and operations. Separate resolutions are proposed at annual general meeting for each substantial issue, including the approval of the consolidated financial statements, re-election and election of individual directors. The detailed procedures of conducting a poll are explained to Shareholders at the commencement of the meeting. To solicit and get feedback from Shareholders, the Company provides Shareholders with channels to express their views on matters affecting the Company including (i) Hong Kong Branch Share Registrar of the Company, Tricor Abacus Limited, for enquiries on shareholdings; and (ii) company secretary of the Company for direct questions, request for publicly available information and provide comments and suggestions.

The Board has reviewed the implementation and effectiveness of the shareholders' communication policy with Shareholders including steps taken at the Company's annual general meeting and the handling of queries received (if any) and considered that the shareholders' communication policy is effective.

Shareholders Rights

Convening EGM and putting forward proposals

Under the Second Amended and Restated Memorandum and Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth (1/10) of the paid up capital of the Company carrying the right of voting at general meetings of the Company, can require an extraordinary general meeting to be called for the transaction of any business specified in such requisition. The procedures for the Shareholders to convene and put forward proposals at an extraordinary general meeting are stated as follows:

(1) The requisitionist(s) should sign a written request stating the objects of the meeting to be convened, and deposit the same at the principal place of business of the Company in Hong Kong, presently situated at Unit 1102, 11/F, 29 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong for the attention of the Board or the Company Secretary.

(2) Where, within 21 days from the date of deposit of the requisition, if the Board fails to proceed to convene an extraordinary general meeting, the requisitionist(s) himself (themselves) may convene the general meeting in the same manner, as that in which meetings may be convened by the Board, and all reasonable expenses incurred by the requisitionist(s) as a result of such failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Investors Relations

The Company has disclosed all necessary information to the Shareholders in compliance with the Listing Rules. Meetings are held with media and investors in due course. The Company also replies to enquiries from the Shareholders timely. The Directors host an annual general meeting each year to meet with the Shareholders and answer their enquiries.

For putting forward any enquiries to the Board, the Shareholders may send written enquiries to the Company to our principal of business at Unit 1102, 11/F, 29 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company will not normally deal with verbal or anonymous enquiries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About this Report

The Group is committed to building an environmentally friendly corporation, while maintaining high quality standards in production and sale of coal and minerals. The Group's coal related operations are based in a strategic location, Inner Mongolia, which possesses one of the richest low-rank coal reserves in the People's Republic of China (referred to as the "**PRC**"). Given the ongoing trends of industrialisation and urbanisation, the PRC is the largest producer and consumer of coal in the world; hence, it is important that the Group helps raise awareness about the increasing industrial pollution, climate change and social injustice. The Group considers social and environmental responsibilities as one of the core values in its business operations, the Group strives for greater sustainability and transparency, as well as creating products that foster a sustainable environment for future generations.

This report summarises several subjects of the Group's business practice for the Environmental, Social and Governance report ("**ESG Report**") and its relevant implemented policies and strategies in relation to the Group's operational practices and environmental protection.

The ESG Report covers the period from 1 January 2023 to 31 December 2023 (the "**Reporting Period**" or the "**FY2023**").

Report Compilation Basis

This ESG Report is prepared according to the "Environmental, Social and Governance Reporting Guide" (the "**ESG Reporting Guide**") under Appendix C2 to the Listing Rules of the Stock Exchange. The preparation, presentation and contents of this report follow the principles of "Materiality", "Quantitativeness", "Consistency" and "Balance" set out in the ESG Reporting Guide. Unless otherwise specified, the statistical methods or KPIs disclosed in this ESG Report are consistent with those in last year's ESG Report.

Materiality: Materiality assessment was conducted and reviewed annually to assess the relative importance of the ESG topics identified. Topics that are relevant and important to the operation of the Group and stakeholders must be covered in this ESG Report.

Quantitative: If the key performance indicators (KPIs) have been established, they must be measurable and applicable to valid comparisons under appropriate conditions.

Balance: The ESG Report should provide an unbiased picture of the issuer's performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgement by the report reader.

Consistency: ESG data presented in this ESG Report are prepared using consistent methodologies over time unless otherwise specified either in text or footnote.

Certain data of the ESG Report is extracted from the audited consolidated financial statements of the Company for the year ended 31 December 2023 (prepared in accordance with the applicable Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations), whilst other data comes from internal database of the Company and other relevant statistics.

Scope of the ESG Report

This ESG Report describes the Group's ESG approach, strategy, priorities and objectives covering various main areas including Environmental Protection, Social Responsibility, Operating Practices and Sustainability. For corporate governance of the Group, please refer to pages 21 to 33 of the Corporate Governance Report in the 2023 Annual Report of the Company.

This ESG Report covers the Group's headquarter in Hong Kong and its operation sites in the PRC in the operation of the Group's core business i.e. coal mining. The Group's PRC operation represents the majority of the Group's environmental and social impacts, and the impacts from its headquarter office in Hong Kong is minimal. Thus, this ESG Report content focus mainly on the mining site of coal mining business in Inner Mongolia, the PRC, unless stated otherwise.

There were no significant changes in the scope of this ESG Report from that of the 2022 Report published on 27 April 2023.

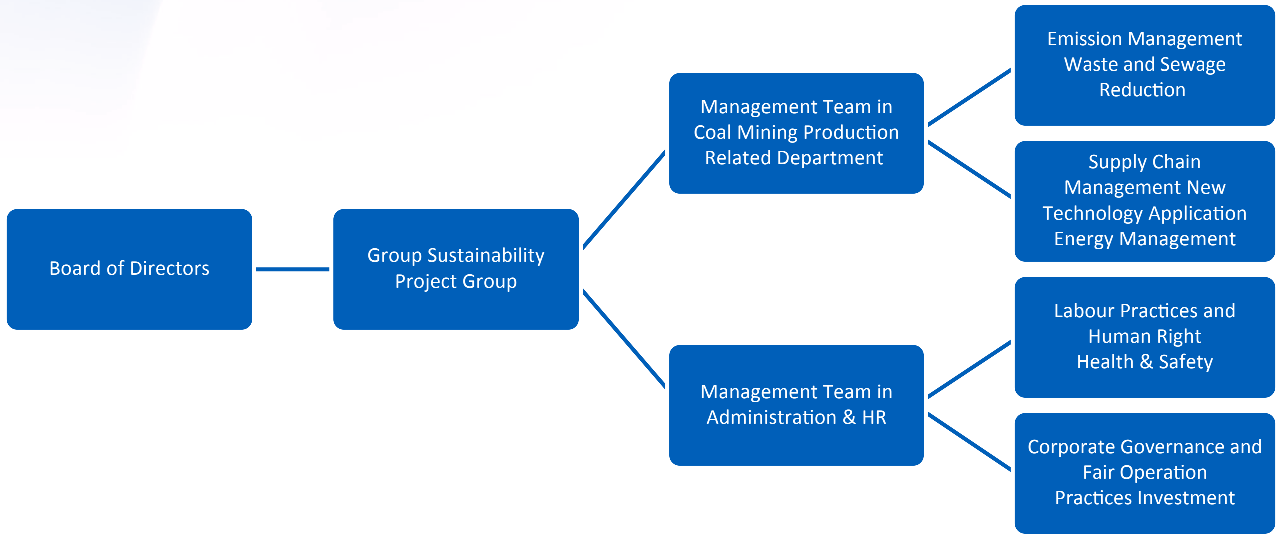
Board Statement and Governance Structure

Coal mining operation is closely related to the ecological environment. Coal mining, in nature, is a kind of exploration of natural resources. Coal production process requires a lot of water and energy. Moreover, plenty of coal dust and noise will be generated during the coal mining operation. Coal mining business significantly influences the surroundings ecologically throughout the coal mining operation from exploration and development, mining, processing, loading and transportation to rehabilitation.

Being aware of the environmental impact arisen from the coal mining processes, the Group is highly responsible to the environment. In addition to the compliance with all appropriate laws and regulations of the Ministry of Environmental Protection of the PRC, the Group strives to achieve sustainable development in the coal mining operation.

The Group is committed to endorsing a green environmental protection enterprise culture in the business development. Geological and mining specialists are involved in the decision making and planning process that help to achieve the goal in a much greener and environmental-friendly manner. With a series of environmental policies established, the Group takes measures to minimise the potential adverse impact on the environment and preserve natural resources arising from the operation and activities.

Owing to the nature of the business, the Group's commitment to the environment focuses on the reduction of emission, the efficiency of energy and water usage, as well as the conservation of ecological environment. The Board takes overall responsibility for sustainability matters and their integration into the Group strategies. The Board guides to form the Group Sustainability Project Group. Group Sustainability Committee manage and monitor sustainability performance and targets, and implement improvement processes. The operation management team initiate, drive and monitor the sustainability practices in their respective departments. The Group's governance structure for its sustainability matters is as follows:



Stakeholder Engagement

The Group believes that understanding the views of the stakeholders lays a solid foundation to the long-term growth and success of the Group. The Group has a wide network of stakeholders, including employees, customers, suppliers and business partners, investors, government and local community.

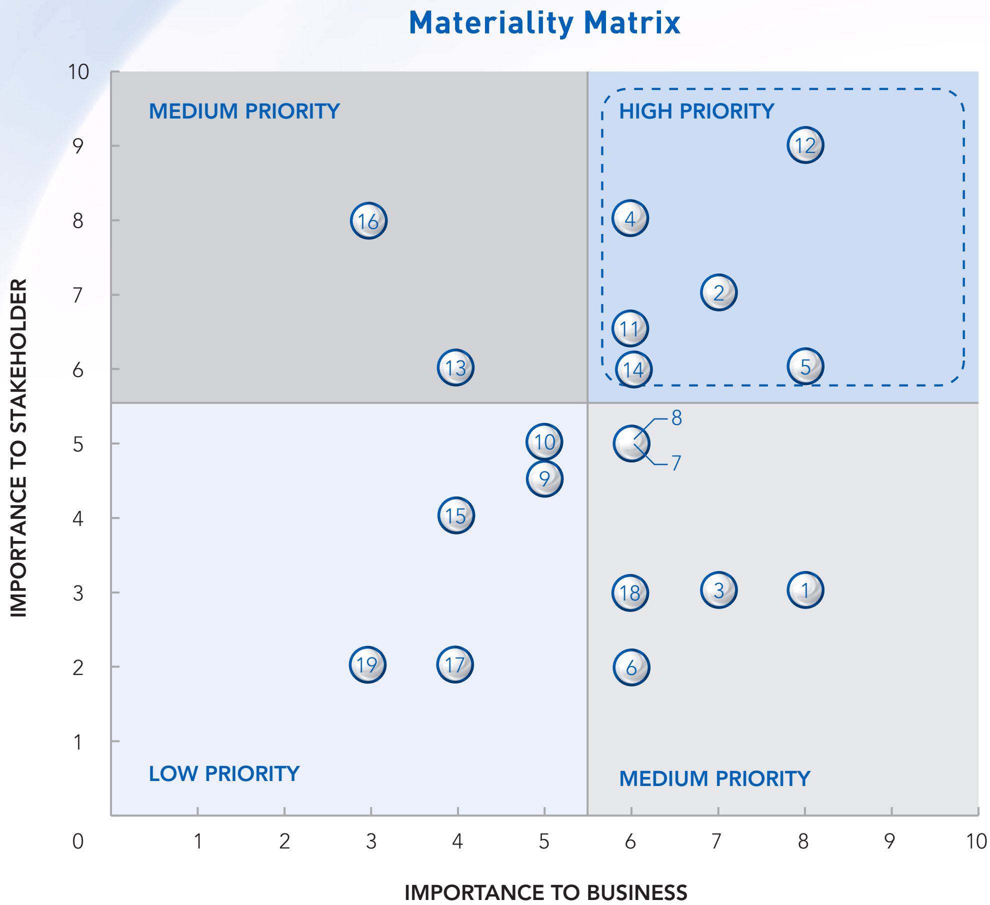
The Group develops multiple channels to the stakeholders which summarised in the following table which provide them with the opportunities to express their views on the Group's sustainability performance and future strategies. To reinforce mutual trust and respect, the Group is committed to maintaining enduring communication channels, both formally and informally, with stakeholders to enable the Group to better shape its business strategies in order to respond to their needs and expectations, anticipate risks and strengthen key relationships. The information collected through different communication processes serves as an underlying basis for the structure of this ESG Report.

Stakeholder Groups	Engagement Channels	Possible concerned
Investors	• General meetings • Regular corporate publications including financial reports • Circulars and announcements • Corporate website • Direct communication • Meetings and responses to phone and written enquiries	• Business strategies and sustainability • Financial performance • Corporate governance
Customers	• Direct communication • Emails • Business meetings	• Services quality and reliability • Customers information security • Business ethics
Employees	• Appraisals • On-the-job coaching • Trainings • Internal memorandum • Human resources manual • Exit interview	• Training and development • Employee remuneration • Rights and benefits • Working hours • Occupational health and safety • Equal opportunities
Suppliers and business partners	• Business meetings • Tendering for procurement of products or services	• Fair competition • Fulfilment of promises • Payment schedule
Government and other regulatory authorities	• Statutory filings and notification • Regulatory or voluntary disclosures	• Compliance with law and regulations • Treatment of inside information • Co-operation with enquiries
Local community	• Community activities • Donations	• Environmental protection • Fair employment opportunities

Materiality Assessment

The Group has maintained close communication with the stakeholders since the Group listed on the Stock Exchange. Through ongoing discussions and direct communications with the stakeholders, the Group understands the main concerns and material issues that matter most to the stakeholders. During the Reporting Period, the Group is more concerned about the mitigation of significant climate-related issues, extreme weather and intellectual property. The Group strives to review these issues from time to time to achieve continuous improvement and sustainable business development. The main concerns and material issues are listed below:

ESG aspects as set out in ESG Reporting Guide		Material ESG issues for the Group
A. Environmental	A1 Emissions	1. Air Emission 2. Greenhouse Gas Emission 3. Waste Management
	A2 Use of Resources	4. Energy Consumption 5. Water Consumption 6. Paper consumption
	A3 The Environment and Natural Resources	7. Environmental Risk Management
	A4 Climate Change	8. Climate-related Risks and opportunities
B. Social	B1 Employment	9. Human Resources Practices 10. Employment and Remuneration Policies 11. Equal Opportunity
	B2 Health and Safety	12. Employees' Health and Workplace Safety
	B3 Development and Training	13. Employee Development
	B4 Labour Standards	14. Anti-child and Forced Labour
	B5 Supply Chain Management	15. Supplier Practices
	B6 Product Responsibility	16. Goods/Services quality and Customers Satisfaction 17. Protection of Customers Privacy
	B7 Anti-corruption	18. Anti-corruption and Anti-money Laundering
	B8 Community Investment	19. Community Investment



Pursuant to environmental and social issues based on the ESG Reporting Guide within the scope of sustainability and the information collected from the stakeholders and the assessments of their importance on business, the Group built a two-dimensional materiality matrix and identified the following issues that are in high priority to the stakeholders and the Group. The priorities are set based on the management's view as well as stakeholders' feedback.

Number	Topics
12	Employee's Health and Workplace Safety
4	Energy Consumption
2	Greenhouse Gas Emission
5	Water Consumption
11	Equal Opportunity
14	Anti-child and Forced Labour

Reporting Period

The information published in this ESG Report covers the period from 1 January 2023 to 31 December 2023, which is the same as the financial year as reported in the 2023 Annual Report of the Company.

Environmental Responsibility

Coal mining operation is closely related to the ecological environment. Coal mining, in nature, is a kind of exploration of natural resources. Coal production process requires a lot of water and energy. Moreover, plenty of coal dust and noise will be generated during the coal mining operation. Coal mining business significantly influences the surroundings ecologically throughout the coal mining operation from exploration and development, mining, processing, loading and transportation to rehabilitation.

Being aware of the environmental impact arisen from the coal mining processes, the Group is highly responsible to the environment. In addition to the compliance with all appropriate laws and regulations of the Ministry of Environmental Protection of the PRC, the Group strives to achieve sustainable development in the coal mining operation.

The Group is committed to endorsing a green environmental protection enterprise culture in the business development. Geological and mining specialists are involved in the decision making and planning process that help to achieve the goal in a much greener and environmental-friendly manner. With a series of environmental policies established, the Group takes measures to minimise the potential adverse impact on the environment and preserve natural resources arising from the operation and activities.

Owing to the nature of the business, the Group's commitment to the environment focuses on the reduction of emission, the efficiency of energy and water usage, as well as the conservation of ecological environment.

Comments and Feedback

The Group welcomes stakeholders to share their enquiry or opinion on the Group's sustainability issues via:

Address:	Unit 1102, 11/F, 29 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong
Telephone:	(852) 2831 9905
Fax:	(852) 2838 0866
E-mail address:	ir@grandocean65.com

Going forward, the Group will endeavour to improve its current policies, strengthen communications with the stakeholders, strive to enhance the stakeholders' value and achieve a mutual beneficial outcome.

A. Environmental Protection

The implementation of environmental management could result in having higher resource recovery efficiency, more clean coal and improving the operating industrial efficiency, profitability, company reputation and competitiveness.

The Group strives to ensure the product safety for consumers and protect environment and local communities where the coal production takes place. The Group understands and acknowledges that in order to maintain the coal production process as environmentally friendly as possible, the environmental issues must be managed properly. Thus, the Group regularly monitors and measures its coal production activities to ensure they are adhering to the national standards. The scope of monitoring measures undertaken at the coal mining operation includes noise, water, dust, and ecological restoration. The results of the collected monitoring data are used to identify and address possible measures that can diminish the adverse impacts of its operations on the environment.

The Group's management team is responsible for implementing and monitoring environmental management plans and programs. The management team identifies and addresses possible measures to reduce the adverse impacts of its operation on the environment. The Group's management team is also responsible for ensuring timely execution and submission of environmental plans and reports to related authorities, and obtaining the requisite licences and permits.

The management team strives to ensure that the Group has complied with the relevant environmental legislations, including but not limited to:

- The Coal Law of the PRC《中華人民共和國煤炭法》
- Mineral Resources Law of the PRC《中華人民共和國礦產資源法》
- Provisions on the Protection of the Geologic Environment of Mines《礦山地質環境保護規定》

A1. Emissions

The coal mining operation and activities of the Group inevitably generates different kinds of emissions. The Group's major emissions include coal dust, sewage and noise. The Group strives to minimise the emissions and takes practicable and possible measures to comply with the relevant laws and regulations relating to environment protection.

A1.1. Air Emission

Coal dust is the main air emission of the Group's coal mining operations. The heavy metal elements contained in the coal dust is harmful to the health. Its explosive nature also poses a potential risk of fire and explosion in the mine site. Therefore, the Group has established and implemented strict policies and measures in dust control, with the aim to reduce the amount of dust generated in the vicinity of the mine site and the coal haul road in accordance with the Group's dust generation management plan.

During the Reporting Period, the Group's dust prevention measures including but not limited to:

I. *Construction of environmental facilities*

Built a storage facility that holds the non-combustible ingredients of coal and the ash trapped by equipment that is designed to reduce air pollution;

II. *The construction methodology of mine haulage roads*

Enhanced the roads in particular using carefully selected dust suppressing materials to reduce propensity for dust generation;

III. *Water sprinkler system*

Regularly spray treated wastewater during various stages of the coal handling process and on the haulage mine roads;

IV. *Building and maintenance of dedicated facilities for dust reduction*

Built the special wire fence surrounding the coal stockpile in order to reduce wind speed and dust dispersion in the area;

V. *Transport coal in covered trucks*

Always apply temporary covers to control dust moving from the site to the area outside; and

VI. *Speed limits enforcement*

Set the speed limits for heavy machinery and light trucks during coal transportation.

Given the fugitive nature of coal dust, the Group is not able to have an exact measurement on the total emission of coal dust. Nevertheless, the Group appointed an independent qualified expert to measure the air quality in the mine site on a regular basis. Based on the latest environmental inspection report issued in November 2023, Sulfur Dioxide (SOx) and Total Suspended Particulate (TSP) emission met the requirement of the Integrated Emission Standard of Air Pollutants《大氣污染物綜合排放標準》, which indicated that the coal dust was well under controlled and has not caused any apparent deterioration in air quality of the mine site.

In addition, the Group is committed to introducing the industry's advanced technology and knowledge to enhance work efficiency and reduce emissions. During the Reporting Period, the Group upgraded its energy sources, by replacing liquefied petroleum gas ("**LPG**") with methanol.

Our long-term target is to achieve 50% reduction in NOx emission by 2050. During the Reporting Period, the key air pollutants (Nitrogen Oxides, Sulphur Oxides and Particulate Matter) emission data for Group-owned passenger cars and other mobile machineries are as follows:

Emissions	Unit	For the year ended 31 December 2023	For the year ended 31 December 2022
Nitrogen Oxides (NOx)	kg	**74.9**	66.1
Sulphur Oxides (SOx)	kg	**4.3**	3.8
Particulate Matter (PM)	kg	**4.6**	4.2

Note:

The emission data from gaseous fuel consumption are calculated based on the Appendix 2 of "Reporting Guidance on Environmental KPIs" – March 2022 version published by the Stock Exchange.

A1.2. Greenhouse Gas Emission

During the Reporting Period, the policies and measures regarding environmental protection were effective and the Group was not subject to any confirmed violation cases nor breached any laws and regulations relating to environmental protection.

The emission data is as follow:

Total Greenhouse Gas ("GHG") Emissions	Unit	For the year ended 31 December 2023	For the year ended 31 December 2022
Scope 1 (Vehicle emission)	tonnes	**835.6**	757.8
Scope 2 (Purchased electricity and purchased gas)	tonnes	**8,265.7**	7,148.7
Scope 3 (Paper waste disposal at landfills, electricity used for freshwater processing and business air travel by employees)	tonnes	**58.0**	50.1
Total	tonnes	**9,159.3**	7,956.6
Intensity (per employee – tonnes/employee)	tonnes	**20.0**	17.8

Notes:

– Total GHG emissions = CO2 emissions + CO2 equivalent emissions of other GHGs emitted.

– Emission factors were made reference to Appendix C2 of the Listing Rules and their referred documentation as set out by the Stock Exchange, unless stated otherwise.

– The energy intensity of supplying fresh water and treating wastewater, respectively, is based on "Energy for Conventional Water Supply and Wastewater Treatment in Urban China: A Review", published in 2017.

– The intensity is calculated by dividing the Total Greenhouse Gas emissions by the average number of employees in the Reporting Period.

– The average number of employees = (beginning + ending number of employees)/2

There were 9,159.3 tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O)) emitted from the Group's operation in the Reporting Period. The Group's GHG emission has increased comparing to previous year and in total GHG with an intensity of 20.0 tonnes per employee. The Group will make effort on scaling down the GHG emissions by replacing more environmentally friendly tools during operation. For example, the change of stationary combustion fuel from LPG to Methanol contributed to the reduction total GHG emission. Methanol is a biomass fuel which is a more clean and sustainable burning fuel that helps to meet the environmental regulations and improve air quality.

The Group's ambition is to achieve 15% reduction of emission by 2030 from the base year of 2021 (scope 1 & 2). Accordingly, the sustainability group has established targets to upgrade production facilities and reduce scope 2 greenhouse gas emissions by sourcing renewable energy sources such as photovoltaic power generation system.

A.1.3 Noise Emission

There are various sources of noise that are typically associated with the Group's coal mining operation, which includes dump trucks, large earth-moving equipment such as excavators and coal transportation trucks. Blasting activities, which cause ground vibration as well as overpressure, may be felt or heard by its neighbouring communities on occasion. The Group understands and acknowledges that noise and vibrations can impact the communities and takes constructive measures to mitigate the potential impacts. A noise management plan has been carried out according to the Group's assessment on sources and condition of noise and vibration regularly. The following policies have been implemented by the Group on noise control:

- Cooperation with suppliers to install noise control treatment on mining equipment which aims to control and reduce noise emission;
- Regular maintenance of machinery to ensure it operates with minimal noise; and
- Blasting only when weather conditions are deemed favourable.

A.1.4 Waste Management

The wastes in respect to the Group's operation mainly consist of waste gangue (矸石), living waste and sludge. Waste gangue and sludge are hazardous wastes that are harmful to human health. During the coal mining operations, waste disposal is minimal since most of them can be reused. The following table shows the treatment of the wastes taken by the Group.

Types of Solid Wastes	Waste processing treatments
Waste gangue	Either used in paving or sold externally
Living waste	Buried or burnt at the designated rubbish disposal area permitted by the local authorities
Sludge	Either used for green fertilisation or disposed after composting

In addition to solid waste, mining operation also generates a large amount of sewage. The sewage was generated from coal mining operation for living and production. After precipitation, filtering, sterilisation and other sewage treatment processes, living sewage and production sewage generated can be reused in the area such as sprinkling for dust reduction, irrigation or use in power plant.

Wastewater is discharged after it met the discharge standards according to the "Integrated Wastewater Discharge Standard"《污水綜合排放標準》stipulated by the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部).

During the Reporting Period, the Group has generated unmeasurable amount of hazardous waste as they could be reused and approximately 107.4 tonnes (FY2022: 104.4 tonnes) of non-hazardous wastes with intensity of 0.23 tonnes per employee. The majority of them were domestic wastes.

A.2 Use of Resources

Coal mining operation requires heavy usage of electricity and water. The Group has clearly defined the resources used in the business to ensure the efficient use of resources and to take measures to conserve energy consumption, including establishment of resources management plans, using energy efficient appliances and equipment for the promotion of environmental protection and resources recycling in the mining operation enhanced.

A.2.1 Electricity

Due to high degree of automation and mechanisation, the Group has a high level of electricity consumption for coal mining operation. For that reason, electricity not only becomes one of the major operating costs of the Group, the stability of electricity supply is also crucial to the Group's daily operation. The high level of electricity consumption also comes to significant indirect emission of greenhouse gas as mentioned before.

To minimise the impact of electricity consumption to both the business operation and the environment, the Group's management team has implemented delegation of responsibilities to the operation control system for power supply, and has implemented measures to achieve additional energy savings and reduce gas emissions.

Regular inspections by the Group management team are also carried out to ensure smooth operating procedures.

The responsibilities of the Group management team including but not limited to the followings:

- Investigate corporate policies with respect to energy saving;
- Examine the efficiencies of energy supply and the cost/benefits of upgraded equipment;
- Set energy targets and objectives for promotion of corrective and preventive actions; and
- Educate relevant departments of the Group regularly on energy conservation.

The following are some of the initiatives adopted by the Group for stable electricity supply and electricity saving:

- Reducing ventilation resistance in order to reduce the energy consumption in ventilation during tunnel driving (巷道掘進).
- Adopting supporting methods with low ventilation resistance factors such as shotcrete-bolt supporting (錨噴支護).
- Prioritising the use of machines and equipment with high energy efficiency.
- Increasing the power factor (功率因數) in the Group's electrical substation due to voltage compensation.
- Centralising heating supply from power station to avoid energy wastage.
- Scheduling mine drainage during non-peak hours of electricity consumption to reduce the chance of getting operation suspension caused by electricity shortage.

The direct and indirect energy consumption data are as follows:

Direct Energy Consumption	**Unit**	**For the year ended 31 December 2023**
Diesel	kWh'000	**2,265**
Petrol	kWh'000	**911**
Methanol	kWh'000	**82**
Total Direct Energy Consumption	kWh'000	**3,258**
Indirect Energy Consumption	**Unit**	
Electricity	kWh'000	**13,548**
Total Indirect Energy Consumption	kWh'000	**13,548**
Total Energy Consumption	kWh'000	**16,806**
Intensity (per tonnes of coal production)	kWh	**18.6**

A.2.2 Water

Water is another resource the Group consumes the most for coal mining operation. In Inner Mongolia, the PRC, water is precious so the Group treasures water resource. A compressive water management solution is implemented to provide the guidance to the management, employees and contractors with regard to the use and reuse of water. Water saving and re-use of water are the Group's major directions regarding to the water resource.

For water saving, effective water-saving production methods and instruments were adopted to enhance water efficiency. Water quality is also under inspection to prepare for the proposed installation of water saving facility. The Group also read the water readings regularly to ensure no hidden water leakage. At the same time, checking hoses and pipes for leaks, cracks and other damage regularly and repair in a timely manner.

In addition, the Group makes use of pit water to reduce the usage of fresh water. After water treatment such as filtering and sterilisation, these pit water will be used in firefighting, spraying for dust reduction, irrigation and power station.

Water	Unit	For the year ended 31 December 2023	For the year ended 31 December 2022
Water consumed	m^3	**102,090**	99,241
Intensity (per tonnes of coal production)	m^3	**0.113**	0.109

A.3 The Environment and Natural Resources

A.3.1 Mining and surface subsidence

In general, coal mining operations may have adverse impacts on ecological environment. The Group adopts underground mining method (井工開採) to exploit the coal mine, which involves roadway development in the mine, that may alter the original geological structure of the mine and its surroundings. A large area of goaf (採空區) may be formed below the surface. Goaf will cause gradual surface subsidence that destroys the original landscape and vegetation, resulting in desertification and soil erosion.

For the Group's mine site in Inner Mongolia, the PRC, due to the characteristic of the local terrain, differences in elevation and the circumstances of the projected surface subsidence, the surface subsidence takes a long time to form and the affected area is limited. Besides, barrier pillar (煤柱) will be retained during mining process to prevent the mine from the surface subsidence. During the Reporting Period, we recognised the impact of our operating activities on the land adjacent to our coal mine. Through constructive dialogue, an appropriate settlement was reached to fairly compensate for disruption, in alignment with our principles of environmental stewardship, community partnership and commitment to sustainability across all aspects of our business.

In response to the requirement of the local government, the Group has also performed greening in the managed mining area. The Group carried out trimming and cladding of the dumping field (排土區), then seeded with Sea Buckthorn sampling (沙棘樹苗) and do the watering to ensure its growth. This helps to protect the soil and enhance ecological restoration. The survival rate of the plant meets the government requirement. The Group will continue to communicate and collaborate with the government in regard to environmental issues.

A.3.2 Mining efficiency

As coal is a kind of non-renewable energy source, the Group tries hard to reduce waste in coal resource. As a mining company, it is the Group's social responsibility to enhance the mining efficiency. The Group strictly follows the extract recovery rate requirement set out by the government. Any mining operations or activities which will reduce the extract recovery rate without adequate reason is prohibited. Disposal of coal is also forbidden and any offender will receive severe penalty.

A.4 Climate Change

There are no significant climate-related issues which may have impacted the Group. However, to battle against the sudden increase in precipitation and thunderstorms that often appears during rainy season, the Group has formulated water disasters emergency plan and on-site discharge plan and implemented flood control, lightning protection and drainage clearance safety measures to protect the workers and on-site facilities. The Group will regularly review the potential impact of climate change on its business and adopt corresponding measures to reduce any climate-related potential risks and to secure employees' safety.

B. Social Responsibility

The Group believes building strong and lasting relationships with the employees and suppliers is essential to the on-going commitment as a socially responsible mining company. Besides, maintaining an honest and authentic dialogue is indispensable as a responsible organisation and partner to the stakeholders.

B.1 Employment and Labour Practices

B.1.1 Employment and Remuneration Policies

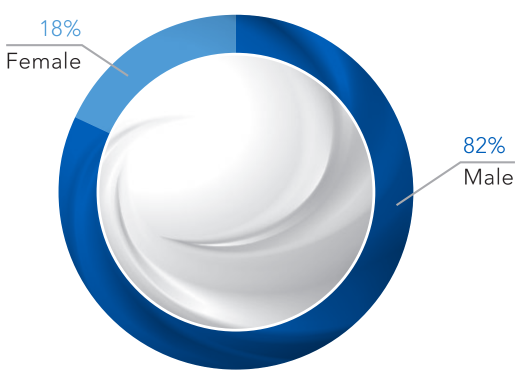
The Group has strictly complied with the Labor Law of the PRC and other relevant legislations. Based on these applicable laws and regulations, the Group has set up policies and rules to guide and govern the human resource matters relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

The Group's essential policies and procedures are also included in the staff handbook which will be reviewed and updated regularly. The Group discourages and disallows any behaviour that violates the regulations under staff handbook. Offenders will receive warning, and the Group has the right to terminate employment contracts with offenders for serious violations. During the Reporting Period, the Group did not find any significant violations of laws and regulation relating to human resources.

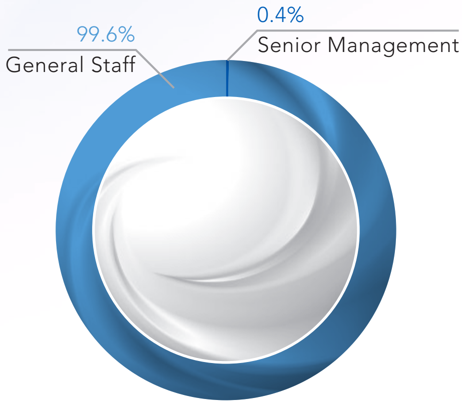
Workforce composition

At the end of the Reporting Period, the Group's headquarter in Hong Kong and coal mining business operation sites have 466 full-time employees. The overall staff turnover rate has increased from 17.88% in 2022 to 28.14% in 2023. The Group has implemented management system reformation, and all withdrawals were voluntary. After the reformation, each related department has higher working efficiency and the working environment have become more positive and energetic. The Group will continue to strive to retain its employees. The composition of the Group's workforce by gender, employment rank, age group and geographical region are shown as below:

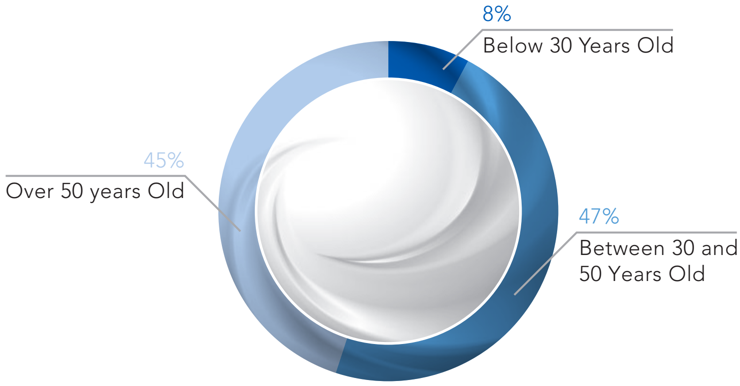
Total Workforce by Gender



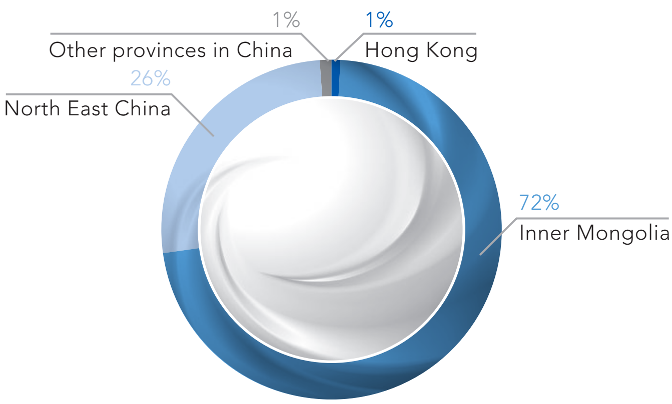
Total Workforce by Employment Rank



Total Workforce by Age Group



Total Workforce by Geographical Region



The employee turnover rate by gender age group and geographical region are shown in the following table:

Turnover Rate	Number of Employees	Percentage (%)
Total	129	28.1%
By Gender		
Male	118	31.4%
Female	11	13.3%
By Age Group		
Below 30	38	89.4%
Between 30 -50	91	42.1%
Over 50	0	0%
By Region		
Inner Mongolia	86	26.1%
Hong Kong	2	66.7%
North East China	34	28.3%
Other Provinces in China	7	116.7%

B.1.2 Staffing

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics, gender or age. There are recruitment policies in place formulating the recruitment process and ensuring its equality and free from discrimination. Employment contract will be signed for every employment to protect both the Group and the employee. Before signing the employment contract, the employment contract and staff handbook will be fully explained to employees so that they can understand their rights, responsibilities, expected conducts and behaviours from the Company. The Group strictly prohibits the employment of children or forced labour and sets out the policies in the labour code to eradicate child labour, juvenile workers and forced labour.

B.1.3 Remuneration

As a responsible employer, employees of the Group are remunerated at a competitive level and are rewarded according to their performance and experience. The promotion and remuneration of the Group's employees are subject to regular review. The remuneration packages comprise of monetary remuneration, performance bonus and medical benefits. Given the high risk of the job nature, the mining workers engaged in specialised operations are also compensated with industrial injury insurance, medical insurance and serious illness insurance in excess of legal requirement.

B.2 Health and Safety

The Group has taken into consideration that the operational efficiency of an enterprise and the maintenance of a healthy and safe working environment for all employees are closely related, the Group has been attaching great importance to a comfortable and safe working environment for our employees which protects them from any potential occupational hazards.

Workplace safety is always the prime concern for the Group, workers and the public. Even though mine accidents are not likely to occur, they are always severe accompanied with deaths and injuries. The Group aims to achieve zero work-related fatalities, injuries and accidents in compliance with all applicable rules and regulations regarding to Occupational Safety and Health (OSH).

To reduce the hazards of the potential mining accidents, the Group puts focus on ventilation, coal dusts and fires of the mine ventilation, preventions of gas explosions, and three preventions' (一通三防). With consultation to and involvement from employees, the Group has developed work safety guidelines, employee safety procedures and precautions. The safety policies, procedures and measures will be reviewed annually and improve accordingly to ensure their effectiveness and timeliness.

Everyone in the group is accountable to achieve the Group's goal in workplace safety and health. The Group has allocated a person at top management level a special responsibility to ensure the proper implementation of the health and safety management system. The Group has assigned safety officers who are responsible for providing a safe and healthy working environment and to ensure that the working environment is in line with or over and above the requirements of relevant laws. Every employee is free to report or complain about any unsafe or unhealthy conditions or work practices to which the Group will respond after investigation.

During the Reporting Period, the Group has achieved zero work-related fatalities in the past 3 years and 2,154 lost days due to work injury (FY2022: 801 days).

The Group understands that sense of belonging and morale of the employees are the key drivers of the healthy growth of every commercial organisation. As a result, the Group is determined to promote open and direct communication between employees and management. Causal and festival gatherings such as Christmas and Chinese New Year dinners were organised to enhance the harmonious spirit throughout the Group.

B.2.1 "Ventilation and Three Preventions" in Coal Mining Business

The Group has implemented "Ventilation and Three Preventions" which aims to bring a safer working environment. The Group has taken various key measures in reducing the safety risk and some are listed as follows:

Areas	Key Measures
Ventilation	• Gas density, hazardous gas density and ventilation facilities were checked and recorded by the qualified and experienced technician according to the preset standard and regulation in regular time, route and place. • Main ventilator for coal mine must be switched on round the clock. Chief engineer's approval is required for suspension of ventilator. • Mine worker can work only when there is adequate ventilation condition. Otherwise, mine workers are required to evacuate from the mine.
Gas Explosions Preventions	• Mine worker must bring gas monitoring device to the mine. Any onsite personnel should evacuate immediately when the hazardous gas density exceeds the limit. • Shaft-drifts in abandoned mining area and shaft-drifts with bad ventilation condition will be closed timely. • Registration is required for blind shaft-drifts.
Coal Dust Prevention	• Dust suppression system by water spray was established with adequate and clean water. Water pine has been installed in the shaft-drifts near the stope face. • All underground workers are required to wear coal dust masks and are strictly inspected before entering the mine. • Dust suppression must be conducted by water spray in shaft-drifts regularly. • Respiratory and total cost dust density in operation area will be examined monthly and bi-weekly, respectively.
Fire Prevention	• Firefighting system with nitrogen must be installed in coal mines before coal production began. • Prediction of spontaneous combustion are performed weekly to identify the potential risk of combustion. • The goaf (採空區) will be built up a flame proof construction within 45 days and closed permanently to prevent the occurrence of spontaneous combustion and fires.

B.2.2 Mine rescue team

The mine rescue team was set up in 2017. The rescue team reports directly to the general manager and is instructed by the chief engineer. All members are strictly selected, well trained and equipped with the newest rescuing equipment.

To ensure readiness to fight safety incident of the mine in any time, the mine rescue team receives training and maintains rescue equipment on a regular basis.

With adequate authorisation and clearly defined job duty, the team can react promptly to the safety incidents and rescue following the rescuing guideline. The mine rescue team greatly strengthened the rescuing capacity of the Company and now became an indispensable force in fighting safety incident of the mine.

In addition to workplace safety, workers' occupational health is also the issue of the Group's concern. The most direct and obvious occupational health issue for workers is their exposure to hazardous materials including coal dust and hazardous gas such as methane and carbon dioxide. The Group adopts plenty of measures to protect and improve occupational health, including, but not limited, to the followings:

- Providing personal protective equipment to employees such as dust masks, and self-contained self-rescue devices before entering the mine;
- Organising work schedules, such as job rotation and segregation by distance or time to minimise or reduce hazardous exposures;
- Providing hygiene facilities to reduce the hazardous exposure;
- Adopting automation to reduce work that require repeated body movement; and
- Arranging body checks for workers.

The major laws and regulations in respect of occupational health and safeties applicable for mineral industries in the PRC are listed below:

- The Production Safety Law of the PRC《中華人民共和國安全生產法》
- The Mining Safety Law of the PRC《中華人民共和國礦山安全法》

During the Reporting Period, the Group is not aware of any material non-compliance with the abovementioned relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

B.3 Development and Training

The Group regards its staff as an important asset and resource of the Group as they help to sustain its core values and culture. The Group is committed to providing comprehensive on-the-job training programs, which collectively serve as a platform to encourage its staff to develop potential and self-improvement.

The Group provides a clear career path and a transparent promotion system for its employees. Furthermore, the Group anticipates implementing employee training and development programs to enhance their skill set and to further realise their potential.

As occupational safety is the core concern of the Group, most of the training programme is designed to raise awareness of workers on occupational safety and health. In 2023, the Group has conducted group-wide safety training on the hazards of employee jobs and how to do their jobs safely for all employees in the PRC.

For the year ended 31 December 2023, there are overall 85.9% (FY2022: 77.8%) of employees who have completed training. In total, 10,050 hours (FY2022: 25,280 hours) of training were provided to employees. "Employees' Health and Workplace Safety" is the most concerned topic at the Materiality Matrix for both stakeholders and the business all time. The Group thus provided the training for employees, to ensure a safety working environment.

Category	Percentage of employees trained	Average training hours
Overall	85.9%	21.9
By Gender		
Male	84.8%	23.2
Female	15.2%	16.2
By Employment Rank		
Senior management	0.3%	10.0
General staff	99.7%	22.0

The underground coal mine safety management certification training program is developed to provide the skills and knowledge required by coal mine workers to respond safely and appropriately to a fire or other emergency incident such as a fire that occurs at their work area underground.

In addition, the Group offers new miner training program for new employees. The program is delivered by safety supervision department for necessary safety knowledge and skills. All new employees are required to pass an examination after training to qualify for joining the Group.

B.4 Labour Standards

The Group does not tolerate the use of child or forced labour. It strictly follows the Employment Ordinance of Hong Kong and Labour Standards of the PRC, and make reference to international labour standards and industry practices. The human resources management system governs all recruitment and promotion activities so as to ensure there is no existence of child and forced labour. It also reviews the overall employment practices to avoid child or forced labour and other potential irregularities from time to time.

The Group does not hire child labour aged below the relevant legal threshold of the respective countries. At the time of interview, the Human Resources Department would request job applicants to present valid identification documents for verification of their actual ages. It also conducts background checks and comprehensive recruitment review to ensure the accuracy and trueness of the applicant's information.

To ensure no forced labour, the Group conducts open and fair recruitment according to corporate plans and needs. It respects employees' rights that stipulated in the laws and regulations that all employees would receive a salary not lesser than the statutory minimum wage, have prescribed working hours pursuant to employment contract, and enjoy sufficient rest time and paid holidays. Any necessary arrangements of overtime working would be agreed by employees voluntarily. Overtime working and overtime pays (where applicable) are in line with the local laws and regulations. During working hours, employees are allowed to move freely within the work premises. Employees are allowed to terminate employment contracts after giving reasonable notice according to the relevant employment contract.

The major laws and regulations in respect of occupational health and safeties applicable for mineral industries in the PRC are listed below:

- The Production Safety Law of the PRC《中華人民共和國安全生產法》
- The Mining Safety Law of the PRC《中華人民共和國礦山安全法》

The Group has strictly complied with all the rules throughout the Reporting Period and did not aware of any significant violation of human resources-related laws and regulations.

C. Operating Practices

C.1 Supply Chain Management

Supply chain management is one of the key elements in the Group's quality control system. The Group adheres to offer equal opportunities to all potential suppliers and partners to fulfil various needs of different customers. It believes that keen market competition can help us improve product quality, achieve cost minimisation, and rapidly respond to customers' needs as well as provide them with more options.

The Group established supplier management system to ensure operations are fully complied with the PRC laws and regulations in relation to social and environment aspects in the most sustainable manner. The Group's supplier management system is responsible for designing, planning, implementing, controlling and monitoring the logistic activities with the goal of building a sustainable management culture. Due to the nature of the principal business activities, the Group had 5 major suppliers during the Reporting Period, which all of them were located in Mainland China.

The Group has continued to minimise the usage of water and energy while maintaining a high quality of mining coal, which in turn lead to less pollution, defects and more production. To ensure the minimisation of air pollution in the transportation process, the Group's transportation teams use dust suppressing substances and apply temporary cover for dust reduction during both inbound and outbound orders.

Fair and Open Competition

The Group promotes fair and open competition that aims to develop long-term relationships with its suppliers based on mutual trust. The Group has implemented the procurement procedures to ensure the fairness and openness of the procurement process. For example, quotations from more than one vendor are required to prompt the openness of the competition.

Safe and environmentally friendly procurement

For the sake of safety and being environmentally friendly for the procurement, the Group requires the products purchased with mining products safety sign, work safety licences and meet the environmental requirements.

C.2 Product Responsibility

The Group believes that products and services of good quality are one of the key factors of success. It has always complied with the relevant laws and regulations and product quality is monitored closely to ensure the stability of high quality, health and safety of the products. The Group conducts quality checks occasionally to ensure product quality. It strives to prohibit fraudulent, misleading, deceptive and other unfair commercial practices that may undermine customers' confidence and rights.

The Group did not record any recalls of products sold or shipped which is due to safety and health reasons.

The major product of the Group's coal mine in Mongolia is lignite (褐煤). The higher heating value of lignite generates more energy and produces fewer pollutants during combustion. The Group strives to raise the heating value by controlling its moisture. The Group has joined 通遼市煤炭行業管理協會 that has set up requirements to ensure the coal quality, especially the heating value, to meet the customers requirement.

To minimise environmental harm at every stage of its mining operation, the Group is in conformity with all the relevant PRC standards and regulations, and fully devoted to regularly monitor and measure its activities to ensure they are acceptable according to national standards. During the Reporting Period, the Group strictly complies with laws and regulations related to coal production in PRC.

During the Reporting Period, the production volume was approximately 904,000 tonnes (FY2022: 909,000 tonnes).

If any complaints are received, the Group would go through inspections and determine the necessary actions. If defective products are found, the Group would launch its recall procedures immediately and assign a team to investigate possible causes. Those investigation records would then be stored in the database to prevent repeated mistakes. During the Reporting Period, no customer complaint was reported.

C.3 Intellectual Property Rights

Maintaining intellectual property rights is important for the Group. The Group is committed to protect intellectual property rights and not to infringe any third-party interests. The Group protects intellectual property rights by ensuring licensed software is used for our business operations. During the Reporting Period, the Group did not have any violations of intellectual property rights and related complaints.

C.4 Privacy Protection

The Group is committed to protecting the privacy of consumers, and strictly abides by the "Confidentiality Law of the People's Republic of China" and other applicable laws and regulations that have a significant impact relating to privacy matters regarding products and services provided by the Group in the Reporting Period. The confidential security measures include but are not limited to, desensitisation of personal sensitive information; signing data confidentiality agreement whenever is necessary. During the Reporting Period, the Group did not have any breaches of data privacy.

C.5 Anti-corruption

The Group adheres to the philosophy of honesty and integrity in doing business and adopts zero tolerance to corruption or any misconduct that is against the Group's interest. It has implemented various measures in compliance with the relevant laws and regulations relating to bribery, extortion, fraud and anti-money laundering, for example Prevention of Bribery Ordinance of Hong Kong and Anti-corruption Act of the PRC.

The Group is committed to achieving and maintaining the highest standards of openness, probity and accountability. Employees at all levels are expected to conduct themselves with integrity, impartiality and honesty and to comply with the relevant legal norms and ethical standards. It is every employee's responsibility and it is all interest of the company to ensure that any inappropriate behaviour or organisational malpractice that compromises the interest of the shareholders, investors, customers and the wider public does not occur.

During the Reporting Period, no litigations regarding bribery have been instituted against the Group and the staff.

C.6 Community Investment

Despite the challenging market and economic conditions, the Group is committed to contributing to socioeconomic development, community well-being and sustainability in Inner Mongolia, the PRC.

As a responsible corporate citizen, the Group actively searches for opportunities to improve its relationship with the local citizens. The Group has continued its efforts to retain its employees, train and hire local people whenever possible during the Reporting Period. The Group has created job opportunities for the local community and has provided different levels of job positions from miner to management level.

D. Sustainability

The Group understands the importance of achieving economic, environmental and social sustainability for the long-term success of the business. The sustainability guidelines lay out the principles and actions for managing and performing ethically and sustainably, throughout the operational flow. The Group will continue to deliver safe and quality services served by the enthusiastic team members, without endangering the environment. The Group will also continue to provide hearty service to the customers and contribute back to the community.

E. Corporate Governance

All management levels have the responsibilities to maintain good corporate governance practices. Meetings are held regularly and once the management or the staff notice any improvement on the corporate practices, the relevant operating practices will be reviewed.

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

Principal Activities

The Company is an investment holding company. The principal activities of the subsidiaries of the Company and other related information are set out in Note 1 to the consolidated financial statements.

Details of the segment information are set out in Note 9 to the consolidated financial statements.

Business Review

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the year ended 31 December 2023 and the material factors underlying its financial performance are set out in the section headed "Management Discussion and Analysis" on pages 9 to 16 of this annual report.

To the Company's knowledge, the Company has complied with all the relevant laws and regulations that have a significant impact on the Company. The Company will seek professional legal advice from legal advisers, where necessary, to ensure transactions and business to be performed by the Company are in compliance with the applicable laws and regulations. For the further information regarding the Company's environmental policies and performance are set out in the "Environmental, Social and Governance Report" of this annual report.

Results and Dividend

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and consolidated statement of other comprehensive income on pages 74 to 75 of this annual report.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: Nil).

Share Capital

Details of the movements in the share capital of the Company are set out in Note 30 to the consolidated financial statements.

Convertible Bonds

Details of the movements in the convertible bonds of the Group during the year ended 31 December 2023 are set out in Note 28 to the consolidated financial statements.

Reserves

Details of the movements in the reserves of the Group and the Company during the year ended 31 December 2023 are set out in consolidated statement of changes in equity and Note 32 to the consolidated financial statements respectively.

Distributable Reserves

As at 31 December 2023, the Company had reserves available for distribution, calculated in accordance with the provision of the Cayman Islands Companies Law, amounting to approximately HK$119,815,000. The share premium account of the Company of approximately HK$136,701,000 as at 31 December 2023 is distributable to the Shareholders provided that immediately following the date on which the dividend proposed to be distributed, the Company will be in a position to pay off debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group are set out in Note 17 to the consolidated financial statements.

Directors

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr. Ng Ying Kit
Mr. Leung Ka Hong *(resigned on 30 November 2023)*
Mr. Guo Jianpeng
Ms. Yang Mo *(appointed on 5 April 2024)*
Mr. Jiang Xin *(appointed on 30 November 2023)*
Mr. Tao Ye *(resigned on 31 October 2023)*

Non-executive Directors

Mr. Hu Xiutong *(appointed on 15 February 2023 and resigned on 5 April 2024)*
Mr. Zhou Hongliang *(resigned on 31 October 2023)*

Independent Non-executive Directors

Mr. Lee Wai Ming
Mr. Chang Xuejun
Mr. Ho Man *(resigned on 17 April 2024)*
Mr. Li Juhui *(appointed on 17 April 2024)*

In accordance with article 83(3) of the Second Amended and Restated Memorandum and Articles, Mr. Jiang Xin and Ms. Yang Mo, appointed as executive Directors of the Company, and Mr. Li Juhui, appointed as independent non-executive Director of the Company, will retire from office at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In accordance with articles 84(1) and 84(2) of the Second Amended and Restated Memorandum and Articles, Mr. Guo Jianpeng, Mr. Lee Wai Ming and Mr. Chang Xuejun will retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

All the Directors (including INEDs) are subject to retirement by rotation at least once every three years in accordance with the Second Amended and Restated Memorandum and Articles.

Directors' Service Contracts

Executive Directors

Each of executive Directors has entered into a service agreement with the Company. Mr. Ng Ying Kit, Mr. Guo Jianpeng, Ms. Yang Mo and Mr. Jiang Xin entered into a service agreement with the Company on 5 February 2015, 19 August 2021, 5 April 2024 and 30 November 2023, respectively. The service agreements of four executive Directors shall continue thereafter unless and until terminated by other party giving not less than three months' notice in writing to the other party.

Independent Non-executive Directors

Mr. Chang Xuejun, Mr. Lee Wai Ming and Mr. Li Juhui entered into an appointment letter with the Company for a term of three years commencing on 15 June 2020, 23 November 2020 and 17 April 2024 respectively and shall continue thereafter unless and until terminated by other party giving not less than three months' notice in writing to the other party.

None of the Directors 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.

Confirmation of Independence of INEDs

The Company has received from each of the INEDs, who acted in such capacities during the year ended 31 December 2023, an annual confirmation of independence. The Company considered that each of its INEDs as at the date of this annual report to be independent pursuant to the criteria set out in the Listing Rules.

Biographical Details of Directors and Senior Management

The profiles of the Directors and senior management are set out on pages 17 to 20 of this annual report.

Five-Year Financial Summary

A summary of the results of the Group for the last five financial years and of its assets and liabilities as at the end of the last five financial years is set out on pages 7 to 8 of this annual report.

Directors' Material Interests in Transactions, Arrangements or Contracts

Save as disclosed in the paragraph headed "Connected transactions" below, no other transactions, arrangements or contracts of significance to which the Company or its subsidiaries was a party subsisted at the end of the year or at any time during the year ended 31 December 2023 in which any Director, whether directly or indirectly, had a material interest.

Controlling Shareholders' Material Interests in Contracts

No transaction, arrangement, or contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries, and no transaction, arrangement, or contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into.

Directors' Interest in Competing Business

None of the Directors or any of their respective associates had any material interest in business which competed or may compete with the business of the Group.

Directors' and Chief Executive's Interests and the Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporations

As at 31 December 2023, none of the Directors and the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have 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 have taken or deemed to have taken under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders

As at 31 December 2023, so far as is known to the Directors or the chief executive of the Company based on the register maintained by the Company pursuant to Section 336 of the SFO, the following persons (other than the Directors or the chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares 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 of interests required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Name	Capacity/ Nature of interest	Number of Shares or underlying Shares	Approximate percentage of the total issued share capital of the Company as at 31 December 2023
Liu Chang Deng	Beneficial owner	156,154,315	9.06%
Ninetynine Technology Service Limited	Beneficial owner	150,648,000	8.74%
Sungold Developments Group Limited	Beneficial owner	149,996,000	8.70%

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 Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Directors' and Chief Executive's Rights to Acquire Shares or Debt Securities

Neither the Company nor any its subsidiaries was a party to any arrangements to enable the Directors and the chief executive of the Company to acquire benefits by means of the acquisition of Shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors and the chief executive of the Company or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

Connected Transactions

Set out below is the information in relation to the connected transactions that existed during the year ended 31 December 2023 which are required to be disclosed in this annual report in accordance with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTION INVOLVING THE SETTLEMENT

As detailed in the section headed "Management Discussion and Analysis", on 18 July 2023, Inner Mongolia Jinyuanli and Inner Mongolia Yuanyuan Energy entered into a settlement agreement on normal commercial terms, pursuant to which Inner Mongolia Jinyuanli shall pay approximately RMB20,110,000 (equivalent to approximately HK$22,188,000) to Inner Mongolia Yuanyuan Energy as a settlement for the Damaged Properties and the relocation costs (the "**Settlement**"). Particulars of the transaction contemplated therein were disclosed in the announcements of the Company dated 18 July 2023 and 19 July 2023.

Inner Mongolia Jinyuanli is an indirect non wholly-owned subsidiary of the Company and its equity interest is held as to 56.2% by the Company.

As at 18 July 2023, Inner Mongolia Yuanyuan Energy (i) is the holder of 49% equity interest in the Company's 51% indirect non wholly-owned subsidiary, namely Jilin Province De Feng Commodity Economics and Trading Co., Limited (吉林省德峰物資經貿有限責任公司); and (ii) together with its associate holds the remaining 43.8% equity interest in Inner Mongolia Jinyuanli. Inner Mongolia Yuanyuan Energy was ultimately owned as to (i) 80.2454% by Mr. Qiao Libo (喬麗博); (ii) 6.7873% by Mr. Jia Aihong (賈愛紅); (iii) 5.4678% by Mr. Zhu Honghou (朱洪厚); (iv) 3.8974% by Mr. Jiang Hongtao (姜洪濤); (v) 1.9640% by Mr. Kang Tingyin (康廷印); and (vi) 1.6381% by Ms. Wang Aihua (王愛華).

As such, Inner Mongolia Yuanyuan Energy is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Settlement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest of all the applicable percentage ratios (as defined under the Listing Rules) in respect of the Settlement is more than 5% but less than 25%, the Settlement constitutes a connected transaction of the Company which is subject to reporting and announcement requirements but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

The related party transactions set out in Note 34 to the consolidated financial statements constitute connected transactions of the Company under Chapter 14A of the Listing Rules but are exempted from the reporting, announcement and independent Shareholders' approval requirements.

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 ended 31 December 2023.

Equity-linked Agreements

The Group has not entered into any equity-linked agreements during the year ended 31 December 2023.

Share Option Scheme

The Company has adopted a share option scheme (the "**Share Option Scheme**") pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 21 June 2023.

The major terms of the Share Option Scheme disclosed in accordance with Chapter 17 of the Listing Rules are as follows:

1. The purpose of the Share Option Scheme is to enable the Group to attract and retain the best available personnel, to provide additional incentive to the eligible participants and to promote the success of the business of the Group.

2. The Board may at its discretion grant options to director(s) and employee(s) of each member of the Group, and any holding company, fellow subsidiary or associate company of the Company depending on their contributions to the Group.

3. The maximum total number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme shall not in aggregate exceed 161,347,716, representing 10% of Shares in issue at the date of adoption on 21 June 2023.

4. As at the date of this annual report, the total number of Shares available for issue in respect of which options may be granted under the Share Option Scheme was 161,347,716, representing approximately 7.89% of the Shares in issue as at the date of this annual report.

5. Unless approved by the Shareholders in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the share options being granted under the Share Option Scheme (including both exercised or outstanding share options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company at the relevant time.

6. The Share Option Scheme is valid and effective for a period of 10 years commencing on 21 June 2023.

No share options have been granted, exercised, lapsed or cancelled under the Share Option Scheme since its adoption and up to and including 31 December 2023. As at 31 December 2023, no share options were outstanding under the Share Option Scheme.

Advance to an Entity and Financial Assistance

As disclosed in the announcement of the Company dated 15 April 2024, on 27 March 2023, Big Wish Group Limited ("**Big Wish**"), a direct wholly-owned subsidiary of the Company, and Blossom Global Trading Company Limited (the "**Supplier**") entered into a memorandum of understanding (the "**MOU**") pursuant to which Big Wish had conditionally agreed to purchase and the Supplier had conditionally agreed to supply the coals worth of not more than HK$200,000,000 to Big Wish on or before 27 June 2023. A refundable earnest money amounting to HK$47,000,000 (the "**Refundable Earnest Money**") was paid on 30 March 2023 in accordance with the terms of the MOU for the right of first offer to trade the coal products. On 31 July 2023, Big Wish and the Supplier entered into a supplemental memorandum of understanding (the "**Supplemental MOU**") to extend the expiry date to 27 September 2023 and the Supplier agreed to refund the Refundable Earnest Money and interest accruing upon the expiry of the Supplemental MOU. The interest was accrued at the rate of 0.25% per annum above the average of rate of interest offered on Hong Kong dollar loan by banks in the interbank market for 3 months on 31 July 2023 and the date on which the Refundable Earnest Money has been fully repaid.

The Supplier is a company incorporated in Hong Kong with limited liability and is principally engaged in commodities trading in the Southeast Asia. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Supplier and its ultimate beneficial owner(s) are Independent Third Parties.

The amount of the Refundable Earnest Money exceeded 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. Therefore, the MOU and the Supplemental MOU were subject to disclosure obligations under Rules 13.13 to 13.15 of the Listing Rules.

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Refundable Earnest Money exceeded 5% but all of them are less than 25%, the entering into of the Supplement MOU and the transaction contemplated thereunder constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

During the year ended 31 December 2023, total accrued interest amounting to approximately HK$1,283,000 was paid to the Group and being recognised as "Other income and gains" in the consolidated statement of profit or loss of the Group. As at 31 December 2023, the balance of the Refundable Earnest Money was approximately HK$27,283,000.

As at the date of this annual report (i.e. 17 April 2024), the remaining balance of the Refundable Earnest Money was amounting to approximately HK$13,854,000 and the interest accrued amounting to approximately HK$187,000.

Convertible Securities, Options, Warrants or Other Similar Rights

Apart from the Convertible Bonds described in the section headed "Management Discussion and Analysis", the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 31 December 2023. There had been no exercise of any convertible securities, options, warrants or other similar rights during the year ended 31 December 2023.

Fund raising activities

Apart from the Convertible Bonds described in the section headed "Management Discussion and Analysis", there were no other fund-raising activities conducted by the Company during the year ended 31 December 2023.

Major Customers and Suppliers

Information in respect of the Group's revenue attributable to the major customers during the year ended 31 December 2023 are as follows:

	Percentage of the Group's total revenue
The largest customer	73.6%
Five largest customers in aggregate	92.2%

In addition, the Group's aggregate purchase attributable to its five largest suppliers was less than 30% of the Group's total purchases.

None of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any material interest in the major customers and suppliers disclosed above.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Second Amended and Restated Memorandum and Articles or the law of the Cayman Islands where the Company was incorporated.

Purchase, Sale or Redemption of the Listed Securities of The Company

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Permitted Indemnity Provision

Pursuant to the Second Amended and Restated Memorandum and Articles, every Director or other officers of the Company shall be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, and no Director or other officers shall be liable for any loss, damages or misfortune which may happen to be incurred by the Company in the execution of the duties of his/her office or in relation thereto provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year ended 31 December 2023.

Update on Directors' Information

The changes in directors' information subsequent to the 2023 interim report of the Company published on 15 September 2023 and up to the date of this annual report, as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

— Mr. Tao Ye has resigned as an executive Director on 31 October 2023;

— Mr. Zhou Hongliang has resigned as an non-executive Director on 31 October 2023;

— Mr. Leung Ka Hong has resigned as an executive Director, the chief financial officer and joint company secretary of the Company and ceased to act as a member of the Nomination Committee and of the Remuneration Committee with effect from 30 November 2023;

— Mr. Jiang Xin has been appointed as an executive Director on 30 November 2023. He has been designated as a member of the Nomination Committee and of the Remuneration Committee with effect from 30 November 2023;

— Ms. Yang Mo has been appointed as an executive Director on 5 April 2024;

— Mr. Hu Xiutong has resigned as a non-executive Director on 5 April 2024;

— Mr. Ho Man has resigned as an independent non-executive Director and ceased to act as a member of the Audit Committee, of the Nomination Committee and of the Remuneration Committee with effect from 17 April 2024; and

— Mr. Li Juhui has been appointed as an independent non-executive Director on 17 April 2024. He has been designated as a member of the Audit Committee, of the Nomination Committee and of the Remuneration Committee with effect from 17 April 2024.

Employees and Retirement Schemes

The Group participates in several defined contribution retirement schemes which cover the Group's eligible employees in the PRC, and a Mandatory Provident Fund Scheme for the employees in Hong Kong. Particulars of these retirement schemes are set out in Note 13 to the consolidated financial statements.

Relationships with Employees, Customers and Suppliers

The Company is committed to maintaining, and has maintained good relationships with, its employees, customers and suppliers with a view to fostering better mutual understanding and/or a sense of belonging towards the Company. This is conducive to implementing the Group's strategies and business objectives, as well as the Group's business development and sustainability in the long term.

Environmental Policies and Performance

As a responsible corporation, the Company is committed to protecting the environment in the areas where we operate. To ensure our business development and sustainability, the Company endeavors to comply with the laws and regulations regarding environmental protection and to adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Details of the Group's environmental policies and performance are set out in the section headed "Environmental, Social and Governance Report" on pages 34 to 59 of this annual report.

Sufficiency of Public Float

Based on the information available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained the public float required by the Listing Rules.

Independent Auditor

The consolidated financial statements for the year ended 31 December 2023 have been audited by BDO Limited who will retire and being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting of the Company. A resolution for the re-appointment of BDO Limited as the independent auditor of the Company will be proposed as the forthcoming annual general meeting of the Company.

By order of the Board

Ng Ying Kit
Executive Director

Hong Kong, 17 April 2024

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF
GRAND OCEAN ADVANCED RESOURCES COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Grand Ocean Advanced Resources Company Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 74 to 128, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the 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 issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure 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 judgement, 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.

Impairment assessment of non-financial assets for the coal cash-generating unit

(Refer to Notes 4(m), 17, 18 and 20 to the consolidated financial statements and the Group's critical judgements and key estimates in relation to the impairment of non-financial assets set out in Note 5(b) to the consolidated financial statements).

Key Audit Matters (Continued)

Impairment assessment of non-financial assets for the coal cash-generating unit (Continued)

The Group's non-financial assets of the coal cash-generating unit (the "**Coal CGU**") comprised of property, plant and equipment, intangible asset and right-of-use assets of approximately HK$114,779,000, HK$27,000,000 and HK$11,924,000 respectively as at 31 December 2023.

During the year ended 31 December 2023, there is an indicator of impairment reversal for the Coal CGU due to increase in average coal price. The management of the Group has performed an impairment assessment in accordance with its accounting policies which complies with Hong Kong Accounting Standard 36 "Impairment of Assets". The recoverable amount of the Coal CGU is determined based on its value in use. Based on the impairment assessment, the management of the Group determines that there was no reversal of impairment recognised with respect to property, plant and equipment and intangible asset during the year ended 31 December 2023. The impairment recognised in right-of-use assets was fully reversed in prior years.

The impairment assessment involved exercise of significant judgements and key assumptions made by management concerning the estimated future cash flows. We have identified the impairment assessment of non-financial assets for the Coal CGU as a key audit matter because of its significance to the consolidated financial statements and the impairment assessment involved significant management judgements and estimations with respect to the inflation rate, discount rate and the underlying cash flows.

Our response:

Our procedures in relation to management's impairment assessment included, but not limited to, the following procedures:

- Understanding about the Group's impairment assessment process, including the cash flow projection used and market conditions and difficulties to be encountered in the forecast period and the related adjustments reflected in the forecast;
- Evaluating the competence, capabilities, independence and objectivity of the independent external valuer engaged by the Group;
- Working with our internal expert to carry out, among others, the following procedures:
  - Assessing the methodology used by the Group in performing the impairment assessment;
  - Assessing the appropriateness and consistency of the methodologies used with reference to the requirements of the relevant accounting standards; and
  - Assessing the reasonableness of the key assumptions used in the impairment assessment, including benchmarking the discount rate against independent data and referencing the inflation rate to historical information and other relevant market data.

Other Information in the Annual Report

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

Other Information in the Annual Report (Continued)

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.

Directors' Responsibilities 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 Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure 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.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our engagement, 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.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Ho Yee Man
Practising Certificate no. P07395

Hong Kong, 25 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	7	**187,960**	191,180
Cost of sales		**(122,749)**	(110,014)
Gross profit		**65,211**	81,166
Other income and gains	8	**2,502**	2,921
Selling and distribution expenses		**(4,548)**	(4,561)
Administrative expenses		**(72,986)**	(72,160)
Other operating expense	11(ii)	**(22,188)**	–
Reversal of impairment loss on property, plant and equipment	17	**–**	19,998
Reversal of impairment loss on intangible asset	18	**–**	6,708
(Loss)/Profit from operations		**(32,009)**	34,072
Finance costs	10	**(827)**	(1,170)
(Loss)/Profit before tax	11	**(32,836)**	32,902
Income tax expense	12	**(774)**	(6,802)
(Loss)/Profit for the year		**(33,610)**	26,100
Attributable to:			
Owners of the Company		**(23,734)**	10,237
Non-controlling interests		**(9,876)**	15,863
		(33,610)	26,100
		HK cents	HK cents
(Loss)/Earnings per share			
– basic	16	**(1.46)**	0.68
– diluted	16	**(1.46)**	0.68

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
(Loss)/Profit for the year	**(33,610)**	26,100
Other comprehensive income after tax:		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(3,534)**	(12,207)
Other comprehensive income for the year, net of tax	**(3,534)**	(12,207)
Total comprehensive income for the year	**(37,144)**	13,893
Attributable to:		
Owners of the Company	**(25,749)**	3,255
Non-controlling interests	**(11,395)**	10,638
	(37,144)	13,893

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	17	**114,815**	109,997
Intangible asset	18	**27,000**	29,657
Investment property	19	**2,049**	2,217
Right-of-use assets	20	**12,001**	12,549
Deferred tax assets	21	**11,499**	12,547
Total non-current assets		**167,364**	166,967
Current assets			
Inventories	22	**4,535**	13,597
Trade receivables	23	**–**	–
Deposits, prepayments and other receivables	24	**31,388**	2,336
Restricted bank deposits	25	**8,579**	4,956
Bank and cash balances	26	**95,359**	117,494
Total current assets		**139,861**	138,383
Current liabilities			
Accruals and other payables	27	**80,037**	51,251
Contract liabilities	7	**9,322**	300
Convertible bonds	28	**–**	39,582
Lease liabilities	20	**86**	86
Total current liabilities		**89,445**	91,219
Net current assets		**50,416**	47,164
Total assets less current liabilities		**217,780**	214,131
Non-current liabilities			
Provision for environmental rehabilitation and restoration	29	**4,811**	4,919
Deferred tax liabilities	21	**15,481**	15,802
Total non-current liabilities		**20,292**	20,721
NET ASSETS		**197,488**	193,410

As at 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
Capital and reserves			
Share capital	30	**17,235**	15,035
Reserves		**121,363**	108,090
Equity attributable to owners of the Company		**138,598**	123,125
Non-controlling interests		**58,890**	70,285
TOTAL EQUITY		**197,488**	193,410

Approved by the Board of Directors on 25 March 2024 and signed on its behalf by:

NG Ying Kit	**GUO Jianpeng**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

		Attributable to owners of the Company											
	Note	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Distributable reserve HK$'000	Future development fund HK$'000	Safety fund HK$'000	Convertible bond reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2022		15,035	96,935	(1,628)	135,282	49,017	125,938	–	20,511	(321,962)	119,128	59,647	178,775
Total comprehensive income for the year		–	–	–	–	–	–	–	(6,982)	10,237	3,255	10,638	13,893
Net appropriations		–	–	–	–	4,924	2,470	–	–	(7,394)	–	–	–
Issuance of the convertible bonds	28	–	–	–	–	–	–	742	–	–	742	–	742
Changes in equity for the year		–	–	–	–	4,924	2,470	742	(6,982)	2,843	3,997	10,638	14,635
At 31 December 2022		15,035	96,935	(1,628)	135,282	53,941	128,408	742	13,529	(319,119)	123,125	70,285	193,410
At 1 January 2023		**15,035**	**96,935**	**(1,628)**	**135,282**	**53,941**	**128,408**	**742**	**13,529**	**(319,119)**	**123,125**	**70,285**	**193,410**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,015)**	**(23,734)**	**(25,749)**	**(11,395)**	**(37,144)**
Net appropriations		**–**	**–**	**–**	**–**	**2,309**	**3,316**	**–**	**–**	**(5,625)**	**–**	**–**	**–**
Issue of ordinary shares upon conversion of the convertible bonds	28	**2,200**	**39,766**	**–**	**–**	**–**	**–**	**(742)**	**–**	**–**	**41,224**	**–**	**41,224**
Disposal of subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2)**	**–**	**(2)**	**–**	**(2)**
Changes in equity for the year		**2,200**	**39,766**	**–**	**–**	**2,309**	**3,316**	**(742)**	**(2,017)**	**(29,359)**	**15,473**	**(11,395)**	**4,078**
At 31 December 2023		**17,235**	**136,701**	**(1,628)**	**135,282**	**56,250**	**131,724**	**–**	**11,512**	**(348,478)**	**138,598**	**58,890**	**197,488**

Nature and purpose of reserves are disclosed in note 32 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	**(32,836)**	32,902
Adjustments for:		
Finance costs	**827**	1,170
Interest income	**(1,796)**	(264)
Depreciation of property, plant and equipment	**17,211**	12,972
Amortisation of intangible asset	**2,009**	1,244
Depreciation of investment property	**120**	126
Depreciation of right-of-use assets	**1,197**	1,272
Loss/(Gain) on disposals of property, plant and equipment, net	**130**	(55)
Gain on disposal of subsidiaries	**(23)**	–
Reversal of impairment loss on intangible asset	**–**	(6,708)
Reversal of impairment loss on property, plant and equipment	**–**	(19,998)
Operating (loss)/profit before working capital changes	**(13,161)**	22,661
Decrease/(Increase) in inventories	**8,780**	(7,168)
(Increase)/Decrease in deposits, prepayments and other receivables	**(29,090)**	3,900
Increase/(Decrease) in accruals and other payables	**30,750**	(19)
Increase/(Decrease) in contract liabilities	**9,046**	(3,098)
Net cash generated from operating activities	**6,325**	16,276
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**1,796**	264
Purchase of property, plant and equipment	**(24,794)**	(20,587)
Proceeds from disposals of property, plant and equipment	**210**	211
Increase in restricted bank deposits	**(3,739)**	(432)
Net cash used in investing activities	**(26,527)**	(20,544)

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES (note 33)		
Repayment of principal portion of lease liabilities	**(922)**	(1,022)
Repayment of interest portion of lease liabilities	**(23)**	(9)
Issuance of the convertible bonds	**–**	40,000
Net cash (used in)/generated from financing activities	**(945)**	38,969
NET CHANGE IN CASH AND CASH EQUIVALENTS	**(21,147)**	34,701
Effect of foreign exchange rate changes	**(988)**	(3,619)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**117,494**	86,412
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**95,359**	117,494
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**95,359**	117,494

1. General Information

Grand Ocean Advanced Resources Company Limited (the "**Company**") was incorporated in the Cayman Islands on 7 April 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its business office is Unit 1102, 11/F, 29 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The principal activities of its subsidiaries during the year ended 31 December 2023 was the production and sale of coal and minerals (the "**Coal Mining Business**").

2. Basis of Preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**"), and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollar ("**HK$**"), which is the same as the functional currency of the Company.

(d) Use of judgements and estimates

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

3. Adoption of Amended Hong Kong Financial Reporting Standards

(a) Adoption of amended HKFRSs

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Except as detailed below, the adoption of these amended HKFRSs have no material impact on the Group's consolidated financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures.

The Group has disclosed the material accounting policy information in note 4 to the consolidated financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

(b) Amended HKFRSs that have been issued but not yet effective

The following amended HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement[1]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]

1 Effective for annual periods beginning on or after 1 January 2024.
2 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of these amended HKFRSs will have no material impact on the Group's consolidated financial performance and positions and/or the disclosures to the consolidated financial statements of the Group.

4. Material Accounting Policies

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

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

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

(b) 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 HK$, which is the Company's functional and presentation currency.

4. Material Accounting Policies (Continued)

(b) Foreign currency translation (Continued)

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average 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 exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

4. Material Accounting Policies (Continued)

(c) Property, plant and equipment

Property, plant and equipment, including buildings, held for use in the production or supply of goods or services, or for administrative purpose, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Construction in progress represents assets under construction and is carried at cost less any impairment losses, and is not depreciated. Cost comprises direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment and depreciation commences when the construction work is completed and the asset is ready for use.

Mining structures (including the main and auxiliary mine shafts underground tunnels) are depreciated at a units-of-production method over the estimated volume of underground coal that is entitled to the Group.

Depreciation of property, plant and equipment other than mining structures, is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	4% – 5%
Leasehold improvements	Over lease term
Plant and machinery	10% – 33%
Furniture, fixtures and equipment	19% – 33%
Motor vehicles	13% – 25%

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

An investment property is measured initially at its cost including all direct costs attributable to the property. After initial recognition, the investment property was stated at cost less accumulated depreciation and impairment losses. The depreciation was calculated using the straight line method to allocate the cost to the residual value over its estimated useful life of 20 years.

4. Material Accounting Policies (Continued)

(e) Leases

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position 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 elected not to recognise right-of-use assets and lease liabilities for low-value assets and 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 should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for 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-of-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 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; (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)

(e) Leases (Continued)

Lease liability (Continued)

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

(f) Intangible asset

Mining right is measured initially at purchase cost and is amortised at a units-of-production method over the estimated volume of underground coal that is entitled to the Group.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Intangible asset with finite lives is tested for impairment when there is an indication that an asset may be impaired. Intangible asset is tested for impairment by comparing the carrying amount with its recoverable amount (see note 4(m) to the consolidated financial statements).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

4. Material Accounting Policies (Continued)

(h) Financial instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Debt instruments at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("**ECL**") on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 *Financial Instruments* ("**HKFRS 9**") simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since initial recognition, 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 ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

4. Material Accounting Policies (Continued)

(h) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired 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 90 days past due.

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

(iii) Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including accruals and other payables are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

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

Convertible bonds

The component parts of the convertible bonds are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component. In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method.

4. Material Accounting Policies (Continued)

(h) Financial instruments (Continued)

(iii) Financial liabilities (Continued)

Convertible bonds (Continued)

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

(iv) 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.

(v) Equity instruments

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

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when 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)

(h) Financial instruments (Continued)

(vi) Derecognition (Continued)

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(j) 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.

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.

Customers obtain control of the coal products when the goods are delivered to and have been accepted. Revenue is recognised upon when the customers accepted the coal products. There is generally only one performance obligation. Invoices are usually payable within 90 days.

4. Material Accounting Policies (Continued)

(j) Revenue recognition (Continued)

Interest income is recognised as it accrued under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the gross carrying amount of the financial asset.

Contract liabilities

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.

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the period when the employees render the related service.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring cost and involves the payment of termination benefits.

(l) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. Material Accounting Policies (Continued)

(l) Taxation (Continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(m) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit (the "**CGU**") to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset or the CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset or the CGU whose impairment is being measured.

4. Material Accounting Policies (Continued)

(m) Impairment of non-financial assets (Continued)

Impairment losses for the CGU are allocated pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(o) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as "Other income and gains", rather than reducing the related expense.

4. Material Accounting Policies (Continued)

(p) 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 Company;

(ii) has significant influence over the Company; or

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

5. Critical Judgements and Key Estimates

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors of the Company have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations which are dealt with below).

Legal titles of certain buildings

As stated in note 17(a) to the consolidated financial statements, the legal titles of certain buildings were not yet obtained as at 31 December 2023. Despite the fact that the Group has not obtained the relevant legal titles, the directors of the Company have determined to recognise those buildings as property, plant and equipment on the grounds that they expect the legal titles being to be obtained in future with no major difficulties and the Group is in substance controlling those buildings. As of the date of approval of these consolidated financial statements, the Group had submitted applications and it is expected that the relevant authority will issue the official licenses to the Group.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Estimated useful lives of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

(b) Impairment of non-financial assets

Determining whether the property, plant and equipment, intangible asset and right-of-use assets are impaired requires an estimation of the recoverable amount of the CGU to which the property, plant and equipment, intangible asset and right-of-use assets belong, by value in use and fair value less costs of disposal approaches. The Group estimates the future cash flows expected to be generated from the CGU and a suitable discount rate in order to calculate the present value. Where the future cash flows are less than expected, or there are changes in facts and circumstances which result in revisions of the estimated future cash flows, further impairment on the property, plant and equipment, intangible asset and right-of-use assets may arise.

The carrying amount of property, plant and equipment, intangible asset and right-of-use assets as at 31 December 2023 were approximately HK$114,815,000 (2022: HK$109,997,000), HK$27,000,000 (2022: HK$29,657,000) and HK$12,001,000 (2022: HK$12,549,000) respectively. Details are disclosed in notes 17, 18 and 20 to the consolidated financial statements.

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(b) Impairment of non-financial assets (Continued)

Coal Mining Business cash-generating unit (the "Coal CGU")

The recoverable amounts of the assets of the Coal CGU has been determined and approved by the directors of the Company based on the higher of fair value less cost of disposal and value in use approach. Value in use calculation is derived by reference to the discounted cash flow forecasts for the period until the expiry date of the business license.

As at 31 December 2023, the carrying amount of the Group's property, plant and equipment, intangible asset and right-of-use assets allocated to the Coal CGU is approximately HK$114,779,000 (2022: HK$109,933,000), HK$27,000,000 (2022: HK$29,657,000) and HK$11,924,000 (2022: HK$12,464,000) respectively.

No reversal of impairment loss had been made for the year ended 31 December 2023. Reversals of impairment loss on property, plant and equipment and intangible asset of approximately HK$19,998,000 and HK$6,708,000 were recognised for the year ended 31 December 2022 respectively. Details of the key assumptions used are disclosed in note 17(b) to the consolidated financial statements.

(c) Deferred tax assets

The estimates of deferred tax assets require estimates over future taxable profit and corresponding applicable income tax rates of respective years. The change in future income tax rates and timing would affect income tax expense or credit, as well as deferred tax balance. The Group had previously concluded that these tax losses could be utilised based on the estimated future taxable income according to the cash flow forecast for that subsidiary prepared by the management and deferred tax assets were recognised.

The carrying amount of deferred tax assets as at 31 December 2023 was approximately HK$11,499,000 (2022: HK$12,547,000).

(d) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Deferred tax assets of approximately HK$774,000 (2022: HK$6,802,000) was charged (2022: charged) to profit or loss mainly based on the estimated assessable income.

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(e) ECL on financial assets at amortised cost

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Other financial assets at amortised cost are measured by 12 months ECLs.

At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's financial assets at amortised cost is disclosed in note 6(b) to the consolidated financial statements.

As at 31 December 2023, accumulated ECL on trade receivables amounted to approximately HK$1,216,000 (2022: HK$1,243,000).

(f) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. No addition allowance was made during the year ended 31 December 2023 and 2022.

6. Financial Risk Management

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Currency risk

The Group is exposed to currency risk primarily through sales and purchases and bank balances and cash that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollar ("**USD**") and Renminbi ("**RMB**").

The carrying amounts of monetary assets and monetary liabilities are denominated in foreign currencies of the relevant group entities whose functional currency is HK$ at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**–**	31,274	**–**	–
RMB	**67,709**	49,212	**72,285**	48,623

The Group currently does not have foreign currency hedging policy. However, the management of the Group monitors foreign currency exposure for each business segment and reviews the needs of individual geographical area, and will consider appropriate hedging policy when necessary.

Sensitivity analysis

As HK$ is pegged to USD, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the USD/HK$ and HK$/USD exchange rates. As a result, the management of the Group considers that the sensitivity of the Group's exposure towards the change in foreign exchange rates between USD/HK$ and HK$/USD is minimal.

The currency risk is mainly arising from exchange rate of HK$ against RMB.

The sensitivity analysis includes only monetary assets and monetary liabilities dominated in RMB. A positive number below indicates an increase in (loss)/profit for the year where HK$ strengthens by 10% (2022: 10%) against RMB. For a 10% (2022: 10%) weakening of HK$ against RMB, there would be an equal and opposite impact on the (loss)/profit for the year. 10% (2022: 10%) represents the assessment of the reasonably possible change in foreign exchange rates made by the management of the Group.

	2023	2022
	HK$'000	HK$'000
Increase in (loss)/profit for the year	**458**	59

6. Financial Risk Management (Continued)

(b) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all debtors requiring credit over a certain amount. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtors operate. Normally, the Group does not obtain collateral from debtors.

The Group has no significant concentration of credit risk.

Trade receivables

The Group has policies in place to trade with customers with an appropriate credit history.

The Group applies the HKFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables. The Group measures the ECLs on a combination of both individual and collective basis.

Measurement of ECLs on individual basis

Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for the loss allowance. As at 31 December 2023, the balance of loss allowance in respect of these individually assessed receivables was approximately HK$1,216,000 (2022: HK$1,243,000).

The following table presents the balances of gross carrying amount and the loss allowance in respect of the individually assessed receivables as at 31 December 2023 and 2022:

	2023 **HK$'000**	2022 HK$'000
Gross carrying amount	**1,216**	1,243
Loss allowance	**(1,216)**	(1,243)
Net carrying amount	**–**	–

Measurement of ECLs on collective basis

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the past due days. In calculating the ECL rates, the Group considers historical elements and forward-looking elements. Assessed lifetime ECL rate of trade receivables is insignificant for the year ended 31 December 2023 and 2022.

6. Financial Risk Management (Continued)

(b) Credit risk (Continued)

Other receivables

As detailed in note 24 to consolidated financial statements, the other receivables included a refundable deposit amounting to approximately HK$27,283,000 as at 31 December 2023. Given the balance is overdue as at reporting date, the credit risk has increased since initial recognition and therefore its ECL is measured based on lifetime ECLs basis.

The Group has engaged an independent professional valuer to conduct the ECL assessment. Based on the assessment, no loss allowance was recognised as the amount of ECLs for the other receivables has immaterial financial impact to these consolidated financial statements.

Restricted bank deposits and bank and cash balances

There is no loss allowance for restricted bank deposits and bank and cash balances as at 31 December 2023 (2022: Nil).

The credit risk on restricted bank deposits and bank and cash balances is limited because the counterparties are state-owned financial institutions and reputable banks.

(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 following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	Within 1 year or on demand HK$'000	**Total undiscounted cash outflows** HK$'000	**Carrying amount** HK$'000
As at 31 December 2023			
Accruals and other payables	**71,210**	**71,210**	**71,210**
Lease liabilities	**86**	**86**	**86**
	71,296	**71,296**	**71,296**
As at 31 December 2022			
Accruals and other payables	47,262	47,262	47,262
Convertible bonds	41,842	41,842	39,582
Lease liabilities	86	86	86
	89,190	89,190	86,930

6. Financial Risk Management (Continued)

(d) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate refundable deposit, restricted bank deposits, bank balances and liability component of convertible bonds (notes 24, 25, 26 and 28 to the consolidated financial statements).

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments (including refundable deposit, restricted bank deposits, bank balances and liability component of convertible bonds) at the end of the reporting period and the stipulated changes taking place at the beginning of the financial year and held constant throughout the reporting period in the case of refundable deposit, restricted bank deposits, bank balances and liability component of convertible bonds.

10 basis points (2022: 10 basis points) increase or decrease on variable-rate refundable deposit, restricted bank deposits, bank balances and liability component of convertible bonds are used when reporting interest rate risk internally to key management personnel and represents the management's assessment of the reasonably possible change in interest rates. If interest rates on variable-rate refundable deposit, restricted bank deposits, bank balances and liability component of convertible bonds had been 10 basis points (2022: 10 basis points) higher/lower and all other variables were held constant, the (loss)/profit for the year would have increased/decreased by approximately HK$75,000 (2022: HK$11,000).

(e) Categories of financial instruments at 31 December

	2023 **HK$'000**	2022 HK$'000
Financial assets:		
Financial assets at amortised cost	**132,714**	123,502
Financial liabilities:		
Financial liabilities at amortised cost	**76,021**	91,763

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities at amortised cost as reflected in the consolidated statement of financial position approximate their respective fair values.

7. Revenue

An analysis of the Group's revenue for the year is as follows:

	2023 **HK$'000**	2022 HK$'000
Sale of coal	**187,960**	191,180

The Group recognised sale of coal of approximately HK$187,960,000 (2022: HK$191,180,000) during the year ended 31 December 2023 under the Coal CGU. Sale of coal is recognised at a point in time and its external customers were located in the People's Republic of China (the "**PRC**") entirely.

The following table provides information about contract liabilities from contracts with customers:

	2023 **HK$'000**	2022 HK$'000
Contract liabilities	**9,322**	300

The contract liabilities mainly relate to the advance consideration received from customers.

Movement in contract liabilities:

	2023 **HK$'000**	2022 HK$'000
Balance as at 1 January	**300**	3,593
Increase in contract liabilities as a result of receipt in advance consideration received from customers	**197,006**	189,788
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities		
– at the beginning of the year	**–**	(1,701)
– during the year	**(187,960)**	(189,479)
Decrease in contract liabilities in relation to refund	**–**	(1,706)
Exchange difference	**(24)**	(195)
Balance as at 31 December	**9,322**	300

8. Other Income and Gains

	2023 HK$'000	2022 HK$'000
Interest income	**1,796**	264
Bad debts recovery	**–**	197
Government grants (note)	**297**	1,975
Gain on disposals of property, plant and equipment	**–**	55
Gain on disposal of subsidiaries	**23**	–
Net foreign exchange gains	**127**	–
Sundry income	**259**	430
	2,502	2,921

Note:

During the year ended 31 December 2023, the Group received grants from the local PRC government for awarding the business development and supporting stabilisation of employment amounting to approximately HK$110,000 and HK$187,000 respectively (2022: received grants of approximately HK$1,951,000 from the local PRC government for subsidising the staff training). There are no unfulfilled conditions or contingencies relating to these grants.

9. Segment Information

The Group determines its operating segments based on the business from products/services perspective.

For the year ended 31 December 2023 and 2022, the Group has only one reportable operating segment which is Coal Mining Business. Thus, no operating segments have been aggregated to form the above reportable operating segment.

Geographical information:

The Group's revenue from external customers by location of operations and information about its non-current assets (excluding deferred tax assets) by location of assets are detailed below:

	Revenue		Non-current assets	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
Hong Kong	**–**	–	**113**	94
The PRC except Hong Kong	**187,960**	191,180	**155,752**	154,326
Consolidated total	**187,960**	191,180	**155,865**	154,420

Revenue from major customer:

For the year ended 31 December 2023, revenue of approximately HK$138,293,000 (2022: HK$148,176,000) was derived from an external customer (2022: one), which contributed 10% or more of the Group's revenue for the year.

10. Finance Costs

	2023 HK$'000	2022 HK$'000
Interest on lease liabilities	**23**	9
Interest on convertible bonds	**451**	837
Effective interest on convertible bonds (note 28)	**353**	324
	827	1,170

11. (Loss)/Profit Before Tax

The Group's (loss)/profit before tax is stated after charging/(crediting) the following:

	2023 HK$'000	2022 HK$'000
Auditor's remuneration	**1,500**	1,450
Amortisation of intangible asset (note 18)	**2,009**	1,244
Cost of inventories sold (note (i))	**122,749**	110,014
Depreciation of		
– Property, plant and equipment (note 17)	**17,211**	12,972
– Investment property (note 19)	**120**	126
– Right-of-use assets (note 20) included within		
– Properties	**930**	1,012
– Ownership interests in leasehold land and buildings	**267**	260
Expense related to the settlement (included in other operating expense) (note (ii))	**22,188**	–
Loss/(Gain) on disposal of property, plant and equipment, net	**130**	(55)
Short-term leases expenses	**66**	69
Administrative fines (note (iii))	**1,535**	1,184

Notes:

(i) Cost of inventories sold includes staff costs (note 13), amortisation of intangible asset (note 18) and depreciation of property, plant and equipment and right-of-use assets (notes 17 and 20) of approximately HK$50,514,000 (2022: HK$45,157,000) which are included in the amounts disclosed separately.

(ii) In April 2023, Inner Mongolia Yuanyuan Energy Group Co., Ltd ("**Inner Mongolia Yuanyuan Energy**"), a non-controlling shareholder of Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited ("**Inner Mongolia Jinyuanli**"), an indirect non wholly-owned subsidiary of the Company, asserted that the operating activities of Inner Mongolia Jinyuanli had caused damages to the land, properties and ancillary facilities owned by Inner Mongolia Yuanyuan Energy (the "**Damaged Properties**").

On 18 July 2023, Inner Mongolia Jinyuanli and Inner Mongolia Yuanyuan Energy entered into a settlement agreement, pursuant to which Inner Mongolia Jinyuanli shall pay approximately RMB20,110,000 (equivalent to approximately HK$22,188,000) to Inner Mongolia Yuanyuan Energy as a settlement for the Damaged Properties and the relocation costs. The aforesaid settlement amount was recognised as "Other operating expense" during the year ended 31 December 2023.

RMB3,000,000 (equivalent to approximately HK$3,310,000) had been settled during the year ended 31 December 2023 and the remaining balance of approximately RMB17,110,000 (equivalent to approximately HK$18,844,000) was included in the "Accruals and other payables" (note 27) as at 31 December 2023.

(iii) During the year ended 31 December 2023, the Group incurred several administrative fines in aggregate amount of RMB1,391,000 (equivalent to approximately HK$1,535,000) (2022: RMB1,020,000 (equivalent to approximately HK$1,184,000)) paid to the local government authorities in relation to workplace safety matters for the year.

12. Income Tax Expense

Income tax expense has been recognised in profit or loss as follows:

	2023 **HK$'000**	2022 HK$'000
Deferred tax (note 21)	**774**	6,802

(a) No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2023 as the Group did not generate any assessable profits arising in Hong Kong during the year (2022: Nil).

Under the law of the PRC on Enterprise Income Tax (the "**EIT law**") and Implementation Regulation of the EIT law, the tax rate applicable to the PRC subsidiaries is 25% (2022: 25%). No provision for PRC Enterprise Income Tax has been made for the year ended 31 December 2023 as the PRC subsidiaries did not generate any assessable profits arising in the PRC during the year (2022: the PRC subsidiaries had available tax losses brought forward to offset the estimated assessable profit arising in the PRC).

(b) The reconciliation between income tax expense and (loss)/profit before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	2023 **HK$'000**	2022 HK$'000
(Loss)/Profit before tax	**(32,836)**	32,902
Tax at the PRC Enterprise Income Tax rate of 25% (2022: 25%)	**(8,209)**	8,226
Effect of different tax rates applicable to different subsidiaries of the Group	**942**	860
Tax effect of expenses that are not deductible	**6,831**	804
Tax effect of income that is not taxable	**(376)**	(505)
Tax effect of temporary differences not recognised	**(639)**	(4,393)
Tax effect of tax losses not recognised	**2,225**	1,810
Income tax expense	**774**	6,802

13. Employee Benefits Expense (Including Directors' Emoluments)

	2023 HK$'000	2022 HK$'000
Salaries, bonuses and allowances	**72,679**	73,292
Retirement benefit scheme contributions	**6,037**	9,902
	78,716	83,194

The Group operates/participates in the following pension and post retirement plans:

(i) The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. As at 31 December 2023 and 2022, no forfeited contributions are available to reduce the contribution payable in future years.

(ii) Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "**Schemes**") organised by the local government authorities whereby the Group is required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

Five highest paid individuals

The five highest paid individuals in the Group during the year ended 31 December 2023 included two (2022: one) directors whose emoluments are reflected in the analysis presented in note 14 to the consolidated financial statements. The emoluments of the remaining three (2022: four) individuals are set out below:

	2023 HK$'000	2022 HK$'000
Basic salaries and allowances	**3,790**	4,781
Discretionary bonus	**–**	850
Retirement benefit scheme contribution	**47**	45
	3,837	5,676

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
HK$500,001 – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**1**	2
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,000,001 – HK$2,500,000	**–**	1
	3	4

14. Benefits and Interests of Directors

Directors' emoluments

The emoluments of each director is set out below:

	Fees HK$'000	Salaries and allowance HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Total HK$'000
For the year ended 31 December 2023				
Executive Directors				
Mr. Ng Ying Kit	**–**	**1,440**	**18**	**1,458**
Mr. Leung Ka Hong (note (i))	**–**	**1,210**	**17**	**1,227**
Mr. Guo Jianpeng	**–**	**240**	**12**	**252**
Mr. Jiang Xin (note (ii))	**31**	**–**	**–**	**31**
Mr. Tao Ye (note (iii))	**–**	**–**	**–**	**–**
Non-Executive Directors				
Mr. Hu Xiutong (note (iv))	**105**	**–**	**–**	**105**
Mr. Zhou Hongliang (note (v))	**100**	**–**	**–**	**100**
Independent Non-Executive Directors				
Mr. Lee Wai Ming	**240**	**–**	**–**	**240**
Mr. Chang Xuejun	**240**	**–**	**–**	**240**
Mr. Ho Man	**240**	**–**	**–**	**240**
	956	**2,890**	**47**	**3,893**
For the year ended 31 December 2022				
Executive Directors				
Mr. Ng Ying Kit	–	1,440	18	1,458
Mr. Leung Ka Hong (note (i))	–	7	–	7
Mr. Guo Jianpeng	–	240	12	252
Mr. Tao Ye (note (iii))	–	–	–	–
Non-Executive Director				
Mr. Zhou Hongliang (note (v))	120	–	–	120
Independent Non-Executive Directors				
Mr. Lee Wai Ming	240	–	–	240
Mr. Chang Xuejun	240	–	–	240
Mr. Ho Man	240	–	–	240
	840	1,687	30	2,557

Notes:

(i) Appointed as executive director on 30 November 2022 and resigned as executive director on 30 November 2023

(ii) Appointed as executive director on 30 November 2023

(iii) Resigned as executive director on 31 October 2023

(iv) Appointed as non-executive director on 15 February 2023

(v) Resigned as non-executive director on 31 October 2023

14. Benefits and Interests of Directors (Continued)

Neither the chief executive nor any of the directors waived any emoluments during the year ended 31 December 2023 and 2022.

During the year ended 31 December 2023 and 2022, no emoluments were paid by the Group to the five highest paid individuals and directors as an inducement to join or upon joining the Group or as compensation for loss of office.

15. Dividends

The directors do not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: Nil).

16. (Loss)/Earnings per Share

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the year ended 31 December 2023 attributable to owners of the Company of approximately HK$23,734,000 (2022: profit of approximately HK$10,237,000) and the weighted average number of ordinary shares of approximately 1,623,422,371 (2022: 1,503,477,166) in issue during the year.

Diluted (loss)/earnings per share

For the year ended 31 December 2023, diluted loss per share was equal to the basic loss per share as the adjustments to reflect the effect of deemed conversion of convertible bonds would decrease the loss per share attributable to owners of the Company and have anti-dilutive effect.

For the year ended 31 December 2022, diluted earnings per share was equal to the basic earnings per share as the adjustments to reflect the effect of deemed conversion of convertible bonds would increase the earnings per share attributable to owners of the Company and have anti-dilutive effect.

17. Property, Plant and Equipment

	Buildings HK$'000 (note a)	Leasehold improvements HK$'000	Mining structures HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost								
At 1 January 2022	120,002	–	131,318	211,540	28,348	17,040	–	508,248
Additions	–	5,462	–	1,542	636	4,602	8,345	20,587
Disposals/write off	–	–	–	(1,509)	–	(460)	–	(1,969)
Exchange differences	(9,602)	(163)	(10,512)	(16,933)	(2,201)	(1,490)	(249)	(41,150)
At 31 December 2022	110,400	5,299	120,806	194,640	26,783	19,692	8,096	485,716
At 1 January 2023	**110,400**	**5,299**	**120,806**	**194,640**	**26,783**	**19,692**	**8,096**	**485,716**
Additions	**852**	**6,944**	**–**	**7,934**	**2,429**	**1,982**	**4,653**	**24,794**
Transfer	**–**	**–**	**–**	**7,933**	**4,653**	**–**	**(12,586)**	**–**
Disposals/write off	**–**	**–**	**–**	**–**	**–**	**(2,771)**	**–**	**(2,771)**
Exchange differences	**(2,424)**	**(129)**	**(2,651)**	**(4,300)**	**(577)**	**(430)**	**(163)**	**(10,674)**
At 31 December 2023	**108,828**	**12,114**	**118,155**	**206,207**	**33,288**	**18,473**	**–**	**497,065**
Accumulated depreciation and impairment								
At 1 January 2022	89,192	–	95,570	196,736	28,030	8,110	–	417,638
Charge for the year	2,340	1,092	1,587	5,060	96	2,797	–	12,972
Disposals/write off	–	–	–	(1,463)	–	(350)	–	(1,813)
Reversal of impairment loss (note (b))	(7,555)	–	(9,082)	(2,945)	(235)	(181)	–	(19,998)
Exchange differences	(6,985)	(32)	(7,425)	(15,767)	(2,154)	(717)	–	(33,080)
At 31 December 2022	76,992	1,060	80,650	181,621	25,737	9,659	–	375,719
At 1 January 2023	**76,992**	**1,060**	**80,650**	**181,621**	**25,737**	**9,659**	**–**	**375,719**
Charge for the year	**2,799**	**2,427**	**2,587**	**6,225**	**322**	**2,851**	**–**	**17,211**
Disposals/write off	**–**	**–**	**–**	**–**	**–**	**(2,431)**	**–**	**(2,431)**
Exchange differences	**(1,694)**	**(28)**	**(1,774)**	**(3,997)**	**(543)**	**(213)**	**–**	**(8,249)**
At 31 December 2023	**78,097**	**3,459**	**81,463**	**183,849**	**25,516**	**9,866**	**–**	**382,250**
Carrying amount								
At 31 December 2023	**30,731**	**8,655**	**36,692**	**22,358**	**7,772**	**8,607**	**–**	**114,815**
At 31 December 2022	33,408	4,239	40,156	13,019	1,046	10,033	8,096	109,997

17. Property, Plant and Equipment (Continued)

Notes:

(a) At 31 December 2023, the carrying amount of certain buildings amounted to approximately HK$21,381,000 (2022: HK$23,897,000) for which relevant legal titles have not yet been obtained. As of the date of approval of these consolidated financial statements, the Group had submitted applications and it is expected that the relevant authority will issue the official licenses to the Group. Please refer to note 5 to the consolidated financial statements for the critical judgement applied.

(b) The Coal CGU is tested for impairment during the year ended 31 December 2023. For the purpose of impairment testing, the carrying amounts of property, plant and equipment of approximately HK$114,779,000, intangible asset of approximately HK$27,000,000 and right-of-use assets of approximately HK$11,924,000 were allocated to the Coal CGU. The recoverable amount of the Coal CGU has been determined with reference to the valuation prepared by Ravia Global Appraisal Advisory Limited, an independent valuation firm not connected to the Group.

The recoverable amount of the Coal CGU has been determined from value in use calculation based on cash flow projections from formally approved budgets. Key assumptions adopted in the cash flow forecast of the Coal CGU are as follows:

Inflation rate	(i)	2.5%
Production volume	(ii)	900,000
Unit price	(iii)	RMB188

(i) Inflation rate of 2.5% per annum (2022: 2.5%) is applied in the cash flow forecast for the period until the expiry date of the business license which does not exceed the long-term growth rate in the PRC.

(ii) Inner Mongolia Jinyuanli will continue to operate the coal mine of the Inner Mongolia Mine 958 ("**Inner Mongolia Mine 958**") at annual coal production capacity of 1,200,000 tonnes, and reduced annual coal production output level of 900,000 tonnes (2022: 900,000 tonnes) for the period until the expiry date of the business license.

(iii) The coal from the Inner Mongolia Mine 958 will be sold at the average selling price of RMB188 (2022: RMB178) per tonne with value-added tax for 2024 with an increase in average selling price of 2.5% (2022: 2.5%) in the subsequent years for the period until the expiry date of the business license.

(iv) Pre-tax discount rate of 16.60% (2022: 16.49%) is adopted based on the assessment of the discount rate analysis independently performed by an independent valuer, Ravia Global Appraisal Advisory Limited, engaged by the Company.

Based on the impairment assessment, no reversal of impairment loss had been made in respect of property, plant and equipment and intangible asset during the year ended 31 December 2023 (2022: reversal of impairment loss of approximately HK$19,998,000 and HK$6,708,000 had been recognised in property, plant and equipment and intangible asset respectively). The impairment recognised in right-of-use assets was fully reversed in prior years.

18. Intangible Asset

	Mining right 2023 HK$'000	2022 HK$'000
Cost		
At 1 January	**87,830**	95,472
Exchange differences	**(1,927)**	(7,642)
At 31 December	**85,903**	87,830
Accumulated amortisation and impairment		
At 1 January	**58,173**	68,996
Amortisation for the year	**2,009**	1,244
Reversal of impairment loss for the year	**–**	(6,708)
Exchange differences	**(1,279)**	(5,359)
At 31 December	**58,903**	58,173
Carrying amount		
At 31 December	**27,000**	29,657

The intangible asset represents the purchase cost of the exclusive right for certain volume of underground coal at the Inner Mongolia Mine 958 which expires on 4 July 2037.

The average remaining amortisation period of the mining right is 13.52 years (2022: 14.52 years).

During the year ended 31 December 2023, intangible asset, together with the property, plant and equipment and right-of-use assets, are allocated to the Coal CGU for impairment testing. Based on the assessment, no reversal of impairment loss had been made (2022: a reversal of impairment loss of approximately HK$6,708,000 had been recognised in intangible asset). Details are set out in note 17(b) to the consolidated financial statements.

19. Investment Property

	HK$'000
Cost	
At 1 January 2022	2,798
Exchange differences	(224)
At 31 December 2022	2,574
At 1 January 2023	**2,574**
Exchange differences	**(56)**
At 31 December 2023	**2,518**
Accumulated depreciation	
At 1 January 2022	255
Charge for the year	126
Exchange differences	(24)
At 31 December 2022	357
At 1 January 2023	**357**
Charge for the year	**120**
Exchange differences	**(8)**
At 31 December 2023	**469**
Carrying amount	
At 31 December 2023	**2,049**
At 31 December 2022	2,217

At 31 December 2023 and 2022, the Group's investment property was situated in the PRC.

At 31 December 2023, the fair value of the Group's investment property was approximately HK$1,854,000 (2022: HK$2,101,000). The directors of the Company use the market comparable approach to assess the fair value of the investment property. The market comparable approach was based on market evidence of recent transactions for similar properties and adjusted to reflect the conditions and locations of the subject property.

20. Leases

Nature of leasing activities

The Group leases an office premises in Hong Kong and obtained ownership interests in leasehold land and buildings situated in Inner Mongolia. The leases of office premises typically run for a period of one year and the leasehold land and building have a lease term of 50 years. Lease payments are renegotiated every one to two years to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

Right-of-use assets

The analysis of the carrying amount of right-of-use assets by class of underlying asset is as follows:

	Ownership interests in leasehold land and buildings HK$'000	**Properties** HK$'000	**Total** HK$'000
Balance at 1 January 2022	13,824	585	14,409
Lease modification	–	512	512
Depreciation charge for the year	(260)	(1,012)	(1,272)
Exchange difference	(1,100)	–	(1,100)
Balance at 31 December 2022	12,464	85	12,549
Balance at 1 January 2023	**12,464**	**85**	**12,549**
Lease modification	**–**	**922**	**922**
Depreciation charge for the year	**(267)**	**(930)**	**(1,197)**
Exchange difference	**(273)**	**–**	**(273)**
Balance at 31 December 2023	**11,924**	**77**	**12,001**

20. Leases (Continued)

Lease liabilities

	Properties HK$'000
Balance at 1 January 2022	596
Lease modification	512
Interest expense (note 10)	9
Lease payment of principal portion	(1,022)
Lease payment of interest portion	(9)
Balance at 31 December 2022 and 1 January 2023	**86**
Lease modification	**922**
Interest expense (note 10)	**23**
Lease payment of principal portion	**(922)**
Lease payment of interest portion	**(23)**
Balance at 31 December 2023	**86**

During the year ended 31 December 2023, right-of-use assets, together with the property, plant and equipment and intangible asset, are allocated to the Coal CGU for impairment testing. Based on the assessment, no reversal of impairment loss had been made (2022: no reversal of impairment loss had been recognised in right-of-use assets due to the impairment recognised was fully reversed in prior year). Details are set out in note 17(b) to the consolidated financial statements.

Future lease payments are due as follows:

	Minimum lease payments HK$'000	**Interest** HK$'000	**Present value** HK$'000
31 December 2023			
Not later than one year	**86**	**–**	**86**
31 December 2022			
Not later than one year	86	–	86

21. Deferred Tax

The following are the deferred tax assets/(liabilities) recognised by the Group:

	Tax depreciation HK$'000	Tax losses HK$'000	Other temporary difference HK$'000	Undistributed earnings of the PRC subsidiaries HK$'000	Tax on gain from intergroup debts transfer and interest income HK$'000	Total HK$'000
At 1 January 2022	10,055	10,757	(7)	(1,143)	(15,928)	3,734
Charged to profit or loss for the year (note 12)	(4,054)	(2,748)	–	–	–	(6,802)
Exchange differences	(684)	(779)	1	–	1,275	(187)
At 31 December 2022 and 1 January 2023	**5,317**	**7,230**	**(6)**	**(1,143)**	**(14,653)**	**(3,255)**
(Charged)/credited to profit or loss for the year (note 12)	**(3,495)**	**2,721**	**–**	**–**	**–**	**(774)**
Exchange differences	**(110)**	**(164)**	**–**	**–**	**321**	**47**
At 31 December 2023	**1,712**	**9,787**	**(6)**	**(1,143)**	**(14,332)**	**(3,982)**

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

	2023 HK$'000	2022 HK$'000
Deferred tax assets	**11,499**	12,547
Deferred tax liabilities	**(15,481)**	(15,802)
	(3,982)	(3,255)

At the end of the reporting period, the Group has unused tax losses of approximately HK$39,148,000 (2022 HK$28,919,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$39,148,000 (2022: HK$28,919,000) of such losses. These unrecognised tax losses are available for offsetting against future taxable profits in one to five years.

22. Inventories

	2023 HK$'000	2022 HK$'000
Finished goods	**610**	617
Consumables	**3,925**	12,980
	4,535	13,597

23. Trade Receivables

	2023 HK$'000	2022 HK$'000
Trade receivables	**1,216**	1,243
Impairment loss on trade receivables	**(1,216)**	(1,243)
	–	–

Payment in advance are required by the Group but credit terms of 90 days are granted to certain key customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the senior management.

Reconciliation of impairment loss on trade receivables:

	2023 HK$'000	2022 HK$'000
At 1 January	**1,243**	1,351
Exchange differences	**(27)**	(108)
At 31 December	**1,216**	1,243

The carrying amounts of the Group's trade receivables are denominated in RMB.

24. Deposits, Prepayments and Other Receivables

	2023 **HK$'000**	2022 HK$'000
Deposits	**405**	407
Prepayments	**2,612**	1,284
Other receivables (note)	**28,371**	645
	31,388	2,336

Note:

As at 31 December 2023, the balance included a refundable deposit of approximately HK$27,283,000 paid to a potential coal supplier which is an independent third party to the Group. The balance carried at an interest rate of 5.47% per annum which reference to the interest offered on Hong Kong dollar by banks in the interbank market for three months (3 months HIBOR) plus 0.25%. Total accrued interest amounting to approximately HK$1,295,000 was recognised as "Other income and gains" (note 8) during the year ended 31 December 2023, in which approximately HK$1,283,000 was received during the year.

Subsequent to the end of the reporting date, HK$13,500,000 (including interest amounting to approximately HK$71,000) were settled.

25. Restricted Bank Deposits

The Group's restricted bank deposits of approximately HK$8,579,000 (2022: HK$4,956,000) are the deposits kept for the Coal Mining Business for the purpose of complying related coal mining regulation and in the PRC regulatory restriction. The aforesaid deposits are in RMB and at market interest rate.

26. Bank and Cash Balances

At 31 December 2023, the Group's bank and cash balances denominated in RMB and USD and kept in the PRC amounted to approximately HK$58,055,000 (2022: HK$43,611,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

27. Accruals and Other Payables

	2023 **HK$'000**	2022 HK$'000
Accruals	**33,314**	36,059
Other payables	**27,879**	15,192
Payable related to the settlement (note 11(ii))	**18,844**	–
	80,037	51,251

28. Convertible Bonds

On 18 July 2022, the Company issued the convertible bonds (the "**Convertible Bonds**") in the aggregate principal amount of HK$40,000,000 which could be converted into a maximum of 220,000,000 conversion shares of the Company at an initial conversion price of approximately HK$0.1818 per conversion share at the option of the convertible bondholder(s) at any time during the period from 18 July 2022 to 16 July 2023. The net proceeds from the Convertible Bonds were approximately HK$39,800,000.

The Convertible Bonds contained two components, liability and equity elements. The initial fair value of the liability component and the equity conversion component was determined based on net proceeds at issuance. The fair value of the liability component was calculated by using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in equity as "convertible bonds reserve". The liability component was subsequently measured at amortised cost using the effective interest method.

The Convertible Bonds, with maturity date on 17 July 2023 (the "**Maturity Date**"), carried an interest rate of the average of the rate of interest offered on Hong Kong dollar by banks in the interbank market for one year (1-year HIBOR) on (i) 21 June 2022, and (ii) the Maturity Date, plus 0.25% per annum.

During the year ended 31 December 2023, the entire Convertible Bonds were converted into 220,000,000 new shares of the Company, and 110,000,000 new shares of the Company and 110,000,000 new shares of the Company were issued and allotted on 19 May 2023 and 14 July 2023 respectively at conversion price of approximately HK$0.1818 per conversion share.

The movements of the components of the Convertible Bonds during the year ended 31 December 2023 are set out below:

	Liability component at amortised cost HK$'000	**Convertible bonds reserve** HK$'000	**Total** HK$'000
As at 1 January 2022	–	–	–
Issuance of the Convertible Bonds	39,258	742	40,000
Effective interest expense (note 10)	324	–	324
As 31 December 2022	**39,582**	**742**	**40,324**
Effective interest expense (note 10)	**353**	**–**	**353**
Conversion to the ordinary shares of the Company	**(39,935)**	**(742)**	**(40,677)**
As 31 December 2023	**–**	**–**	**–**

29. Provision for Environmental Rehabilitation and Restoration

	2023 HK$'000	2022 HK$'000
Balance at 1 January	**4,919**	5,346
Exchange differences	**(108)**	(427)
Balance at 31 December	**4,811**	4,919
Presented as:		
Non-current portion	**4,811**	4,919

Provision represents the best estimates on land subsidence, restoration, rehabilitation and environmental costs determined by the directors of the Company. However, in so far as the effect on the land and the environment from current mining activities become apparent in future periods, the estimate of the associated costs may be subject to revision in the future.

30. Share Capital

	Authorised	
	Number of shares of HK$0.01 each	**HK$'000**
At 1 January 2022, 31 December 2022 and 31 December 2023	100,000,000,000	1,000,000

	Issued and fully paid	
	Number of shares of HK$0.01 each	**HK$'000**
At 1 January 2022 and 31 December 2022	1,503,477,166	15,035
Issue of ordinary shares upon conversion of the Convertible Bonds (note 28)	220,000,000	2,200
At 31 December 2023	1,723,477,166	17,235

On 19 May 2023 and 14 July 2023, 110,000,000 ordinary shares and 110,000,000 ordinary shares were issued and allotted respectively pursuant to the exercise of the conversion right in respect of the Convertible Bonds with an aggregate principal amount of HK$40,000,000 by the convertible bondholder as detailed in note 28 to the consolidated financial statements. These shares rank pari passu in all respects with other shares in issue.

30. Share Capital (Continued)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to recognise the return to the shareholders through the recognition of the debt and equity balance. Capital comprises all components of equity (i.e. share capital, accumulated losses and other reserves) except for non-controlling interests, which remains unchanged from prior year. As at 31 December 2023, total equity of approximately HK$138,598,000 (2022: HK$123,125,000) was managed by the Group as capital.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio, which is the total borrowings divided by total equity. As at 31 December 2023, the Group's gearing ratio was nil (2022: approximately 0.20).

The only externally imposed capital requirement is that, for the Group to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars quarterly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

31. Statement of Financial Position of the Company

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Right-of-use assets		**77**	85
Investments in subsidiaries		**37,012**	37,090
		37,089	37,175
Current assets			
Due from subsidiaries		**107,290**	113,761
Deposits and prepayment		**760**	788
Bank and cash balances		**44**	54
		108,094	114,603
Current liabilities			
Due to subsidiaries		**401**	59
Accruals and other payables		**3,729**	3,550
Convertible bonds		**–**	39,582
Lease liabilities		**86**	86
		4,216	43,277
Net current assets		**103,878**	71,326
Total assets less current liabilities		**140,967**	108,501
NET ASSETS		**140,967**	108,501
Capital and reserves			
Share capital	30	**17,235**	15,035
Reserves	32(a)	**123,732**	93,466
TOTAL EQUITY		**140,967**	108,501

Approved by the Board of Directors on 25 March 2024 and signed on its behalf by:

NG Ying Kit *Director*	**GUO Jianpeng** *Director*

32. Other Reserves

(a) Company

	Share premium HK$'000	Capital reserve HK$'000	Distributable reserve HK$'000	Convertible bonds reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2022	96,935	3,917	135,282	–	(136,157)	99,977
Total comprehensive income for the year	–	–	–	–	(7,253)	(7,253)
Issuance of the convertible bonds (note 28)	–	–	–	742	–	742
At 31 December 2022	96,935	3,917	135,282	742	(143,410)	93,466
At 1 January 2023	**96,935**	**3,917**	**135,282**	**742**	**(143,410)**	**93,466**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(8,758)**	**(8,758)**
Issue of ordinary shares upon conversion of the convertible bonds (note 28)	**39,766**	**–**	**–**	**(742)**	**–**	**39,024**
At 31 December 2023	**136,701**	**3,917**	**135,282**	**–**	**(152,168)**	**123,732**

(b) Nature and purpose of reserves

(i) Capital reserve

The capital reserve of the Group arose as a result of the Group reorganisation implemented in preparation for the listing of the Company's shares in 2001 and represented the difference between the nominal value of the aggregate share capital of the subsidiaries acquired under the reorganisation scheme, over the nominal value of the share capital of the Company issued in exchange therefore.

(ii) Distributable reserve

On 22 March 2017, the authorised and issued share capital of the Company was reduced through a reduction in the nominal value of each shares from HK$0.50 to HK$0.01. The credit balance of the capital reduction amount after reducing the accumulated losses of the Company was transferred to distributable reserve.

(iii) Future development fund

Pursuant to the relevant PRC regulations, the Group is required to set aside an amount to a future development fund at RMB10.5 (2022: RMB10.5) per tonne of raw coal mined. The fund can be used for future development of the coal mining operations, and is not available for distribution to shareholders. Upon incurring qualifying development expenditure, an equivalent amount is transferred from future development fund to accumulated losses.

32. Other Reserves (Continued)

(b) Nature and purpose of reserves (Continued)

(iv) Safety fund

Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC, the Group is required to set aside an amount to a safety fund at RMB15 (2022: RMB15) per tonne of raw coal mined. The fund can be used for improvements of safety at the mines, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to accumulated losses.

(v) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(b)(iii) to the consolidated financial statements.

(vi) Convertible bonds reserve

The convertible bonds reserve represents the value of the equity conversion component of the Convertible Bonds as set out in note 28 to the consolidated financial statements. Items included in convertible bonds reserve will not be reclassified subsequently to profit or loss.

33. Notes to the Consolidated Statement of Cash Flows

Reconciliation of liabilities arising from financing activities

	Lease liabilities (note 20) HK$'000	**Convertible bonds (note 28)** HK$'000
At 1 January 2022	596	–
Change in cash flows:		
Proceeds received from issuance of the Convertible Bonds	–	40,000
Repayment of principal portion of lease liabilities	(1,022)	–
Repayment of interest portion of lease liabilities	(9)	–
Total changes in financing cash flows	(1,031)	40,000
Other changes:		
Lease modification	512	–
Effective interest recognised	–	324
Interest expenses	9	–
Reallocation to convertible bonds reserve	–	(742)
Total other changes	521	(418)
At 31 December 2022 and 1 January 2023	**86**	**39,582**
Change in cash flows:		
Repayment of principal portion of lease liabilities	**(922)**	**–**
Repayment of interest portion of lease liabilities	**(23)**	**–**
Total changes in financing cash flows	**(945)**	**–**
Other changes:		
Lease modification	**922**	**–**
Effective interest recognised	**–**	**353**
Interest expenses	**23**	**–**
Conversion to the ordinary shares of the Company	**–**	**(39,935)**
Total other changes	**945**	**(39,582)**
At 31 December 2023	**86**	**–**

34. Related Party Transactions

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had compensation of key management personnel during the year. The key management personnel of the Company comprises all directors, details of their remuneration are disclosed in note 14 to the consolidated financial statements.

35. Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2023 and 2022 are as follow:

Name	Place of registration and operation	Paid up capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Inner Mongolia Jinyuanli [(1)]	The PRC	USD45,000,000	2023: 56.2% (2022: 56.2%)	Coal mining
Jilin Province De Feng Commodity Economics and Trading Co., Limited ("**Jilin De Feng**") [(1)]	The PRC	RMB20,000,000	2023: 51% (2022: 51%)	Inactive
Grand Ocean Group Management Limited	Hong Kong	HK$10,000	2023: 100% (2022: 100%)	Provision of management services
Big Wish Group Limited	British Virgin Islands	US$4,713,475	2023: 100% (2022: 100%)	Investment holding

(1) Sino-foreign equity joint venture

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

35. Principal Subsidiaries (Continued)

The following table shows information of subsidiaries that have non-controlling interests ("**NCI**") material to the Group. The summarised financial information represents amounts before inter-company elimination.

	Jilin De Feng		Inner Mongolia Jinyuanli	
	2023	2022	**2023**	2022
Principal place of business/ country of incorporation	**The PRC/The PRC**		**The PRC/The PRC**	
% of ownership interests/voting rights held by NCI	**49%/49%**	49%/49%	**43.8%/43.8%**	43.8%/43.8%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**–**	55	**167,252**	166,818
Current assets	**41,615**	42,857	**48,292**	36,610
Non-current liabilities	**–**	–	**(4,818)**	(4,926)
Current liabilities	**(137)**	(140)	**(123,294)**	(86,502)
Net assets	**41,478**	42,772	**87,432**	112,000
Accumulated NCI	**20,316**	20,950	**38,574**	49,335
Year ended 31 December:				
Revenue	**–**	–	**187,960**	191,180
(Loss)/Profit for the year	**(355)**	(447)	**(22,150)**	36,717
Total comprehensive income for the year	**(1,293)**	(4,193)	**(24,567)**	28,976
Total comprehensive income allocated to NCI	**(634)**	(2,054)	**(10,761)**	12,692
Dividends paid to NCI	**–**	–	**–**	–
Net cash (used in)/generated from operating activities	**(390)**	(418)	**44,035**	24,236
Net cash generated from/(used in) investing activities	**89**	46	**(28,292)**	(20,668)
Net cash generated from/(used in) financing activities	**–**	23,329	**(16)**	(23,337)
Net (decrease)/increase in cash and cash equivalents	**(301)**	22,957	**15,727**	(19,769)

36. Capital Commitment

As at 31 December 2023, the Group's capital expenditure contracted for but not provided in the consolidated financial statements in respect of property, plant and equipment amounted to approximately HK$1,989,000 (2022: HK$5,366,000).

37. Events After the Reporting Period

Memorandum of understanding in relation to the proposed investment

On 4 January 2024, Big Wish Group Limited, a direct wholly-owned subsidiary of the Company, Thaisan Jiujiu Investment Laos Trade Co., Ltd (老撾泰山久久投資貿易有限公司) ("**Thaisan Jiujiu**") and the shareholders of Thaisan Jiujiu entered into a memorandum of understanding (the "**MOU**") for the proposed investment in the equity interest of Thaisan Jiujiu. Subsequent to the end of the reporting period, a refundable deposit of RMB30,000,000 (equivalent to approximately HK$33,000,000) was paid to Thaisan Jiujiu as earnest money in accordance with the terms of the MOU.

Placing of new shares

On 9 February 2024, the Company entered into a placing agreement with Yuen Meta (International) Securities Limited (the "**Placing Agent**") pursuant to which the Company had conditionally agreed to place through the Placing Agent, on a best effort basis, a maximum number of 322,692,000 placing shares at the placing price of HK$0.185 per placing share to not less than six placees who and whose ultimate beneficial owners shall be independent third parties to the Company (the "**Placing**").

The Placing was completed on 4 March 2024 and 322,692,000 new shares of the Company were issued and allotted at the placing price of HK$0.185 per placing share. The gross proceeds from the Placing were approximately HK$59,698,000 with issuance costs of approximately HK$597,000, the net proceeds were approximately HK$59,101,000. These shares rank pari passu in all respects with other shares in issue.