



力量发展
KINETIC DEVELOPMENT GROUP

KINETIC DEVELOPMENT GROUP LIMITED
力量發展集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1277



2025

ANNUAL REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ju Wenzhong (*Chairman*)
 Mr. Li Bo (*Chief Executive Officer*)
 Mr. Ji Kunpeng

Non-executive Director

Ms. Zhang Lin

Independent Non-executive Directors

Ms. Liu Peilian
 Mr. Chen Liangnuan
 Ms. Xue Hui

AUDIT COMMITTEE

Ms. Liu Peilian (*Chairlady*)
 Mr. Chen Liangnuan
 Ms. Zhang Lin

REMUNERATION COMMITTEE

Ms. Xue Hui (*Chairlady*)
 Ms. Liu Peilian
 Ms. Zhang Lin

NOMINATION COMMITTEE

Mr. Ju Wenzhong (*Chairman*)
 Mr. Chen Liangnuan
 Ms. Xue Hui

AUTHORISED REPRESENTATIVES

Mr. Ju Wenzhong
 Mr. Chong Yuk Fai (appointed on 6 February 2025)
 Ms. Cheng Lucy (resigned on 6 February 2025)

JOINT COMPANY SECRETARIES

Ms. Wang Lanlan (appointed on 17 April 2025)
 Mr. Chong Yuk Fai (appointed on 6 February 2025)
 Ms. Cheng Lucy (resigned on 6 February 2025)

REGISTERED OFFICE

Cricket Square, Hutchins Drive, P.O. Box 2681
 Grand Cayman KY1-1111, Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Dafanpu Coal Mine
 Majiata Village, Xuejiawan Town
 Zhunge'er Banner, Ordos City
 Inner Mongolia, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18th Floor
 80 Gloucester Road
 Wan Chai
 Hong Kong

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance
with the Accounting and Financial Reporting
Council Ordinance
 8th Floor, Prince's Building
 10 Chater Road
 Central, Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
 Shops 1712-1716, 17th Floor
 Hopewell Centre, 183 Queen's Road East
 Wanchai, Hong Kong

PRINCIPAL BANKER

China Construction Bank Corporation

STOCK CODE

1277

WEBSITE OF THE COMPANY

www.kineticme.com



Chairman's Statement

On behalf of the board of directors (the “**Board**”) of Kinetic Development Group Limited (the “**Company**”), I am pleased to present the annual results of the Company, together with its subsidiaries (the “**Group**”), for the year ended 31 December 2025.

In 2025, international geopolitical tensions continued to escalate, trade frictions occurred frequently, and global economic growth remained sluggish. The Chinese government has implemented targeted policies and pursued steady progress, resulting in a generally stable and improving domestic economy. According to data from the National Bureau of Statistics of China, the gross domestic product (“**GDP**”) of the People's Republic of China (the “**PRC**”) in 2025 was approximately RMB140.2 trillion, representing a year-on-year increase of 5.0% at constant prices.

In 2025, the domestic coal market showed a loose supply-demand pattern, with coal prices showing a significant downward shift. On one hand, national raw coal production, under policy regulation, followed a trend of “first high, then low, then surging high again”, resulting in relatively ample supply throughout the year. On the other hand, domestic consumption growth was weak, the real estate market had bottomed out, and downstream coal demand remained lacklustre.

As a leading integrated coal enterprise in China, the Group's business covers coal production, washing, loading, transportation and trading. In 2025, the Group adhered to strict control over the quality of its coal products. Despite the downward trend in market coal prices, it secured higher sales prices through a competitive bidding model, minimizing the impact of the market downturn on its performance, thus overall performance remained resilient. For the year ended 31 December 2025, the Group's total revenue was approximately RMB5,293.3 million, representing a decrease of 6.4% year-on-year, of which the revenue from its principal coal business reached approximately RMB4,514.1 million, representing a decrease of 15.9% year-on-year.

In 2025, the Group adhered to the development principles of safety, efficiency, and environmental friendliness, comprehensively enhancing its mining operations. Built on a foundation of safety, it strengthened employees' safety competencies through hands-on training and targeted initiatives. Driven by technological upgrades, it introduced advanced mining and processing techniques to achieve steady improvements in production efficiency. Through refined management, it deepened cost control mechanisms and continuously reduced operating costs. For the year ended 31 December 2025, the Group's gross profit margin was 38.4%, while the net profit margin was 16.8%, remaining above the industry average despite a decrease caused by the decline in coal prices, increased operating costs of the Yong'an Coal Mine in Ningxia, and inventory impairment.

Regarding coal resource expansion, the Yong'an Coal Mine in Ningxia entered the joint trial operation stage, while the construction of the Weiyi Coal Mine is progressing as scheduled. With the two mines gradually releasing their production capacity, the Group's product line has expanded from single thermal coal to the coking coal sector. Regarding overseas operations, the Group has been focusing on developing the Makhado open-pit coal mine project in South Africa through the subscription of new shares in MC Mining Limited (“**MC Mining**”). The Group has also entered into a collaboration with Minenet Company Limited (“**Minenet**”) to develop a rutile mine project in Sierra Leone. These overseas projects are expected to gradually release their value after commencing production in 2026, and are anticipated to inject new momentum into the Group's performance growth.

Chairman's Statement

The Group is committed to green development and integrates environmental protection principles throughout the entire life cycle of mining operations. The Dafanpu Coal Mine has continued to strengthen the construction of its ecological protection and comprehensive resource utilization system, and has been recognised as a national-level green mine for many consecutive years for its outstanding performance, becoming a model for sustainable development in the mining area.

In addition to its principal coal business, the Group has also diversified its ancillary businesses, including agriculture and animal husbandry, real estate, property management services, and cigar and tobacco, to further broaden the Group's performance base.

In 2026, the world economy faces significant uncertainties and weak growth momentum. Domestically, macroeconomic regulation is becoming more precise, policies to expand domestic demand continue to take effect, and the economy is expected to remain within a reasonable range. Focusing on the coal market, the supply-side policy of "anti-involution, strengthening safety regulations" continues, coupled with the reduction of production quotas by major importing countries, resulting in narrowing supply elasticity. The demand side is steadily recovering as the real economy rebounds, and factors supporting coal prices are gradually accumulating. In the medium to long term, thermal power will continue to play a "ballast" role in ensuring power supply. As a coal enterprise with high-quality resources and lean operational capabilities, the Group has a solid foundation and promising prospects for future development.

Looking ahead, the Group will maintain a balance between stability and progress, fully leveraging its high-standard product advantages and actively seizing opportunities in high-quality projects. The Group will continue to deliver on its value commitments to Shareholders and fulfil its social responsibilities through sustainable profit growth and development resilience.

Finally, on behalf of the Board, I would like to take this opportunity to express my sincerest gratitude to our shareholders, business partners, management members and employees for their continued dedication and unwavering support.

Ju Wenzhong

Chairman and Executive Director

24 March 2026



MANAGEMENT DISCUSSION AND ANALYSIS

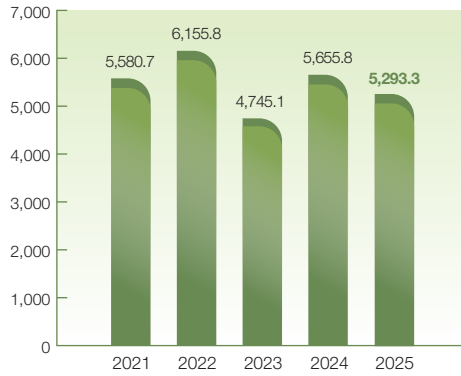
Diverse Offering of Quality Products

Management Discussion and Analysis

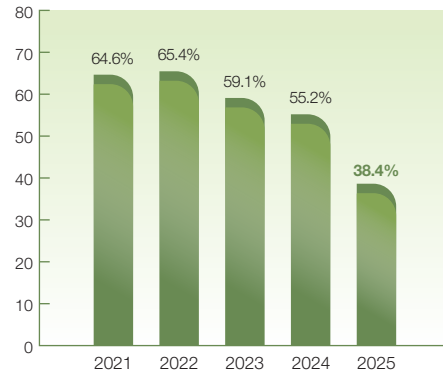
Key Financial and Operational Performance Indicators

Revenue

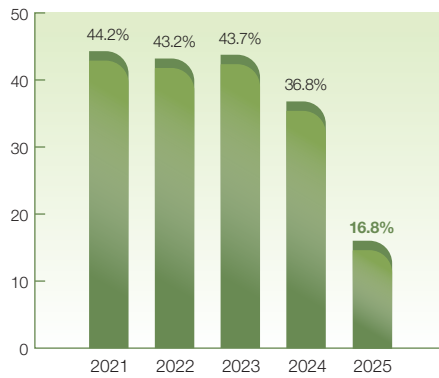
(RMB Million)



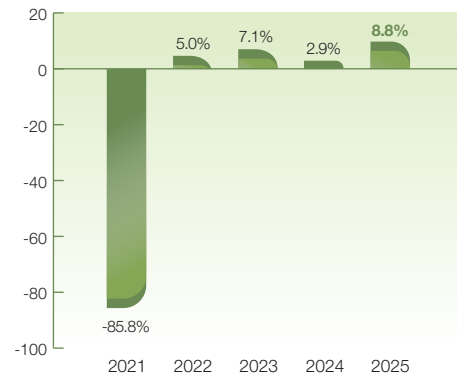
Gross Profit Margin



Net Profit Margin

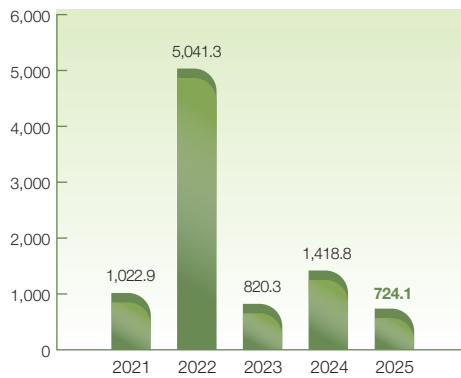


Gearing Ratio



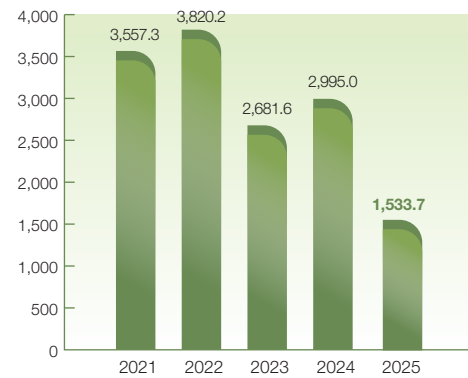
CAPEX

(RMB Million)



EBITDA

(RMB Million)



Management Discussion and Analysis

2025 weekly average price of 5,000 Kcal thermal coal at Qinhuangdao Port (free on board):

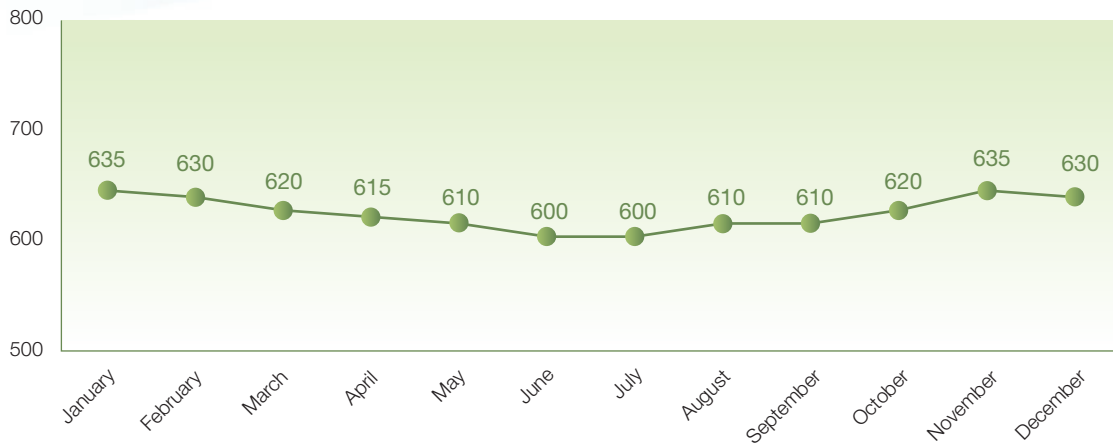
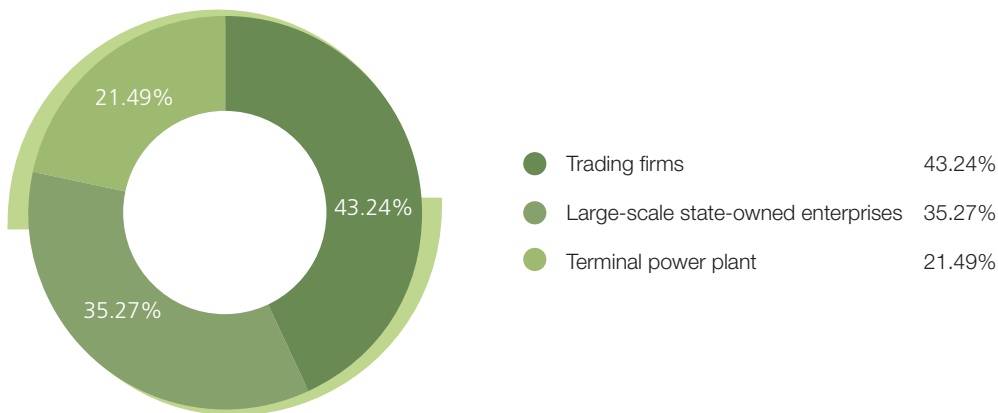


Illustration of the Structure of Customers (By Revenue):





Management Discussion and Analysis

MARKET REVIEW

In 2025, international geopolitical conflicts were more frequent and intense, the international situation was complex and volatile, trade protectionism prevailed, and the momentum of global economic growth weakened. Faced with a complex situation of shrinking external demand and rising uncertainty, the Chinese government persisted in promoting high-quality development, strengthened macro-control, and implemented a proactive fiscal policy and a prudent monetary policy. The national economy withstood multiple pressures and maintained a steady and progressive development trend. According to the data from the National Bureau of Statistics of China, China's GDP for 2025 reached approximately RMB140.2 trillion, representing a year-on-year increase of 5.0%; the industrial enterprises above the designated size across the country achieved a revenue of approximately RMB139.20 trillion, representing a year-on-year increase of 1.1%; and the industrial enterprises above the designated size across the country achieved a total profit of approximately RMB7,398.20 billion, representing a year-on-year increase of 0.6%.

In 2025, the domestic coal market was generally oversupplied. On the supply side, the growth rate of domestic coal production showed a pattern of high growth in the first half of the year and low growth in the second half, but still achieved a slight overall increase. According to the data from the National Bureau of Statistics of China, total raw coal output of China's industrial enterprises above the designated size amounted to approximately 4.83 billion tonnes for 2025, representing a year-on-year increase of 1.2%. Meanwhile, imports contracted significantly due to the weakening price advantage of imported coal. According to data from the General Administration of Customs of China, China imported approximately 490 million tonnes of coal during the year, representing a year-on-year decrease of 9.6%. On the demand side, downstream demand was generally weak, with a decline in demand from thermal power generation and major coal-consuming industries, thus limiting the growth of coal consumption. According to the data from the National Bureau of Statistics of China, China's thermal power generation of enterprises above the designated size in 2025 amounted to approximately 6.3 trillion kWh, representing a year-on-year decrease of 1.0%; China's pig iron production of enterprises above designated size was 840 million tonnes, representing a year-on-year decrease of 3.0%; and China's crude steel production of enterprises above designated size was 960 million tonnes, representing a year-on-year decrease of 4.4%.

In 2025, the overall price of domestic coal shifted downward compared to the previous year. In the first half of 2025, coal prices continued to bottom out. From July to early November, driven by the national coal industry's "anti-involution" policy and improved demand during the peak season, coal prices rebounded after hitting a low point. At the end of the year, the implementation of national supply guarantee policy continued to gain momentum, leading to a rapid decline in coal prices. Affected by the downward shift of the overall coal price, coal enterprises faced operational pressures, resulting in a dual decrease in both revenue and profit. According to the data from the National Bureau of Statistics of China, in 2025, the principal business income of enterprises above the designated size from the coal mining and coal washing industries across the country amounted to approximately RMB2,608.86 billion, representing a year-on-year decrease of 17.8%, while the total profit amounted to approximately RMB352.00 billion, representing a year-on-year decrease of 41.8% on a comparable basis.

In summary, the coal market in 2025 was oversupplied, and coal prices declined compared to the previous year, putting pressure on the industry.

Management Discussion and Analysis

BUSINESS REVIEW

Principal Coal and Mining Business

As a leading integrated coal enterprise in China, the Group's core operating assets include the Dafanpu Coal Mine in Inner Mongolia, the Yong'an Coal Mine, and the Weiyi Coal Mine in Ningxia, with its operations covering coal production, washing, loading, transportation and trading, spanning the entire coal industry chain. Concurrently, the Group is expanding its overseas business through the subscription of new shares in MC Mining to focus on developing, among others, the Makhado coal mine project in South Africa; and in partnership with Minenet to develop a rutile mine project in Sierra Leone. The subscription of new shares in MC Mining is still in progress. Upon completion of the subscription, MC Mining will be held as to 51% by the Group and will become a non-wholly owned subsidiary of the Group and its financial results will be consolidated into that of the Group.

In 2025, through a flexible combination of diverse purchase and sale models, such as Free on Board, Delivered Ex Quay, Free on Trains and Ex-Mine Sales, the Group continued to further broaden the market coverage of its coal products among downstream customers and achieved consolidation and expansion of its market share. Northern ports primarily focused on the sales of "Kinetic 2", the self-produced thermal coal product from the Dafanpu Coal Mine in Inner Mongolia. This product is an environmentally friendly coal type with low sulphur and a high ash melting point, which aligns with the national future requirements for energy and environmental protection. It has become a branded coal specie at various ports and has gained extensive market recognition. During the year, sales volume of the Group's 5,000 kcal low-sulphur environmentally friendly thermal coal product slightly increased by 0.7% as compared to the same period last year, with brand influence continuing to consolidate.

In 2025, market coal prices generally declined. Under these circumstances, the Group actively promoted a competitive bidding sales model, striving to secure more favourable price levels amidst market fluctuations. Specifically, the average selling price of the Group's 5,000 kcal low-sulphur environmentally friendly thermal coal amounted to approximately RMB602.8 per tonne, representing a year-on-year decrease of approximately 19.9%.

The Group always prioritizes safety in production and continuously improves its safety management system. By regularly convening coal mine safety committee meetings, systematically carrying out safety education and training, and institutionalizing the investigation and rectification of hidden dangers, the level of coal mine safety governance has been steadily improved.

Management Discussion and Analysis

The Group firmly upholds the principles of green and sustainable development. In 2019, the Dafanpu Coal Mine was included in the national-level Green Mine directory and has maintained this honour ever since. Inner Mongolia Zhunge'er Kinetic Coal Limited ("**Kinetic Coal**") received recognition as the "Advanced Enterprise in the Construction of Green Mines in Zhunge'er Banner for the Year 2023" and the "Advanced Enterprise in the Construction of Green Mines in Ordos City", fully demonstrating the Group's comprehensive strength in sustainable mining development.

In recent years, leveraging the mature operational experience of the Dafanpu Coal Mine in Inner Mongolia and the advantage of self-owned funds, the Group has steadily advanced the domestic and overseas expansion of its core coal business. Domestically, the Group successfully expanded into the Yong'an Coal Mine and the Weiyi Coal Mine in Ningxia, while overseas, the Makhado coal mine project in South Africa is progressing in an orderly manner, resulting in a simultaneous increase in the scale of the core business and resource reserves.

In terms of coal mining business in Ningxia, the Yong'an Coal Mine is currently under joint trial operation phase. During the year, "Kinetic Fat Coal", the first batch of coking coal products of the Yong'an Coal Mine in Ningxia, officially entered the market. This product features low ash content, strong adhesion and excellent coking properties and has received positive feedback from downstream customers. The mine is expected to commence production in the second half of 2026 and is planned to reach full production capacity in 2027, with a designed annual production capacity of 1.2 million tonnes. The Weiyi Coal Mine, also located in Ningxia, is still under construction and is scheduled to commence the joint trial operation in the second half of 2026 and reach full production capacity in 2028, with a designed annual production capacity of 0.9 million tonnes. To support the production and operation of the Yong'an Coal Mine and the Weiyi Coal Mine, a large-scale coking coal preparation plant with an annual processing capacity of 2.4 million tonnes has commenced trial operation. The washed and processed clean coal is of excellent quality, suitable for use for coking, blending for coking, power generation and liquefaction coal processes, providing quality raw materials for clients in the coking, steel and other industries. This expansion from a single thermal coal business to the production of all coal types not only further improved the Group's product structure, but also significantly enhanced its overall competitiveness in the coal market, laying a solid foundation for future sustainable development.

In terms of coal mining business in South Africa, in August 2024, the Group announced its subscription of 51% new shares in MC Mining by way of a capital increase. The subscription is being conducted in phases, and as of the date of this annual report, the Group holds a cumulative 47.42% shares in MC Mining. As a result, the Group will take part in the development and operation of four coal mine projects in South Africa, with a total coal resource of approximately 8.296 billion tonnes, which boast a superior resource endowment. Notably, the Makhado open-pit coal mine project has coal resources of approximately 706 million tonnes, with mineable reserves of approximately 296 million tonnes, consisting of hard coking coal and thermal coal. Under the Group's participation, the mining construction works and coal preparation plant construction for the Makhado project were fully launched in November 2024, with production and operations expected to officially commence by the first half of 2026. This project marks a significant milestone in the Group's overseas expansion strategy and is positioned to become a key driver of the Group's future performance growth.

Management Discussion and Analysis

Regarding the rutile mining business in Sierra Leone, in December 2025, the Group announced a joint development with Minenet to develop a rutile mine project in Sierra Leone. The project will produce high-quality heavy sand minerals, which are expected to be mainly sold to the Chinese market. The project is currently under construction and is expected to commence production in the second half of 2026. The three production lines in the first phase are expected to have an annual production capacity of approximately 280,000 tonnes of mineral products (heavy sand minerals). All mineral products shall be allocated on the basis of 80% to the Group and 20% to Minenet.

In 2025, affected by the downward shift price levels in the coal market, revenue from the Group's core coal mining segment decreased by 15.9% year-on-year to approximately RMB4,514.1 million, accounting for 85.3% of total revenue. In response to pricing pressure, the Group has proactively strengthened cost and expense controls and implemented refined operations to mitigate the impact of coal price adjustments on profitability. The overall operation of the Dafanpu Coal Mine in Inner Mongolia remained stable. During the reporting period, the Group's partial equity interest in MC Mining, accounted for under the equity method, resulted in the recognition of its attributable share of losses of approximately RMB76.1 million, which did not affect the Group's own business operations or cash flows. Meanwhile, the Yong'an Coal Mine of Ningxia Kinetic Mining Co., Ltd. ("**Ningxia Kinetic**") was in the stage of joint trial operation, and the Weiyi Coal Mine remained in the construction phase, leading to increased operating costs. As a result, Ningxia Kinetic recorded a loss before taxation of approximately RMB62.5 million for the year, which was a drag on the profit of the core coal mining business. Taking the above factors into account, the Group's core coal mining segment recorded a profit before taxation of approximately RMB1,747.3 million in 2025, representing a year-on-year decrease of 42.6%.

Ancillary Businesses

In recent years, the Group has developed potential ancillary businesses including real estate, property management services, agriculture and animal husbandry, and cigar and tobacco on the basis of consolidating the core advantages of its principal coal business, aiming to seek more profit growth opportunities for shareholders.

In terms of real estate business and property management service business, the Group has been acquiring high-quality real estate projects in Wuhai, Taiyuan, Guangzhou, Qinhuangdao and Maoming in recent years, comprising residential properties, villas, office buildings, apartments and commercial spaces. While vigorously driving sales efforts, the Group also closely monitored the construction progress of projects under construction to ensure that all these projects will proceed in an orderly manner and will be delivered according to schedule. Among which, the Taiyuan Kinetic Yingtong Plaza (太原力量盈通廣場), Maoming Taoyuan Grandeur Project (茂名力量桃園項目), and Qinhuangdao Mental Harbor Project (秦皇島力量灣項目), which are under development, started to achieve contract signings and deliveries in 2025, laying a solid foundation for "guaranteed delivery". Additionally, the Group completed the acquisition of 100% equity interests in Seedlife Holding Limited ("**Seedlife**") in January 2025, and has begun operating property management services through its wholly-owned subsidiaries in the PRC. The service network spans 32 cities nationwide with a GFA under management of nearly 10 million square meters, enabling effective collaboration with the Group's real estate projects to enhance overall operational efficiency.

Management Discussion and Analysis

In terms of agriculture and animal husbandry, the Group has integrated green mining, land reclamation and modern agriculture to successfully establish an ecological industry chain integrating agricultural product planting and livestock breeding in its mine reclamation area. The Group has constructed a 1,500-mu orchard, a 550-mu vineyard and a winery with an annual production capacity of 200 tonnes in the land reclamation area of the Dafanpu Coal Mine in Inner Mongolia. In addition, the Group established a national-level quarantine facility and an original breeding pig farm in 2022, and imported 650 great-grandparent original breeding pigs from France in October of the same year. In 2023 and 2024, the Lijiata 50,000-head commercial pig farm and the Qianhao Ten Thousand Breeding Farm (前壕萬頭擴繁場) were successively completed and put into operation. It is expected that by 2027, the number of commercial pigs of various types will reach 200,000.

In terms of cigar and tobacco business, through holding 82.81% equity interests in Star Idea Enterprises Limited (“**Star Idea**”), the Group operates the cigar and tobacco production, operations and sales business in Cambodia.

In 2025, the Group’s ancillary businesses contributed total revenue of approximately RMB779.2 million, of which the real estate and property management service segment generated approximately RMB693.4 million, while the other segments (agriculture and animal husbandry, and cigar and tobacco) contributed approximately RMB85.8 million. On a prudent basis, the Group recognised non-cash impairment of approximately RMB287.2 million in respect of its ancillary businesses due to market fluctuations. Such non-cash adjustments did not affect the operations or cash flows of the Group’s businesses. Taking the above factors into account, the Group’s ancillary businesses recorded a consolidated loss before taxation of approximately RMB406.9 million in 2025 (including the aforementioned non-cash impairment and operating losses). Within this amount, the real estate segment (loss before taxation of approximately RMB264.8 million) and the property management service segment (profit before taxation of approximately RMB22.6 million) together recorded a loss before taxation of approximately RMB242.2 million, while the other segments (agriculture and animal husbandry, and cigar and tobacco) recorded a loss before taxation of approximately RMB164.7 million. Although the Group’s performance for the year was affected by these temporary impacts from ancillary businesses that are still in their early stages of development, the Board believes that the performance of the relevant segments is expected to improve as market conditions recover and the Group’s ancillary businesses mature over time.

Management Discussion and Analysis

PRINCIPAL RISKS AND UNCERTAINTIES FACED BY THE GROUP, THEIR IMPACTS AND CORRESPONDING MEASURES

Risks arising from our mining operations being currently centered at one mining site

Our operations are currently centered at the Dafanpu Coal Mine despite the fact that Yong'an Coal Mine officially entered joint trial operations on 8 November 2024. Thus, most of our operating cash flows and sales are derived from the sale of coal produced from this single deposit. Any significant operational or other difficulties in the mining, processing, storing or transportation of coal at or from the Dafanpu Coal Mine could reduce, disrupt or halt our coal production, which materially and adversely affect our business, prospects, financial conditions and results of operations. Our operations (including mining, processing, storing, rail transportation and coal trading) have run smoothly since the commencement of commercial production in 2013. Besides, we consistently focus on the production safety of the Dafanpu Coal Mine and it is expected that the operations would become more stable in the future as we accumulate more operational experience.

Risks arising from coal price volatility

Influenced by the effect of structural adjustments on this sector and a centralised allocation of production capacity, there is still a downward pressure on the prices of our products. The Group will maintain sales volumes and profits by various measures, including reducing costs and exploring potential internally, expanding markets and improving efficiency externally, profoundly optimizing market layout, expanding market space, flexibly implementing marketing strategy and product mix optimization.

In addition, our quality coal product brand "Kinetic 2" enjoys great popularity, which mitigates our risks arising from coal price volatility.

Risks arising from production safety

The principal business of the Group is of high risk in nature with high safety and production related risks, and there are many uncertainties that affect safety production. The Group always believes that safety comes first and precaution is key, underpinning the safety monitoring system with "scientific management, sophisticated organization and practical measures" to strengthen risk management and conduct safety accountability assessment in a stringent manner to ensure the production with high operating efficiency and safety. In 2025, there were no major safety accidents resulting in work-related fatalities among the Group's employees. Work that minimizes the risks in respect of production safety are detailed in the Environmental, Social and Governance Report set out on pages 29 to 67 of this annual report.

Management Discussion and Analysis

Exploration, Development and Mining Activities

The estimated coal resources and reserves with no material change of assumptions as compared with previously disclosed estimates, substantiated by the internal and external experts are as follows:

Dafanpu Coal Mine:

Coal Resources as of 31 December 2025

Coal Seam	Measured (Million tonnes)	Indicated (Million tonnes)	Inferred (Million tonnes)	Total Coal Resources (Million tonnes)
5	9.45	14.00	0.54	23.99
6 ^u	9.43	18.10	0.46	27.99
6	127.68	148.49	0.33	276.50
8	—	—	4.05	4.05
9	—	5.13	12.91	18.04
Total	146.56	185.72	18.29	350.57

Coal Reserves as of 31 December 2025

Coal Seam	Proven Coal Reserves (Million tonnes)	Probable Coal Reserves (Million tonnes)	Total Coal Reserves (Million tonnes)
6 ^u	5.23	8.40	13.63
6	69.66	67.26	136.92
Total	74.89	75.66	150.55

Management Discussion and Analysis

Yong'an Coal Mine:

Coal Resources as of 31 December 2025

Coal Seam	Indicated (Million tonnes)	Inferred (Million tonnes)	Total Coal Resources (Million tonnes)
0	7.07	14.97	22.04
1	3.61	15.40	19.01
2	9.78	11.04	20.82
3	5.66	18.75	24.41
4	8.05	25.88	33.93
50	3.93	7.43	11.36
61	1.12	3.03	4.15
90	8.07	16.07	24.14
101	1.90	4.86	6.76
12	4.55	17.40	21.95
14	3.35	10.07	13.42
171	4.60	10.81	15.41
183	1.53	5.29	6.82
Total	63.22	161.00	224.22

Coal Reserves as of 31 December 2025

Coal Seam	Proven Coal Reserves (Million tonnes)	Probable Coal Reserves (Million tonnes)	Total Coal Reserves (Million tonnes)
0	—	3.87	3.87
1	—	1.82	1.82
2	—	5.20	5.20
3	—	3.13	3.13
4	—	4.31	4.31
50	—	2.26	2.26
61	—	0.64	0.64
90	—	4.46	4.46
101	—	1.08	1.08
12	—	2.32	2.32
14	—	1.74	1.74
171	—	1.88	1.88
183	—	0.48	0.48
Total	—	33.20	33.20

Management Discussion and Analysis

Weiyi Coal Mine:

Coal Resources as of 31 December 2025

Coal Seam	Indicated (Million tonnes)	Inferred (Million tonnes)	Total Coal Resources (Million tonnes)
2	5.11	6.12	11.23
3	6.19	11.23	17.42
4	8.79	17.46	26.25
12	4.08	9.13	13.21
14	3.57	5.27	8.84
15	2.55	11.19	13.74
16	3.24	9.28	12.52
17	4.04	8.68	12.72
20	0.52	2.16	2.68
Total	38.09	80.52	118.61

Coal Reserves as of 31 December 2025

Coal Seam	Proven Coal Reserves (Million tonnes)	Probable Coal Reserves (Million tonnes)	Total Coal Reserves (Million tonnes)
2	—	1.81	1.81
3	—	2.33	2.33
4	—	3.43	3.43
12	—	1.29	1.29
14	—	1.53	1.53
15	—	0.90	0.90
16	—	1.66	1.66
17	—	1.38	1.38
20	—	0.68	0.68
Total	—	15.02	15.02

The Group's capital commitments as at 31 December 2025 amounted to approximately RMB851.5 million which were mainly related to the acquisition, purchase of machinery and equipment and construction of the Yong'an Coal Mine, the Weiyi Coal Mine and other projects.

The Group incurred capital expenditures of approximately RMB724.1 million for the year ended 31 December 2025, which were mainly related to the acquisition, purchase of machinery and equipment and construction of the Yong'an Coal Mine, the Weiyi Coal Mine and other projects. These capital expenditures were financed by a combination of interest-bearing bank loans and internal resources.

Management Discussion and Analysis

The breakdown of the Group's expenses in relation to its mining activities for the year ended 31 December 2025 is summarised as follows:

	For the year ended 31 December 2025 RMB'000
Cost items	
Mining costs	554,406
Processing costs	96,922
Government surcharges	315,343
Transportation costs	1,293,399
Cost of sales	2,260,070
Finance costs	32,094
Total	2,292,164

FUTURE OUTLOOK

Looking ahead to 2026, economic downturn risks stemming from international trade disputes and geopolitical tensions persist. In its Global Economic Prospects released in January 2026, the World Bank projected that global economic growth rate would slow down slightly to 2.6%. In 2026, the Chinese government will adhere to the principle of seeking progress while maintaining stability and improving quality and efficiency, continue to expand domestic demand and optimize supply, and promote the effective improvement of the quality and reasonable growth in quantity of the economy.

In the coal market, the domestic coal supply and demand relationship is expected to improve in 2026, shifting from a loose supply to a balanced supply and demand, and the overall coal price may recover. Specifically, on the supply side, constrained by the national policy of "anti-involution, anti-overproduction, and strengthening safety regulations" in the coal industry, the increase in domestic coal production is expected to be limited, and the industry has entered a stage of "stabilizing production and ensuring supply". In addition, Indonesia's significant reduction in coal production quotas is expected to lead to a substantial decrease in domestic imports, which will support coal prices. On the demand side, with the moderate growth of the domestic economy, electricity demand will remain relatively resilient, and overall demand for thermal coal will remain at a high level. The slow recovery of the real estate sector and limited growth in steel demand, coupled with trade barriers restricting steel exports, suggest that demand for coking coal will remain weak. In 2026, supported by rising coal prices, coal companies are expected to see improved performance.

Looking ahead to 2026, the Group will continue to implement the mine development concept that stresses safety, efficiency and environmental protection, fully leverage resources such as the Dafanpu Coal Mine in Inner Mongolia, the Yong'an Coal Mine in Ningxia, and the Weiyi Coal Mine in Ningxia, and further explore the value of overseas resources, and continue to deepen its layout and operations across the entire coal industry chain and globalization. The Group will continue to uphold the principle of high-quality development. On the basis of the steady development of the principal coal business, it will further diversify its ancillary businesses, improve its overall operation efficiency, and reward its shareholders with outstanding results.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

Revenue of the Group decreased from approximately RMB5,655.8 million for the year ended 31 December 2024 to approximately RMB5,293.3 million for the year ended 31 December 2025, representing a decrease of 6.4% as compared with the corresponding period last year. Revenue from the coal mining segment decreased from approximately RMB5,368.5 million for the year ended 31 December 2024 to approximately RMB4,514.1 million for the year ended 31 December 2025, representing a decrease of 15.9%. This was primarily due to the decline in the sales price of the Group's coal products resulting from the downturn in the coal market.

Revenue from the real estate and property management service segment increased from approximately RMB236.4 million for the year ended 31 December 2024 to approximately RMB693.4 million for the year ended 31 December 2025, representing a growth of 193.3%. This increase was primarily driven by the delivery of completed properties in the real estate development business, as well as revenue generated from property management services business, which were not under the Group's operation during the corresponding period last year.

Revenue from the other segments, which includes agriculture and animal husbandry as well as cigar and tobacco business, increased from approximately RMB50.9 million for the year ended 31 December 2024 to approximately RMB85.8 million for the year ended 31 December 2025, representing a growth of 68.6%. This increase was primarily driven by organic expansion within the segment and reflects the Group's continued progress along the strategic direction of strengthening and scaling its diversified business portfolio.

The decrease in the Group's revenue was mainly due to a decline in coal prices amid continued market volatility partially offset by an increase in revenue from the real estate and property management service segment and the other segments.

Cost of Sales

For the year ended 31 December 2025, the Group incurred cost of sales of approximately RMB3,263.0 million as compared to the cost of sales amounted to approximately RMB2,532.6 million for the year ended 31 December 2024, representing an increase of 28.8%. The increase in the Group's cost of sales was mainly attributable to higher operating costs at the Yong'an Coal Mine in Ningxia Hui Autonomous Region arising from joint trial operations as well as impairment recognised on inventory under the real estate development segment. The cost of sales of the Group under the coal mining segment mainly comprised salaries of coal mine workers, costs of supplementary materials, fuel and electricity, depreciation, amortisation, surcharges of mining operations and transportation costs. The cost of sales of the Group under the real estate development segment mainly comprised land use rights premiums, land acquisition costs, related taxes and levies at acquisition, labour, contractor fees, site preparation, mechanical and electrical works, fit-out and finishing works, etc..

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

During the year ended 31 December 2025, the Group recorded a gross profit of approximately RMB2,030.3 million and a gross profit margin of 38.4% as compared to the gross profit of approximately RMB3,123.2 million and the gross profit margin of 55.2% for the year ended 31 December 2024.

The decrease in Group's gross profit margin for the year ended 31 December 2025 was mainly attributable to the combined impact of falling coal prices and increased operating costs at the Yong'an Coal Mine in the Ningxia Hui Autonomous Region and the impairment recognised on inventory under the real estate development segment during the reporting year.

Other Incomes and Losses, Net

The Group's net amount of other incomes and losses increased from net losses of approximately RMB75.2 million for the year ended 31 December 2024 to net losses of approximately RMB93.3 million for the year ended 31 December 2025 representing an increase of 24.0% as compared with the corresponding period last year. The increase was mainly attributed to the impairment loss on goodwill related to the underperformance of Star Idea and its subsidiaries, the impairment losses on trade and other receivables, the loss on disposal of a subsidiary and a drop in the government grants. The Group's net amount of other incomes and losses mainly comprised impairment of goodwill, government grants, net foreign exchange differences, net gains/(losses) on disposal of property, plant and equipment interest income, donation, and net gains from the disposal of financial assets.

Selling Expenses

The Group's selling expenses decreased from approximately RMB39.7 million for the year ended 31 December 2024 to approximately RMB31.0 million for the year ended 31 December 2025, representing a decrease of 21.9% as compared with the corresponding period last year. The decrease in the Group's selling expenses was mainly attributable to the decrease in marketing related expenses. The Group's selling expenses mainly comprised salaries of sales staff and marketing related expenses.

Administrative Expenses and Other Expenses

The Group's administrative expenses increased from approximately RMB344.1 million for the year ended 31 December 2024 to approximately RMB486.3 million for the year ended 31 December 2025, representing an increase of 41.3% as compared with the corresponding period last year. The increase in the Group's administrative expenses was mainly attributable to higher operating expenses arising from the newly developed businesses, including the Yong'an Coal Mine, the Group's oversea expansion and the real estate and property management service segment, during the reporting year. The Group's administrative expenses mainly comprised salaries and related personnel expenses of the administrative, finance and human resources departments, consultancy fees, lease expenses and other incidental administrative expenses.

Management Discussion and Analysis

Share of profits less losses of associates

The Group's share of profits less losses of associates changed from net gains of approximately RMB10.6 million for the year ended 31 December 2024 to net losses of approximately RMB53.7 million for the year ended 31 December 2025. The movement was mainly attributable to the share of loss of MC Mining, accounted for using the equity method, in which the Group held a 40.13% interest as at 31 December 2025. This loss more than offset the share of profit contributed by Shenhua Zhunneng Xiaojia Shayan Coal Storage and Delivery Limited* (神華准能肖家沙壩煤炭集運有限責任公司), also accounted for using the equity method, in which the Group held a 45.00% interest as at 31 December 2025.

Finance Costs

The Group's finance costs decreased from approximately RMB82.5 million for the year ended 31 December 2024 to approximately RMB75.8 million for the year ended 31 December 2025, representing a decrease of 8.1% as compared with the corresponding period last year. The decrease in the Group's finance costs was mainly attributable to the lower interest for the renewed long-term secured bank loans and the decrease in the unwinding of discount expenses during the year.

Income Tax Expense

The Group's income tax expense decreased from approximately RMB656.1 million for the year ended 31 December 2024 to approximately RMB345.3 million for the year ended 31 December 2025, representing a drop of 47.4% as compared with the corresponding period last year. The decrease in the Group's income tax expense was mainly attributable to the decrease in taxable income generated from coal mining segment during the year, resulting in a reduction in current tax charges.

Profit for the Year

The Group recorded a consolidated profit after tax of approximately RMB899.4 million for the year ended 31 December 2025, which decreased from the consolidated profit after tax of approximately RMB2,080.7 million for the year ended 31 December 2024. Net profit margin declined from 36.8% for the year ended 31 December 2024 to 16.8% for the year ended 31 December 2025. The Group's profit for the year declined mainly because coal prices fell, leading to lower revenue from the Group's core coal mining business. Although the Group's revenue from the real estate and property management service segment and the other segments increased, this growth could not fully offset the drop in revenue from the coal mining segment. At the same time, operating costs rose, particularly at the Yong'an Coal Mine during joint trial operations. The Group's non-core businesses, which remain in the early stages of expansion, recorded operating losses and impairment recognised on inventory under the real estate development segment. These factors together reduced the Group's net profit margin and resulted in a lower profit for the year.

Management Discussion and Analysis

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

As at 31 December 2025, the Group had net current liabilities of approximately RMB229.3 million and has undertaken several acquisitions with prepayments made amounting to approximately RMB1,336.0 million as disclosed in Note 20 to the consolidated financial statements. The Directors estimated that the remaining amounts to be made in relation to the aforementioned acquisitions and other additional capital expenditure will be approximately RMB851.5 million and may undertake other necessary additional amount to complete the acquisitions. In addition, the Group has also been contemplating to expand existing business through actively seeking potential mining project targets or diversifying its business by stepping into new business beyond coal mining. The Group needs to seek financing from banks or other financial institutions in order to fund the acquisitions and future capital expenditure. In light of our current liquidity position and our projected cash inflows generated from operations, the Directors believe that the Group has sufficient working capital for our present requirements and for the next 12 months.

For the year ended 31 December 2025, the Group's cash at bank were primarily utilized for the development of the Group's Dafanpu Coal Mine, Yong'an Coal Mine, Weiyi Coal Mine and the investment in MC Mining. Additionally, it served to manage the Group's indebtedness and fund working capital needs. The Group financed its funding requirements mainly through a combination of interest-bearing bank loans and cash generated from operating activities. The Group's gearing ratio were 8.8% as at 31 December 2025 and 2.9% as at 31 December 2024, respectively. This ratio is calculated as net debt divided by capital plus net debt. Net debt is calculated as total borrowings less cash at bank and on hand. Capital is equivalent to the total equity.

As at 31 December 2025, the Group's cash at bank and on hand amounted to approximately RMB81.6 million.

These balances were mainly denominated in RMB, which is the Group's primary operating currency. The remaining balances were held in Hong Kong Dollars, U.S. Dollars, South African Rand and Cambodian Riel.

As at 31 December 2025 and 31 December 2024, the Group's secured bank loans were as follows:

	2025	2024
	RMB'000	RMB'000
Current	117,000	535,720
Non-Current	755,000	342,600
	872,000	878,320

As at 31 December 2025, the Group's total bank loans amounted to approximately RMB872 million, broadly in line with approximately RMB878 million as at 31 December 2024. The bank loan portfolio remained fully secured, primarily by the Group's mining rights and certain property assets.

The current portion of bank loans decreased significantly to approximately RMB117 million (as at 31 December 2024: approximately RMB536 million), mainly due to the settlement of several long-term bank loans that were due within one year in the prior period. The remaining current bank loans mainly comprise secured bank loans maturing in 2026.

Management Discussion and Analysis

The non-current portion of bank loans increased to approximately RMB755 million (as at 31 December 2024: approximately RMB343 million), reflecting the refinancing and extension of loan maturities during the year. New long-term secured facilities with maturities ranging from 2027 to 2028 were drawn to support the Group's operational and development needs.

Overall, the shift from short-term to long-term borrowings strengthened the Group's liquidity position by extending the debt maturity profile and reducing near-term refinancing pressure.

Capital Expenditures

The Group incurred capital expenditures of approximately RMB724.1 million for the year ended 31 December 2025, which were mainly related to the acquisition, purchase of machinery and equipment and construction of the Yong'an Coal Mine, the Weiyi Coal Mine and other projects. These capital expenditures were financed by a combination of interest-bearing bank loans and internal resources.

Capital Commitments

The Group's capital commitments as at 31 December 2025 amounted to approximately RMB851.5 million which were mainly related to purchase of machinery and equipment and construction of the Yong'an Coal Mine, the Weiyi Coal Mine and other projects.

Charge on Assets

As at 31 December 2025, the Group's total bank loans were approximately RMB872 million, among these approximately RMB180 million were secured by the mining right of Yong'an Coal Mine held by Ningxia Kinetic, and while which approximately RMB575 million were secured by the mining right of Dafanpu coal mine held by Kinetic Coal. The remaining bank loans, totalling approximately RMB117 million, were secured either by the certain properties or by a corporate guarantee.

Off-balance Sheet Arrangement

The Group did not have any outstanding derivative financial instruments and off-balance sheet guarantees for outstanding loans. The Group did not engage in trading activities involving non-exchange traded contracts.

Contingent Liabilities

As at 31 December 2025, the Group had no material contingent liabilities.

Significant Investments and Acquisitions

Subscription of Shares in MC Mining

On 26 August 2024, the Group and MC Mining entered into a share subscription agreement, pursuant to which the Group has conditionally agreed to subscribe for in aggregate 51% new shares (on an enlarged basis) in MC Mining in phases for a total consideration of US\$90,000,000. As at the date of this annual report, the Group holds a total of 47.42% shares of MC Mining.

Management Discussion and Analysis

MC Mining primarily engages in steel-making coking coal and thermal coal exploration, development and mining in South Africa through its subsidiaries. Upon the completion of share subscription, MC Mining will become an indirectly non-wholly owned subsidiary of the Group and its financial results will be consolidated into the Group. Integrating the management expertise and assets of both the Group and MC Mining will mark a significant milestone in the Company's strategy to expand its global footprint.

Acquisition of Qinhuangdao Jifu

On 6 December 2024, the Group entered into an acquisition framework agreement with Hainan Hangxiao and other vendors. Pursuant to the acquisition framework agreement, the Group has conditionally agreed to acquire 100% equity interests in Qinhuangdao Jifu Real Estate Development Co., Ltd.* (秦皇島極富房地產開發有限公司) ("**Qinhuangdao Jifu**") at nil consideration. The amount of RMB564,625,000 payable by the Group for the creditor's rights of RMB617,394,475 held by Guangzhou R&F Properties Co., Ltd. ("**R&F Properties**") against Qinhuangdao Jifu has been fully set off by the amount of RMB564,625,000 prepaid by the Group to Hainan Hangxiao under the property purchase framework agreement signed on 30 May 2022.

In January 2025, the acquisition of Qinhuangdao Jifu has been completed. Qinhuangdao Jifu is currently developing and constructing Mental Harbour (力量灣), a villa project located in Qinhuangdao, Hebei Province.

Acquisition of Seedlife

On 6 September 2024, the Group entered into a share purchase agreement with Seedland Smart Service Group Limited ("**Seedland Smart Service**") and Seedlife to acquire 100% equity interests of Seedlife for a total consideration of RMB423,000,000. After deducting the aggregate of cash payments of RMB100,000,000, a tax payable on behalf of the seller of RMB42,300,000 and an account receivable due from the seller and its subsidiaries to Seedlife of RMB50,000,000 from the total consideration, the remaining amount of RMB230,700,000 has been set off against the equivalent amount in the prepaid amount by the Group under the agreements on sale and purchase of properties entered into between subsidiaries of Guangzhou Seedland Real Estate Development Co., Ltd. ("**Seedland**") and Kinetic (Qinhuangdao) Energy Group Ltd. (力量(秦皇島)能源集團有限公司) ("**Kinetic Qinhuangdao**") in 2022 (the "**Seedland Prepayment**").

Seedlife principally engages in property management services through its subsidiaries in the PRC. Upon the completion of the acquisition on 13 January 2025, it enables the Group to establish an additional revenue stream, further enhancing the financial performance of the Group.

Acquisition of Maoming Shengda and Maoming Shengcheng

On 1 November 2024, the Group entered into the fifth supplemental agreement with subsidiaries of Seedland, Maoming Shengda Real Estate Co., Ltd.* (茂名晟大置業有限公司) ("**Maoming Shengda**") and Maoming Shengcheng Real Estate Co., Ltd.* (茂名晟城置業有限公司) ("**Maoming Shengcheng**") to acquire 100% equity interests of each of Maoming Shengda and Maoming Shengcheng for a total consideration of RMB70,000,000. After deducting the income tax payable by the seller from the total consideration, the remaining amount of RMB57,750,000 has been fully set off against the equivalent amount in Seedland Prepayment.

The acquisition was completed on 13 June 2025. Maoming Shengda and Maoming Shengcheng are currently developing and constructing Taoyuan Grandeur (力量桃園, formerly known as Royal Ivy (常春藤)), a residential project located in Maoming, Guangdong.

Management Discussion and Analysis

Acquisition of Taiyuan Seedland

On 4 December 2025, the Group entered into the sixth supplemental agreement and the share transfer agreement in relation to the proposed acquisition of 100% equity interests in Taiyuan Seedland Taijing Real Estate Development Co., Ltd.* (太原實地台經房地產開發有限公司) (“**Taiyuan Seedland**”) for a total consideration of RMB384,000,000. The consideration will be partly settled by offsetting the Seedland Prepayment, with the remaining balance of RMB130,266,000 (the “**Remaining Closing Payment**”) payable by the Group. Taiyuan Seedland is principally engaged in real estate development and sales, and the Group expects to benefit from its ongoing Haitang Huazhu Project in Xiaodian District, Taiyuan City. The project comprises 34 residential buildings, including 8 currently under construction, and is expected to be fully completed by 2031, with future income to be generated from the sale of residential units, ground-floor shops and parking spaces.

As at the date of this annual report, the acquisition of Taiyuan Seedland has not been completed and remain subject to the fulfilment of the relevant conditions, including approval by the independent shareholders of the Company (the “**Independent Shareholders**”).

Acquisition of Dongzhimen Properties

On 4 December 2025, the Group also entered into the debt settlement contract for the proposed acquisition of the Dongzhimen 3110 and 3111 Properties for an aggregate consideration of RMB86,330,000. After deducting the relevant taxes and a debt payable on behalf of Beijing Seedland Qushi Real Estate Development Co., Ltd.* (北京實地趨勢房地產開發有限公司), the net consideration of RMB56,890,000 (the “**Net Dongzhimen Property Consideration**”) will be set off against the outstanding payables owed by Seedland to Shenzhen Kinetic Live Services Holding Group Limited* (深圳力量生活服務控股集團有限公司) in respect of property management services and other value-added services totaling RMB54,054,800 (the “**2024 Payables**”). As the Net Dongzhimen Property Consideration is greater than the 2024 Payables, the parties agreed that the surplus amount of RMB2,835,200 will be used to further set off against the amount payable by Seedland to the Group under the Property Management Services Framework Agreement for 2025 amounted to approximately RMB36.0 million, inclusive of value-added-tax (the “**2025 Balances**”). The Dongzhimen Properties are located on the 31st floor of No. 18 Dongzhimenwai Xiaojie, Dongcheng District, Beijing, with a total gross floor area of 719.43 square metres. The Dongzhimen Properties are situated in a mature and well-established neighbourhood with convenient access to public transportation, and are surrounded by residential developments, commercial and office buildings, schools and parks, offering stable long-term utilisation and value potential.

As at the date of this annual report, the acquisition of Dongzhimen Properties has not been completed and remain subject to the fulfilment of the relevant conditions, including approval by the Independent Shareholders.

Management Discussion and Analysis

As at the date of this annual report, Kinetic Qinhuangdao and Shanxi Kinetic Yingtong Real Estate Development Co., Ltd.* (山西力量盈通房地產開發有限公司) are negotiating with Seedland, Guangdong Seedland Property Management Co., Ltd.* (廣東實地物業管理有限公司), Zunyi Shidi Real Estate Development Co., Ltd.* (遵義實地房地產開發有限公司) (“**Zunyi Seedland**”) and Beijing Seedland to enter into a debt settlement contract (the “**2026 Debt Settlement Contract**”) for an offset arrangement among (i) the Remaining Closing Payment; (ii) the surplus amount payable by Kinetic Qinhuangdao to Beijing Seedland under the Debt Settlement Contract which amounted to RMB2,835,200 (the “**Surplus Amount**”, together with the Remaining Closing Payment, the “**Revised Remaining Closing Payment**”); and (iii) the service fee payable by Seedland to the Group under the Property Management Services Framework Agreement for 2025. Prior to the completion of audit and final confirmation by Guangdong Seedland of the service fee (the “**Final 2025 Service Fee**”) payable by Seedland to the Group under the Property Management Services Framework Agreement for 2025, an amount equal to the 2025 Balances shall be withheld from the Revised Remaining Closing Payment. Upon finalization of the Final 2025 Service Fee, the actual Final 2025 Service Fee shall be deducted from the Revised Remaining Closing Payment, and the balance (“**Final Payment**”) shall be paid to Zunyi Seedland.

Rutile Project in Rotifunk Sierra Leone

On 23 December 2025, the Group entered into a cooperation agreement and a supplementary agreement with Minenet in relation to the rutile project in Rotifunk, Sierra Leone. Under the agreements, the Group will invest in and undertake exploration, mining, processing and sales activities within a designated 50 square kilometre area under Minenet’s large-scale rutile mining licence, which is valid until February 2049. The first phase of the project involves the construction of three production lines with an estimated investment of approximately USD18 million and an annual processing capacity of over 2 million tonnes of raw ore per line. Subject to stable operation and sufficient resource volume, two additional production lines will be constructed, bringing the total to five. Upon commissioning, the Group is entitled to 80% mineral products. This strategic investment will enhance the Group’s competitiveness in supplying high-grade titanium feedstock and support its long-term growth.

Save for those disclosed above, during the year ended 31 December 2025 and up to the date of this annual report, the Group had no other significant investments in associates or joint ventures, and no other material acquisitions or disposals of subsidiaries. The Group’s ability to fund the above-mentioned acquisitions and capital expenditures heavily relies on its future operating cash inflows and its ability to finance through bank loans and other borrowings, which may be affected by the government macro-control policy and volatility in coal market price. The Group will carefully monitor its liquidity position.

Management Discussion and Analysis

Events after the Reporting Year

Save as those disclosed in this annual report, the Group has no significant events subsequent to 31 December 2025 that require disclosure.

Financial Risk Management

(a) *Interest rate risk*

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank deposits and debt obligations with a floating interest rate. As at 31 December 2025, the Group did not hold debt obligations with a floating interest rate and are not exposed to significant interest rate risk.

(b) *Foreign currency risk*

The Group are not exposed to significant foreign currency exchange risk as their transactions of operation and balances are substantially denominated in their respective functional currencies.

(c) *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group utilises cash flow forecast and other relevant information to monitor its liquidity requirements and to ensure that the Group has sufficient cash to support its business and operational activities.

Human Resources and Emolument Policy

As at 31 December 2025, the Group had a total of 3,351 full-time employees in the Mainland China, Hong Kong, South Africa and Cambodia. For the year ended 31 December 2025, the total staff costs, including the directors' emoluments and equity-settled share-based payment expenses, amounted to approximately RMB561.5 million.

The Group's emolument policies are formulated based on the performance and experience of employees and in line with the salary trends in the Mainland China, Hong Kong, South Africa and Cambodia. Other employee benefits include performance-related bonuses, insurance and medical coverage, share options and share awards. The share option scheme adopted by the Company on 6 March 2012 expired on 5 March 2022. On 29 November 2022, the Company adopted 2022 Share Award Scheme, which is funded by existing shares of the Company. On 22 May 2023, the Company also adopted 2023 Share Option Scheme and 2023 Share Award Scheme (which only grant of awards involving new shares may be made). On 6 January 2025, the Group granted 263,500,000 awarded shares to employee participants in accordance with the terms of the 2023 Share Award Scheme. Appropriate training programs are also provided to employees in order to ensure continuous staff training and development of employees.

Environmental, Social and Governance Report

ABOUT THIS REPORT:

The Group has been publishing the Environmental, Social and Governance (ESG) report since 2016. This is the tenth ESG report published by us, which was approved by the Board and set out in the Group's annual report. ESG covers a wide range of areas and poses significant impacts on both the long-term business of a company and the overall development of society. Good ESG performance is an essential and important factor in the long-term success and sustainable development of a company.

The business entities included in this report are consistent with the scope of the Company's annual report. The new entities added this year over last year included but not limited to Seedlife Holding Limited, Maoming Shengda Real Estate Co. Ltd.* (茂名晟大置業有限公司), Maoming Shengcheng Real Estate Co., Ltd.* (茂名晟城置業有限公司), Qinhuangdao Jifu Real Estate Development Co., Ltd.* (秦皇島極富房地產開發有限公司), Qinhuangdao Liangying Real Estate Development Co., Ltd.* (秦皇島量盈房地產開發有限公司) and Kinetic Development Metal Mining (SL) Limited which were incorporated into the Group through establishment or acquisition during the year. This report focuses on disclosing the Group's performance in areas such as compliance operations, production safety and environmental protection in principal coal business during the period from 1 January 2025 to 31 December 2025. Due to their immaterial impact relative to the principal business, other ancillary segments are not included in this year's statistics.

This report follows the requirements of the *Environmental, Social and Governance Reporting Code* (ESG Reporting Code) set out in Appendix C2 to the Listing Rules of The Hong Kong Stock Exchange. Unless otherwise specified, the information and data cited in this report are derived from the Group's official documents, statistical reports and financial reports, as well as ESG information that is collected, aggregated and reviewed by the Group.



Environmental, Social and Governance Report

1. RESPONSIBLE GOVERNANCE

1.1 Board statement

The Board of the Group is the highest responsible and decision-making body for ESG matters and assumes full responsibility for the Group's ESG strategy and reporting. It is responsible for assessing and identifying the Group's ESG-related risks and ensuring appropriate and effective ESG risk management and proper implementation of the internal control systems. The Group has established an ESG working group, which is responsible for passing the Board's ESG-related resolutions to lower levels, implementing the overall planning of ESG matters and reporting to the Board on work progress and feedback. An enforcement team is set up under the ESG working group, which is responsible for day-to-day ESG management and the gradual establishment of an ESG contact network.

Risk management of ESG-related matters is of utmost importance. The Group has incorporated ESG-related risks into its risk management and internal control systems. Through the Board's understanding of the business and communication with different stakeholders, the Group regularly assesses ESG-related risks. The management and improvement of significant issues are prioritized as its key ESG tasks, and these are incorporated into the Group's overall strategy for consideration, with a view to supervising the management and performance of those issues.

The Group has established an ESG target management mechanism that covers key ESG performance indicators such as carbon emissions, pollutant emissions, energy consumption and water resources management. It also conducts regular reviews to assess progress toward these targets.

This report provides a detailed disclosure of the Group's progress and effectiveness in the ESG work for 2025. The Board and all Directors assure that there are no false representations, misleading statements or material omissions in this report, and they jointly and severally accept responsibility for the truthfulness, accuracy and completeness of its contents.

1.2 Reporting principles

Materiality: The Group communicates with different stakeholders on a regular basis to better understand the ESG-related matters that require the Group's attention from the perspective of stakeholders. The Group conducted a survey of our stakeholders and classified the ESG aspects based on their perceived importance to the stakeholders they represent. Details are set out in section 1.4 of this report.

Quantitative: The Group has prepared measurable key performance indicators (KPIs) with reference to Appendix C2 of the Listing Rules for performance appraisal. Quantitative information presented in this report is accompanied by narrative, explanation and comparison, where applicable. This report is published annually.

Consistency: The Group adopts a consistent approach and obtains social and environmental KPIs from the Group's internal record system.

Principle of Balance: The contents of this report reflect objective facts and disclose indicators involving positive and negative information.

Environmental, Social and Governance Report

1.3 Communication with stakeholders

The Group attaches great importance to the communication with stakeholders. The Group disseminates its ESG concepts and practices through various channels and understands the concerns of stakeholders with responsive measures taken to meet their reasonable expectations and demands.

Stakeholders	Expectations and concerns	Communication and response
Government and regulatory agencies	<ul style="list-style-type: none"> Implementation of national policies, laws and regulations Promotion of local economic development Promotion of local employment Safe production Emissions in compliance Energy conservation and emission reduction Ecological protection Concerns for the impacts of climate change 	<ul style="list-style-type: none"> Submission of documents Advice and suggestions Special reports Inspection and supervision Work reports Submission of reports Research and inspection
Shareholders	<ul style="list-style-type: none"> Revenue returns Compliance operations 	<ul style="list-style-type: none"> Company announcements Information disclosure Special reports Site visits
Customers and partners	<ul style="list-style-type: none"> Performing contractual obligations in accordance with laws Business integrity High-quality products and services Promotion of industry development 	<ul style="list-style-type: none"> Business communication Customer feedback Communication and discussion Negotiation and cooperation
Staff	<ul style="list-style-type: none"> Protection of rights Occupational health Salaries and benefits Career development 	<ul style="list-style-type: none"> Collective bargaining Platform for democratic communication Staff activities
Society and the public	<ul style="list-style-type: none"> Improvement in the community environment Participation in public welfare activities Open and transparent information 	<ul style="list-style-type: none"> Company website Company announcements, interviews and communication

Environmental, Social and Governance Report

1.4 Identification of material issues

To further clarify the key areas of corporate ESG practices and information disclosure and enhance the pertinence and responsiveness of the ESG report, the Group has identified ESG issues of concern to stakeholders in light of the requirements of the ESG Reporting Guide of The Hong Kong Stock Exchange and international practices. The Group used an anonymous questionnaire to evaluate and assess the significance of each ESG issue and concluded the extent and boundaries of issue disclosure to ensure more accurate and comprehensive disclosure of ESG information.

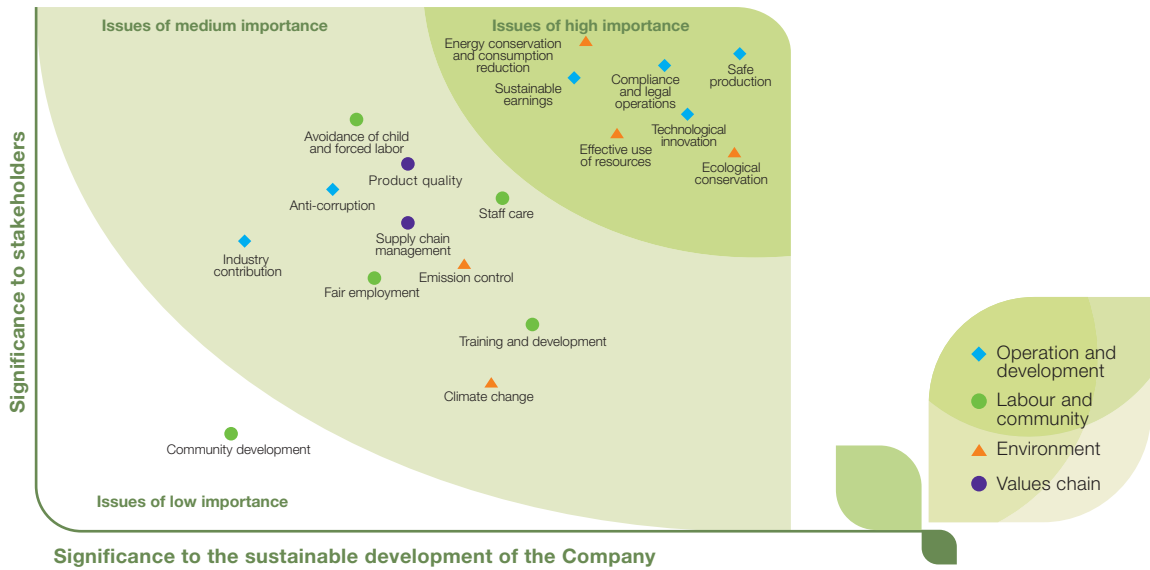
Process for identifying material ESG issues

Identification	Step 1: Collect relevant issues	18 ESG issues were collected. These issues were derived from extensive data source analysis, including the ESG Reporting Guide of The Hong Kong Stock Exchange, <i>Sustainability Reporting Standards</i> of Global Reporting Initiative (GRI), stakeholder opinions, corporate policies and management strategies, industry benchmarking, ESG rating system analysis, internal publications and media reports, etc.
	Prioritization	Step 2: Investigate the level of concern
	Step 3: Analyze the impact on operations	Opinions from the Company's senior management personnel were collected to assess the significance of the issues to corporate sustainability from a corporate perspective.
	Step 4: Prioritize the issues	Based on the analysis results of step 2 and step 3, 18 issues with significant impact were identified. Each issue was prioritized by two dimensions: "significance to stakeholders" and "significance to the sustainable development of the Company", followed by the creation of the ESG materiality matrix and list. The prioritization result will serve as a crucial reference for future strategic planning, target setting and continuous information disclosure.

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In 2025, the Group’s material issues were as follows:

2025 ESG Materiality Matrix



2025 ESG Materiality List

Importance	Prioritization	Issues	Scope
Issues of high importance	1	Safe production	Operation and development
	2	Ecological conservation	Environment
	3	Compliance and legal operations	Operation and development
	4	Energy conservation and consumption reduction	Environment
	5	Effective use of resources	Environment
	6	Technological innovation	Operation and development
	7	Sustainable earnings	Operation and development
Issues of medium importance	8	Staff care	Labor and community
	9	Product quality	Value chain
	10	Emission control	Environment
	11	Industry contribution	Operation and development
	12	Fair employment	Labor and community
	13	Supply chain management	Value chain
	14	Anti-corruption	Operation and development
	15	Avoidance of child and forced labor	Labor and community
	16	Training and development	Labor and community
	17	Climate change	Environment
Issues of low importance	18	Community development	Labor and community

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2. COMPLIANCE OPERATIONS

The Group conducts its business management in accordance with the applicable laws and regulations, strengthens the development of its internal control and compliance culture and increases its investments in research and development (R&D) to continuously promote technological innovation. It also improves the management of coal quality throughout the entire process to provide high-quality products and excellent customer service. By placing great importance on supply chain management, it achieves mutual benefits and win-win outcomes with its suppliers.

2.1 Integrity and compliance

Ethics and integrity are the cornerstones of the Group's success. In strict compliance with the requirements of relevant laws and regulations including the *Company Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China* and the *Prevention of Bribery Ordinance* (Cap. 201 of the Laws of Hong Kong), the Group strives to eradicate all forms of corrupt practices and adheres to the principle of equal emphasis on "education, supervision, prevention and control". By formulating the *Accountability Measures*, the Group has strengthened its standardized management, improved the accountability system and established clear responsibility protocols to enhance its employee's sense of responsibility.



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To create a fair and equitable management environment, the Group has set up a complaint collection box and offered a whistle-blowing hotline and email address to receive feedback from all its employees. The Group assigns designated personnel to collect and sort out the reported information regularly and maintains strict confidentiality on the identities of whistle-blowers. Investigative procedures for the report will be initiated based on the actual situation with a high degree of accountability.

In April 2025, the Group conducted 1 training session related to integrity awareness education. Participants included the Company's directors, senior management and employees at professional technician roles and above. Through the interpretation of laws and regulations and the sharing of practical cases, the training emphasized the need to maintain constant vigilance and strengthen red-line awareness and bottom-line thinking. The training aimed to further reinforce the red-line awareness among all employees of the Company, ensuring they remain committed to their original intentions and missions, collectively creating a corporate environment of Integrity in an effort to drive the Company's high-quality development.

In 2025, the Group did not have any litigation cases arising from corruption or bribery.



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2.2 Technological Innovation

Adhering to the goals of safety, environmentally friendly, energy-saving, green and efficient construction, the Group makes every effort to grow into a scientifically and technologically innovative enterprise.

In 2025, Kinetic Coal, as a nationally recognized High-Tech Enterprise, obtained 9 new national utility model patents, bringing the total number of national patents to 33 (30 utility model patents and 3 invention patents). Since 2021, the coal mine intelligent construction began, and the intelligent construction of the entire mine was completed and passed acceptance as of October 2023, followed by the acceptance of the intelligent construction of the coal processing plant in December 2024. In 2025, the mine entered the stage of normalized intelligent operation.

In 2016, the Group established an automation innovation studio with high-tech talents as its core elements. The innovation studio was rated as an advanced studio by Ordos in 2017 and was recognized as outstanding technological innovation department in 2019. In 2022, the studio was accredited as a “High-Tech Enterprise” by the designated authority of the Inner Mongolia Autonomous Region and was designated as a “Key Employee Innovation Studio Supported by the Inner Mongolia Autonomous Region Federation of Trade Unions in 2024”.

Kinetic Coal was awarded “the Certification of Enterprise Research and Development Center of Inner Mongolia Autonomous Region”. In 2024, the Company was named among the 50 enterprises in the autonomous region receiving key support from the “China Energy Chemical Geology Innovation Studio Alliance”. A technology team, a liaison team and a publicity team have been established under the science and technology innovation studio, consisting of technical specialists and management personnel from ten departments. In 2025, under the call of the Company’s management and mine leaders, Kinetic Coal fully mobilized employees’ enthusiasm and creativity for innovation work, which significantly promoted technological innovation and comprehensively improved the quality and level of innovation work, thereby accelerating the development of new technological achievements. In 2025, the innovation studio submitted 100 project applications, won 81 awards. In 2025, The “Remote Control System for Mining Comprehensive Protection Device” received the 2025 Excellent Innovation Achievement Award from the National Coal Industry Innovation Studio Alliance. Through continuous investment in technological innovation and R&D of technological innovation projects, the Group leveraged technology to improve the production environment, enhance energy-saving efficiency and ensure employee safety during production.

The Group attaches great importance to the protection of intellectual property rights and strictly abides by relevant laws and regulations, such as the *Patent Law of the People’s Republic of China*, the *Copyright Law of the People’s Republic of China* and the *Trademark Law of the People’s Republic of China*. While continuously improving the Group’s independent innovation level, it eliminates all acts that infringe or endanger the legitimate rights and interests of the Group’s intellectual property rights.

In recent years, the Group has carried out innovative research on the fully mechanized top-coal caving mining method for full-steam coal. This technology has now been fully applied to the practical mining process of the Dafanpu Coal Mine. Such technological innovation has avoided dangerous factors in the mines caused by hazards, such as flooding, fire, gas and roof collapse, when using the strata mining method to mine in ultra-thick coal seams. It brought down 50% of the workload for roadway preparation, reduced the frequency of relocating working sites and saved water and electricity required for extraction. It also reduced the surface subsidence caused by an extraction, avoided secondary damage to the surface environment and improved the greening efficiency of the reclamation area.

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During the year, the Group has continuously carried out technical innovation improvements and strictly conducted reviews and screenings according to the application standards for innovation projects. At the Dafanpu Coal Mine, the Group developed nearly 30 subsystems with comprehensive 4G+5G network coverage. The mine was equipped with a 10-gigabit main ring network, a data center, a computing center, an integrated automation system, an intelligent integrated control platform, a main coal flow monitoring system, belt conveyor inspection robots, and intelligent mining and intelligent tunnelling technologies. The mine's integrated support systems for ventilation, drainage, compressed air and power supply have all achieved remote control and autonomous operation. Disaster monitoring and early warning systems for flooding, fire, gas, dust and roof-related hazards feature interactive capabilities, including evacuation route planning, emergency simulation, personal equipment alerts and mobile alerts. This enabled a transition from “high-risk production” to “inherently safe operations” and from “scale production” to “quality and efficiency”, thereby achieving high-quality development of the coal mine.

2.3 Provision of quality products

The Group complies with relevant laws and regulations such as the *Product Quality Law of the People's Republic of China* and inspects coal quality in strict accordance with national standards. Coal quality inspections – covering when coal was extracted from mines, transported to shipping stations and ports and loaded onto ships – remained stable throughout the year for the Group. No product sold or delivered was returned in relation to safety and health issues. During the reporting period, the Group had no violations of product and service liability, advertising, labelling and privacy matters or remediation methods that had a significant impact on the Group.

The Group has built a coal processing plant in the mining area of the Dafanpu Coal Mine with an annual processing capacity of over 6.50 million tonnes of raw coal. Through high-standard systems for raw coal, dedusting, washing, medium, coal slurry water treatment and product storage and transportation, it ensures that the product quality pass rate is maintained at 100%. The Group has formulated the *Coal Quality Management System for Coal Processing Plants* and formed a leading team for coal quality management for the coal processing plant, under which a coal quality supervision and inspection agency and a coal quality management and enforcement agency were set up to strengthen end-to-end quality control. Each shift assigns coal quality inspectors to key control points in the production system for inspection, promptly addressing any issues that arise on-site. In addition, the coal processing plant has built the Rockwell PLC centralized control system, a heavy medium density automatic adjustment system, an industrial video surveillance system, a dispatch communication system, an unattended transportation and sales management system, a main equipment power monitoring system and an online monitoring system for pump equipment above 220KW to continuously improve the level of automated monitoring and management.

The Group strongly supports the national efforts to comprehensively control air pollutants, striving to provide customers with more environmentally friendly and high-quality fuel to reduce sulfur dioxide emissions. The Group's clean coal products have sulfur content in compliance with national requirements (below 0.6%) and feature stable quality indicators. The Group has a quality control system for all products sold. Product quality shall be in line with the safety and health rules and remain stable for a long period of time. The Group's coal product “Kinetic 2” is of high quality and environmentally friendly, characterized by low sulfur content, high flammability and high calorific value. These characteristics make it highly efficient and allow it to be supplied to coal-fired units. Moreover, it is widely used in papermaking, cement, iron and steel, building materials, ceramics, etc.

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2.4 Enhancement of service quality

Product quality is the cornerstone of reflecting the corporate brand and the core to enhance the brand's operating value. The Group insists on providing customers with quality service to maintain long-term and stable partnerships. Focusing on the professional skills and business qualities of the sales teams, the Group conducts regular business training for sales personnel to ensure smooth and effective communication between business personnel and customers; upholds the trading principles of the coal market and scientifically streamlines the coal sales process to provide customers with more convenient services and enhance customers' satisfaction; conducts regular follow-ups with customers to proactively understand any issues and feedback that arise during the purchasing and use of its products. During the reporting period, the Group did not receive any customer complaints.

Since 2021, the Group has established a customer rating mechanism, which was adopted to rank the Group's customers by assessing their qualifications, payment ability, credit, business categories, risk-taking ability and the duration of the partnership. As cooperation progresses, customer ratings are adjusted accordingly. The assessment criteria are also modified to adapt to the evolving development and changes in the market environment and requirements to foster stronger collaboration with quality clients while enhancing the Group's ability to prevent and manage market risks. In addition, with a focus on customer privacy protection, the Group strictly regulates customer information and archive management. The Group has developed detailed operational and service practices to safeguard customers' privacy. The Group requires employees to fully comply with the principles of handling clients' confidential data and prohibits employees from any unauthorized copying, dissemination or disclosure of confidential information to minimize the risk of data leakage.

2.5 Supply chain management

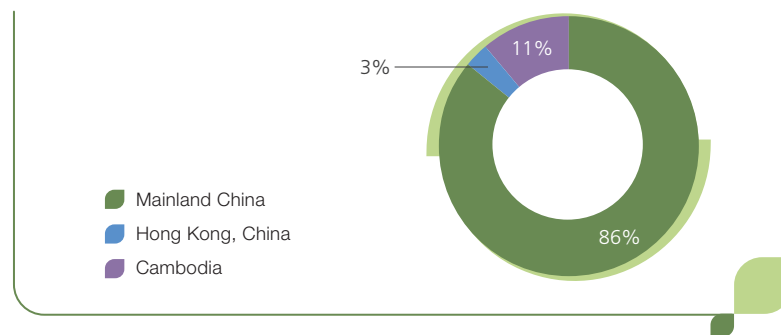
The Group attaches great importance to supplier management and has formulated the Supplier Management Measures, which sets forth the admission standards for qualified suppliers. The assessment criteria are adjusted in response to the ongoing development and changes in the market environment and requirements, ensuring a rigorous selection and assessment process that guarantees the reliability of purchased materials, fair pricing, and timely service. The suppliers' environmental protection and safety performance have been also included in the assessment criteria. According to the material demand plan and the type of materials of the production department, procurements of materials are generally conducted by way of bidding, price enquiry and comparison and targeted procurements. All procurements of materials are subject to the signing of purchase agreements.

The Group's supplier assessment criteria mainly focus on six aspects, namely basic qualifications (including health, safety, environmental management and fulfilment of social responsibility), production and inspection capability, warehousing and transportation capability, R&D capability, quality assurance system and after-sales service system. Provided that the comprehensive rating of the suppliers meets the technical requirements, the Group will give priority to suppliers that offer more environmentally friendly products.

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The Group adopts a rating system for its suppliers. Suppliers are evaluated every six months based on factors such as quality, delivery time, pricing and service, followed by an annual overall assessment to rank suppliers. For suppliers with excellent ratings, the Group offers priority of payment as an incentive and more transaction opportunities; for suppliers with poor ratings, the Group provides guidance to help them improve for a collective industrial development with suppliers. In 2025, the Group had suppliers across Mainland China, Hong Kong and Cambodia, and engaged in transactions with a total of 1,182 suppliers during 2025, of which 685 were engaged in the principal coal business, while 497 were involved in auxiliary business activities.

Suppliers by geographical regions



3. SAFE PRODUCTION

As a coal mining enterprise, the Group always places safety as its top priority. The Group strictly complies with relevant laws and regulations such as the *Production Safety Law of the People's Republic of China*, the *Fire Control Law of the People's Republic of China*, the *Regulations on the Basic Conditions for the Safe Production of Coal Mines* and the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*. The Group aims to build intrinsically safe mines and complies with the production safety policy of "comprehensive management with safety and precaution first". The Group fulfills its primary responsibility for production safety by conducting hierarchical risk controls of its coal mines as well as the identification and management of hidden dangers. It also strengthens on-site safety management, putting more effort into safety training to ensure occupational safety and health. In 2025, the Group's investment in safe production and occupational health amounted to approximately RMB26,709,572.86.

3.1 Safety management system

Management is the key to safety. A comprehensive and efficient safety management system is a guarantee of safe production. The Group has established health and safety working groups at all levels, from the Board to the production lines of its coal mines, tasked with executing and overseeing health and safety work. This has formed a multi-level health and safety management system, organizational structure and staffing. The Group has developed a scientific and efficient safety management system that conducts responsibility-oriented safety management and applies high standards to enhance safety. Based on the safe production accountability system, this safety management system adopts hierarchical controls for safety risks to identify and control hidden dangers, while also emphasizing electromechanical safety and ground safety. Through lean management and a commitment to building a safety culture, the Group has established a holistic safety management system that involves all employees, processes and areas.

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The Group manages its operations through established regulations and fulfills safety management responsibilities by formulating a number of regulations such as *the Accountability Measures*. In 2025, the Group formulated comprehensive safe production management regulations, which are strictly implemented during the production process so that all work can be kept on track.

Aiming to become the representative and benchmark of advanced coal production, the Group adheres to new development concepts by constantly consolidating safety foundation, making every effort to improve technology, process and equipment and optimizing design to achieve intensive, safe, efficient and green mining. The Group's Dafanpu Coal Mine has been rated as the "National Class 1 Safe Production Standardised Coal Mine" by the National Mine Safety Administration, honoured with the title of "Premium Safe and Efficient Mine" by the China National Coal Association, and received the honour of "Class A Coal Mine" of Zhunge'er Banner for consecutive years.

3.2 On-site safety management

The Group's on-site safety management is reflected in various stages: based on the *Potential Safety Hazard Identification and Control Measures*, the Group appoints managers and technical personnel to regularly analyze security risk control and identify and control potential safety hazards in order to enhance the standards for safe production. The Group strictly controls the production process and has established relevant mechanisms such as the Management Mechanism for Mine Operations to impose stringent requirements on all aspects of on-site operations. In addition, the Group has also strictly implemented the policy of "one ventilation and three preventions" to create good on-site operating conditions and provide basic guarantees for safe production. The Group has set up a safety monitoring system, a personnel location system and a part-time first-aid team to enhance safety protection and its emergency response capability.

Checklist of "one ventilation and three preventions"

"One Ventilation"

The mine adopts centralized parallel ventilation system with mechanical exhaust. Fresh air enters through the main inclined shaft and the auxiliary inclined shaft, while return air is discharged via the return air vertical shaft. Each coal mining face and chamber has independent ventilation with no unreasonable series ventilation. The coal mining face adopts "U" shaped full-pressure ventilation, while the tunneling site utilizes forced ventilation using local ventilation fan. The airflow distribution at each mine working site is reasonable, with airflow speed meeting the requirement of the Coal Mine Safety Regulations. All ventilation facilities in mines (adjustable wind doors, adjustable wind windows, windshield and permanent enclosures) are inspected once a week, with all records and statements updated accordingly. A complete ventilation measurement is performed throughout the mine once every 10 days with comprehensive documentation. Ventilation facilities are installed immediately following tunnel connections, and the ventilation system is adjusted accordingly to ensure the stability and reliability of the mine ventilation system.

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**“Three
Preventions”**

Gas prevention and control: Strictly in accordance with the Coal Mine Safety Regulations, a comprehensive gas prevention and control management system has been established. Each shift includes 4 dedicated gas inspectors who perform patrol inspections at all operational sites in the mine according to a predetermined gas inspection plan. The gas inspectors strictly follow the onsite handover and reporting systems. The Company has established a comprehensive safety monitoring and control system. Methane sensors are installed and regularly calibrated in accordance with regulatory requirements, enabling 24-hour real-time monitoring of gas concentrations at all working locations. Gas monitoring is conducted through the combination of manual inspections and the monitoring and control system to avoid gas overrun operations. Any issues identified during the shift should be reported and handled in time to ensure effective gas prevention and control in the mine.

Dust prevention: Dust monitoring is carried out at each dust monitoring site through sentinel surveillance and individual surveillance on a monthly basis in accordance with the layout plan of the dust monitoring site. The total dust concentration is measured twice a month, and the concentration of respiratory dust is measured once a month. Dust dispersion and free silica content in the dust are measured once every six months. Dust sensors are installed at all mining sites, transfer sites and crushing stations as required and connected to the safety monitoring system, achieving 24-hour continuous monitoring of dust concentration. The roadways under departmental oversight are sprinkled for dust removal every month according to the roadway rinsing cycle plan.

Fire prevention and control: Designated personnel will be arranged to conduct an inspection of the permanent closure of the mine once a week and conduct manual sampling to perform beam tube analysis. Each mine will be inspected once a week at its respective fire detection points, and a forecast of the natural fire prediction of the mine will be carried out once a week in accordance with the regulations. Based on the test results and the analysis of the beam pipe, it is judged whether there is a sign of fire at its respective fire detection points, and effective measures will be taken. Comprehensive fire prevention and control measures are implemented in strict accordance with the *Special Design on Mine Fire Prevention and Control*, with oversight on the execution of these measures.

In 2025, the Group made continuous improvements to its safety risk hierarchical controls, intensifying efforts to identify and rectify hidden dangers. It organized 95 self-inspections and daily inspections in the mines and identified 1173 hidden dangers, with a rectification rate of hidden dangers of 100%. In addition, the Group further improved its management of the part-time first-aid team. Combined with the regulations on mine rescue operations and the requirements for the standardized assessment documents on the quality of the mine rescue team, the Company has established a training mechanism of “monthly training” for the part-time first-aid team, focusing on emergency knowledge such as bandage and the use of oxygen ventilators for injured persons, and strengthening the management of the equipment for rescue operations to ensure good condition of first-aid equipment and further enhance the work level of part-time first-aid team, as well as the emergency response management work. Over the past three years, there were no major safety accidents resulting in work-related fatalities among the Group’s employees. In 2025, the Group’s Dafanpu Coal Mine reported a total of 30 workdays lost due to work-related fatalities.

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3.3 Safety training and education

To implement *the Safety Training Regulations for Coal Mines* and *the Notice of the State Administration of Coal Mine Safety Supervision on Carrying out Safety Training and Improvement for Coal Mines and Promoting the Quality Improvement of Coal Mine Employees*, the Group has formulated the *Training Management Regulations*, *Internal Trainer Management Regulations* and *Practical Training Management Measures (Trial)* to improve the Group's safety training system, clarify the responsibility for safety training at all levels and establish a mechanism for the selecting and motivating internal trainers, so as to provide a fundamental guarantee for comprehensively enhancing the comprehensive quality of employees.

The Group conducted 746 safety training sessions throughout the year with 1073 participants and over 1200 training hours in total. The training topics mainly covered general management training, talent development programs, technical personnel assessment, legal knowledge, office skills, standard operating procedures, production safety, practical training, specialized training by job type, safety training for departmental employees, skill evaluations, professional skills competitions, new employee training etc.

The Group has established the "One Staff, One File" system for safety training, and implements a safety training program every term to standardize safety training and education. All employees of the Group are required to conduct pre-job safety knowledge training before they report for duty. To enhance the safety awareness of employees, the Group organizes training for employees every year, holds regular work safety meetings and issues safety reminders before work every day, so that employees can keep in mind the safety risks and precautions of their posts. In 2025, the Group insisted on strengthening itself with skills by focusing on improving the quality of its employees and enhancing their safe operation skills. Throughout the year, the Group organized 45 practical assessments for technical personnel, 5 general management training sessions, 7 legal knowledge sessions, 9 standard operating procedures sessions, 6 office skills sessions, 10 talent development training sessions, 11 specialized training sessions by job type, skill assessments and technical competition for 5 types of work (engaging 159 participants). The Group also arranged for participation in 2 municipal and banner-level vocational skills competitions. The departments organized 571 employee training sessions and 95 practical skills training sessions, with 2654 employees undergoing operational process spot checks. As of 2025, 44 senior workers and 133 intermediate workers have been selected. In 2025, the Group sent 22 key technical personnel to participate in municipal and banner-level vocational skill competitions, with 11 individuals receiving excellence awards. In 2025 (as of 24 December), a total of 779 personnel completed both the "finger-speaking" verbal description and practical assessment for self-rescuer usage, all of whom passed. A total of 2680 personnel were assessed on operational procedures through spot checks, achieving an annual comprehensive pass rate of 89%. Additionally, 1167 personnel completed assessments via mobile-based simulation exams, with a pass rate of 95.8%.

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The Group carried out a mine-wide Safe Production Month campaign with the theme of “Safety Awareness and Emergency Preparedness – Identify Hidden Dangers in Your Vicinity” in 2025. The campaign included a kick-off ceremony and pledge ceremony of the Safe Production Month, monthly accidents and hidden danger investigation activities, seminars on safety knowledge (regarding emergency response and rescue knowledge, etc.), the seminar on unsafe behaviors, hazardous and educational training for employees, safety consultation days and safety knowledge quizzes, emergency drill activities, the 11th “Safety and Health Cup (安康杯)” knowledge contest, etc. The Safe Production Month campaign comprehensively improved all employees’ awareness of safety and responsibility, strengthened the safety management of mines and laid a solid foundation for safe production throughout the year.

3.4 Occupational health and safety

Production safety should be people-oriented as the health and safety of all employees are vital to the development of the Group. In accordance with the provisions of *the Law of the People’s Republic of China on Prevention and Control of Occupational Diseases*, the Group provides employees with personal protective equipment in line with national and industry standards. In accordance with the Regulation on Work-Related Injury Insurance, the Group has formulated and continuously revised *the Work-Related Injury Management System* to protect the legitimate rights and interests of employees who have suffered work-related injuries. The Group organizes regular health check-ups for employees to enhance occupational health monitoring and management. Furthermore, the Group places a strong emphasis on the health, safety and environmental protection management practices of contractors, requiring them to establish a health, safety and environmental protection management system and strictly adhere to industry regulations and standards.

In 2025, the Group conducted its annual assessment of occupational diseases and hazards at the workplace in accordance with the provisions of *the Law of the People’s Republic of China on Prevention and Control of Occupational Diseases*. The assessment report and relevant data were uploaded to the occupational diseases and hazards reporting system to finalize the 2025 submission. A promotional week for *the Law on Prevention and Control of Occupational Diseases* was organized, providing employees with training to learn about the law and the knowledge of occupational disease prevention and treatment to improve self-protection awareness and ability among employees. In 2025, the Group updated 573 occupational health records and improved the process for retrieving files of resigned staff. *The Work Plan and Implementation Plan for Occupational Hazard Prevention in 2026* has been formulated to standardize personal protective measures for workers, achieving a 100% rate of occupational health check-ups for employees.

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4. GREEN ENVIRONMENTAL PROTECTION

The Group has consistently embraced a green mining development model that emphasizes efficiency, environmental friendliness and harmony with the mining area. It strictly abides by relevant laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on Promoting Clean Production* and the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste*. Green concepts are woven into the design, construction and production processes, with ongoing initiatives for resource conservation and environmental protection. Alongside its green mine construction efforts, the Group's environmental protection initiatives have now advanced to a new level.

In 2019, the Group's Dafanpu Coal Mine successfully passed the comprehensive green mine selection and became one of the first coal mines included in the Green Mines Selection List 2019, establishing a benchmark position in the industry. In 2023, it received recognition as the Advanced Enterprise in the Construction of Green Mines in Zhunge'er Banner and was promoted to Advanced Enterprise in the Construction of Green Mines in Ordos City in 2024. In early 2024, it was selected as a model case study at the special exhibition of the Department of Natural Resources of Inner Mongolia Autonomous Region and was featured at the special exhibition of the Geological Museum of China. In 2025, the Dafanpu Coal Mine retained its prestigious status as a National Green Mine. By achieving a breakthrough in the high-value utilization technology of solid waste and establishing a resource recycling system, the Mine has made the comprehensive utilization of coal gangue a core driver of its green transformation. It has successfully built a demonstration production line for coal-series kaolin rock with an annual output of 200,000 tons, transforming solid waste from the coal washing process into high-value-added mineral raw materials for premium sectors such as ceramics, papermaking, and rubber. These phased achievements indicated that the Dafanpu Coal Mine has upgraded from a local demonstration mine to a model for green mining development at the regional level of the Inner Mongolia Autonomous Region, providing a practical paradigm for the transformation of resource-based mining areas nationwide.

4.1 Energy conservation and consumption reduction

As a coal production enterprise, the Group has been paying attention to energy consumption in production. The Group strictly abides by the *Energy Conservation Law of the People's Republic of China*. As a coal production enterprise, the Group has been paying attention to energy consumption in production. To conscientiously implement and promote major decisions and arrangements for energy conservation and emissions reduction, the Group adheres to relevant laws and policies, including the *Energy Conservation Law of the People's Republic of China* and the *Energy Conservation and Emissions Reduction Work Plan of the 14th Five-Year Plan*. By aligning with the fundamental national policy of energy conservation and emissions reduction, it further improves its mechanisms for energy conservation and emissions reduction and green and low-carbon policy. It also promotes the improvement of energy utilization, strengthens internal electricity management and employee control and establishes itself as a conservation-oriented enterprise to facilitate its green and sustainable development.

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In 2025, the Group revised *the Electricity Saving Management Measures for the Dafanpu Coal Mine*, clarifying the responsibilities of the electricity-saving leadership team and the electricity-saving office. Energy consumption was statistically analyzed, and energy and electricity consumption indicators were established and implemented. Through technological transformation and reform, the Group adopted more energy-efficient machinery and equipment to reduce energy consumption and strengthened equipment operation management. Under the premise of securing safe production, the Group optimized the production and maintenance time and reduced the idle running time and electricity consumption. In October 2025, the Group obtained the Energy Management System Certification. The new variable frequency drive (VFD) equipment and renovation projects for 2025 included: the VFD renovation of the belt conveyor at the 51107 fully-mechanized coal mining face, the VFD renovation of local ventilation at the 61204 belt haulage roadway and 61204 auxiliary transport roadway tunneling faces, resulting in electricity savings of approximately 981,120 kWh. In 2025, the high-voltage cabinet retrofit for photovoltaic (PV) consumption and the installation of an energy storage system significantly enhanced solar power generation efficiency, achieving a total annual PV power generation of 6,361,080 kWh.

In 2025, the Group's total energy consumption was approximately 7,890 tonnes of standard coal, and the energy consumption per RMB10,000 of output was 36.8 kg of standard coal. In 2026, the energy usage target is to reduce coal consumption to 7,500 tonnes of standard coal. The Group intends to achieve the goal by overhauling boilers to enhance thermal efficiency.

Energy consumption of the Group

Indicator	Unit	2025	2024
Total electricity consumption	10,000 kWh	8,055	8,067
Coal burned	tonne	7,890	12,183
Gasoline	liter	68,175	52,570
Diesel fuel	liter	1,018,600	1,367,125

4.2 Water Resources Management

In 2025, with the goal of protecting water resources at the source, the Group utilized mine water resources rationally and fostered water conservation awareness through the following measures:

1. Source Protection: pay attention to underground aquifers during mining to minimize disruption.
2. Maintain and upgrade the mine water treatment plant to ensure scientific treatment, maximize water resource utilization and achieve water recycling.
3. Maintain all water pipelines to prevent leakage and waste of water resources.

In 2025, the Group's water consumption amounted to 1.1394 million tonnes, with water consumption per RMB10,000 of output at 5.31 tonnes. In 2026, the target is to reduce water consumption to 1.135 million tonnes. The Group intends to achieve this target through rational water use planning and the prevention of leakage and dripping.

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4.3 Emission management

The Group attaches great importance to the management of waste discharge generated in the course of operation and strictly complies with laws and regulations such as *the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste* and *the Law of the People's Republic of China on the Prevention and Control of Water Pollution* as well as the requirements of environmental protection. The Group adopts scientific measures for environmental impact protection and governance and reduces the generation and disposal of waste through technological measures and recycling.

Noise

The Group conducts quarterly noise monitoring at the plant boundary, totalling 4 times.

Wastewater

The Group complied with the requirements of *the Yellow River Protection Law of the People's Republic of China* and *the Law of the People's Republic of China on the Prevention and Control of Water Pollution* and treated wastewater in strict accordance with national standards. The wastewater generated by the Group is categorized into mine wastewater and domestic sewage. After the coal mine wastewater is processed at a treatment station to meet required standards, it is used for production, landscaping and dust reduction and provided to boilers and bathrooms through newly built water purification facilities. The domestic sewage was treated and thereafter reused to the coal washing plant, realizing zero discharge of wastewater. When domestic sewage is processed at a sewage treatment station to meet the water quality standards for coal washing, it is pumped into the recycling pool at the coal processing plant through a pressurizing pump. The annual volume of water recycled was approximately 91,950 cubic meters. The treated mine water is stored in water pools in the mining areas for reclamation of subsided areas.

In 2026, the Group will maintain the efficiency of sewage treatment with an aim to constantly achieve the goal of zero discharge of wastewater.

Solid waste

General wastes generated in in the Group's production operations include coal gangue produced during the mining process, slag and fly ash from boiler combustion and food waste from the canteen. Hazardous wastes consist of waste mineral oil and waste oil barrels from machinery maintenance. The Group strictly abides by *the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste*, managing waste disposal in accordance with national standards to avoid pollution. Coal gangue is repurposed for land reclamation, ecological restoration and the production of building materials. All slag and fly ash are repurposed for producing building materials. Domestic waste is collected and handed over to a qualified waste disposal company for processing.

As for hazardous wastes, the Group has established a qualified hazardous waste storage facility at the coal mine according to the Environmental Protection Agency's requirements for hazardous material management, and it has been approved by the agency. Daily waste machine oil generated at the coal mine is stored in the hazardous waste storage facility and taken up by a qualified third party under the supervision of the environmental protection authority when reaching a certain amount. Waste oil barrels are collected and disposed of at no cost by the supplier.

In 2026, the Group targets to increase the recycling rate of hazardous wastes by 7% compared with 2025.

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In 2026, the solid waste discharge targets are to reduce boiler ash to 1800 tonnes, fly ash to 500 tonnes, and the discharge of gangue is estimated to be 850,000 tonnes. To achieve these targets, the Group will timely adjust the operation of boilers based on the changes in weather to reduce the coal consumption by boilers; adjust the coal layer height of boilers based on the coal quality to ensure efficient combustion, thus reducing the generation of boiler ash and fly ash; strengthen coal caving management in mining sites to reduce gangue generations; strengthen washing management to eliminate coal loss and reduce gangue discharge; improve the overall gangue utilization rate and reduce gangue discharge through manual kaolin selection and gangue brick production. Solid waste production of the Group was as follows:

Indicator	Unit	2025	2024	
Hazardous waste generation	waste mineral oil (machine oil, lubricating oil, etc.)	tonne	26.02	16.22
	waste oil barrels	tonne	3.96	2.41
	waste lead-acid batteries	tonne	1.33	1.14
	waste oil-soaked rags	tonne	0.04	0.13
	waste machine cores	tonne	1.22	0.96
Non-hazardous waste generation	sludge in water treatment	tonne	125	187
	boiler ash	tonne	2142.9	1,509.90
	fly ash	tonne	616.41	383.19
	food waste	tonne	436.2	38.60
	other production wastes (mainly coal gangue)	10,000 tonnes	82.13	59.09
Intensity of hazardous wastes generated	tonnes per RMB10,000 output	0.01	0.01	
Intensity of non-hazardous wastes generated	tonnes per RMB10,000 output	3.89	3.89	

In 2025, the Group continued to implement the *Repairing the Old and Using the Waste Policy*, strictly controlled material consumption and strengthened the management of “repairing the old and using the waste” efforts to fully explore the residual value of waste materials and old equipment. In 2025, the Group’s production value through repairing the old and using the waste was approximately RMB1,950,000, which effectively reduced production costs and fostered environmental awareness among employees regarding material conservation and emissions reduction.

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Exhaust gas

According to *the Air Pollution Prevention and Control Action Plan* and under the strict requirements of national environmental protection, the Group launched the dedusting and desulfurization treatment on boiler flue gas, which was discharged after related standards were met. The Group employed third-party detection agency to detect the flue gas and dust particles every quarter and submitted related reports to the environmental protection authority for review. In 2025, the Dafanpu Coal Mine engaged a third-party testing agency to conduct monthly tests on the exhaust gas emissions from the mine boiler room, completing a total of 9 tests (testing was suspended in July, August and September due to boiler shutdown). Furthermore, quarterly tests were conducted at 3 fugitive emission points across the plant area, amounting to 4 particulate matter tests annually. In 2025, exhaust gas emission from boilers by the Group was 81.267 million standard cubic meters, of which, sulfur dioxide (SO₂) was 12.59 tonnes, and nitrogen oxide (NO_x) was 13.01 tonnes. The target for exhaust gas emissions in 2026 is to maintain the same level as in 2025 without significant increases.

In 2025, there was no incident of non-compliance with relevant laws and regulations and relevant policies that had a significant impact on the Group in relation to emissions.

4.4 Ecological protection

The Group is committed to creating a modern mine that is “Safe, Environmentally Friendly, Green, Energy Saving and Efficient”. It focuses on the comprehensive development and utilization of mineral resources, taking environmental protection, ecological restoration and green mine construction as its responsibilities. The Group prevents soil erosion and protects land resources in strict compliance with the *Law of the People’s Republic of China on Water and Soil Conservation*, the *Land Administration Law of the People’s Republic of China* and the *Regulation on Land Reclamation*. The Group has taken the necessary environmental protection measures, earnestly fulfilling its responsibility for mine environmental restoration, and has developed and implemented plans for environmental protection and restoration at mines. The geological and environmental recovery of mines is satisfactory, and there have been no incidents regarding geological or environmental disasters in recent years.

The Group’s mining activities require the use of a portion of land. After mining is completed, the group will restore the land and vegetation through land reclamation and vegetation recovery measures. The Group attaches great importance to ecological construction, consistently maintaining the greening of the area. In 2025, the Group continued to strictly abide by environmental protection requirements and planted nearly 24,432 trees, approximately 89,178 shrubs and approximately 644,000 ground covers in the reclamation area. In waste drainage and subsided areas, it planted approximately 41,029 pine trees and sowed approximately 3,340 acres of grass seeds, contributing to the treatment and ecological restoration of the mine subsided areas. The green surface planting rate in the mining areas reached 99%. As of the end of the reporting period, the Group has planted 134,685 trees and 302,178 shrubs, covering 65,937 square meters of land. Meanwhile, according to the Reclamation-Ecological Agriculture development model, the Group continuously carried out the construction of an apple farm and vineyard, with 880 acres of apple farm and 550 acres of vineyard being planted in aggregate as of the end of the reporting period.

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In recent years, the Group set the goal of building green mines and has actively carried out geological environmental governance and green mine construction. This effort has continuously strengthened the effectiveness of ecological governance, yielding positive economic, social, and ecological outcomes – ensuring the supply of coal resources, driving local economic growth and creating an ecological barrier in the north border of China, thus fulfilling the social responsibility of private enterprises through practical actions. On 25 December 2019, the Dafanpu Coal Mine officially achieved recognition in the national selection for green mines in 2019 and was included in the list of green mines in China.

The Yong' an Coal Mine and the Weiyi Coal Mine under Ningxia Kinetic Mining Co., Ltd. strictly abide by the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on Water and Soil Conservation*, the *Land Administration Law of the People's Republic of China*, the *Measures for the Implementation of the Regulation on Land Reclamation* and other relevant laws and regulations. The *Environmental Impact Report*, the *Mining Geological Environmental Protection and Land Reclamation Plan* and the *Soil and Water Conservation Plan* have been approved by relevant government departments, and management and construction have been strictly in compliance with the requirements.

In addition, the Group conducted the business of production, operation and sales of cigars and tobacco in Cambodia through Star Idea Enterprises Limited. The Group is also committed to fulfilling social responsibilities in such business segment and attaches great importance to the implementation of environmental assessment and ecological protection. To minimize the environmental impact of cigar and tobacco production activities, the Group actively cooperates with environmental inspections organized by local environmental protection departments and synchronizes the environmental protection standards of its factories and production facilities in real time. In addition, the Group also actively contributes to environmental protection funds and is keen to support local environmental protection projects and initiatives. It modestly contributes to the promotion of sustainable development and ecological protection.

The integrated processing of cut tobacco and cigarettes within the scope of the Group's business does not produce any waste gas or emissions. The Group has adopted the most advanced MPBC-type pulsejet flat bag dust collectors in the tobacco industry to collect and process the dust generated during the production process in real time. It has also introduced professional wastewater treatment systems that treat sewage simultaneously. Sewage is discharged only after passing inspection by the local environmental protection authority.

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4.5 Climate change

Environmental risks are closely related to climate change. As a major challenge to the sustainable development of human society, climate change is receiving growing attention from the international community. As domestic policies continue to be introduced, stakeholders are increasingly demanding action on climate change and the promotion of low-carbon development. We outline our current efforts and future direction for addressing climate change in the aspects of governance, strategy, risk management and indicators and targets.

Governance

In terms of governance, the Board is the highest responsible and decision-making body for ESG matters and assumes full responsibility for the Group's ESG strategy and reporting. Its primary duties include formulating and approving environmental and climate change management strategies, medium to long-term plans and risk control objectives. The Board reviews the Company's ESG report annually to ensure the content of the report complies with the disclosure requirements of the Listing Rules.

The Audit Committee is the supervisory and supporting body for environmental and climate-related risk management. The Risk Management and Internal Control Department is responsible for assisting the Audit Committee in overseeing the effective operation of the Company's internal control and risk management systems, reviewing the inventory of environmental and climate-related risks, urging the management of the Company to implement climate risk control responsibilities and regularly receiving reports on the management of environmental and climate-related risks and opportunities.

The management of the Company serves as the leading body for environmental and climate-related risk management, with responsibility for coordinating the Company's efforts in environmental and climate-related risk management and overseeing the implementation and performance of relevant tasks.

The Group holds two Audit Committee meetings annually to review climate-related issues and submit them to the Board for deliberation. During the reporting period, the Group has not yet considered incorporating climate-related performance indicators into its remuneration policy. The Group will provide regular climate-related professional training to ensure that the Board stays abreast of the latest developments in climate-related topics.

Strategy

In response to climate change, the Group has formulated climate mitigation and adaptation strategies to manage and reduce the potential risks that climate change may pose to the Group. Climate-related risks include risks associated with the transition to a low-carbon economy (hereinafter referred to as "**Transition Risks**") and risks related to the physical impacts of climate change (hereinafter referred to as "**Physical Risks**"). Transition risks can be further categorized into policy and legal risks, technological risks, market risks and reputational risks. Physical risks include acute risks (such as extreme weather events like typhoons and floods) and chronic risks (such as prolonged heatwaves due to changing climate patterns).

The Group adopts a qualitative scenario analysis approach to assess the impact of the risks, compiles a climate change risk and opportunity inventory and formulates response measures for Board approval and implementation.

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The timeframes within which the potential impacts of the Group's identified climate-related risks may materialize are as follows:

Short-term: 0 to 3 years
 Medium-term: 3 to 10 years
 Long-term: 10 to 30 years

The significant climate change risks and opportunities and the corresponding response actions are as follows:

Climate Risk Inventory:

Type	Climate-related risks	Impact	Timeframe/Impact	Response actions	
Physical Risks	Acute	Extreme weather and disaster events such as heavy rain, typhoons, droughts and extreme cold	Business: Leading to production suspensions or reductions, difficulties in product transportation, equipment damage and increasing safety risks Financial: Increased costs, reduced revenue and asset losses	Short-term/Medium impact	<ul style="list-style-type: none"> When developing new mining areas and installing new facilities, extreme weather factors were taken into account, and the operating status of coal production facilities was regularly inspected to ensure the safe and normal operation of the equipment; We provided employees with relevant working protection materials and equipment and formulated emergency plans in relation to extreme weather and the Timely Evacuation Plan during Emergencies like Heavy Rain and Floods, together with regular drills to improve employees' emergency response capabilities.
	Chronic	Prolonged changes in climate patterns, such as sustained high temperatures	Business: Increasing demand for cooling in summer and subsequent adjustments to the energy consumption structure Financial: Increasing costs	Long-term/Low impact	<ul style="list-style-type: none"> We strengthened the prevention of relevant risks and emergency management efforts by regularly monitoring the climate conditions of the mining area and staying updated on real-time climate change alerts.
Transition Risks	Policy and Law	New policies strengthen requirements for energy conservation and emission reduction, as well as enhance disclosure requirements for GHG emissions.	Business: Declining coal demand, requiring the Company to adjust its strategy and upgrade equipment. Financial: Increasing costs and reducing revenue	Medium-to-long term/ Medium-to-high impact	<ul style="list-style-type: none"> We stayed informed about industry trends and policy changes and adjusted business development directions to align with the policy in a timely manner. We reduced carbon emissions through measures such as tree planting and photovoltaic power generation.

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Type	Climate-related risks	Impact	Timeframe/Impact	Response actions
Technology	The innovation and iteration of production technology to address environmental requirements and the R&D innovation process may lead to new technology investments	Business: Increasing pressure for technological innovation Financial: Increasing costs	Short, medium and long term/Medium-to-high impact	<ul style="list-style-type: none"> We continued to promote low-carbon technology transformation, optimized operational strategies and stayed updated on the latest developments and iterations of related technologies.
Market	As a result of policy and market guidance, along with customers' growing awareness about low carbon and environmental protection, there may be a shift towards greener products among customers, such as the use of new energy alternatives	Business: Declining coal demand, leading to reduced customers and sales volume Financial: Reducing revenue	Medium-to-long term/ Medium-to-high impact	<ul style="list-style-type: none"> We explored and used more energy-efficient and resource-saving green production technologies to develop environmentally friendly coal products that have lower emissions and reduced energy consumption.
Reputation	As stakeholders pay increasing attention to issues related to addressing climate change, the Group may face reputational damage if it fails to meet their expectations or engages in any related illegal or non-compliant activities.	Business: Reducing investors' confidence Financial: Reducing revenue	Medium-to-long term/ Low impact	<ul style="list-style-type: none"> We strengthened communication with stakeholders, regularly reviewed our emissions reduction performance. We strengthened the sustainable management of natural resources, reduced pollutant emissions, and improved related risk management and target-setting systems to promote high-quality and green development.

Climate Opportunity Inventory:

Type	Climate-related Opportunities	Impact	Timeframe/Impact
Resource Efficiency	Policies promoting energy conservation and emission reduction, recycling and reuse, as well as the adoption of more efficient production, transportation and sales processes	Business: Advancing process upgrades and equipment replacement to enhance efficiency Financial: Reducing costs	Short, medium and long term/Medium impact

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Risk Management

In response to climate change, the Group has established and implemented risk management processes, which are continuously updated based on actual circumstances.

- **Risk Identification:** Climate-related risks are identified by reference to the TCFD recommendations and risks identified by industry peers.
- **Risk Assessment and Analysis:** Scenario analysis is adopted to assess and prioritize climate risks based on dimensions such as the likelihood of occurrence and the impact on business operations and financial performance.
- **Risk Response:** Formulate and implement climate change risk control measures for identified climate-related risks.
- **Risk Monitoring and Outcomes:** Regular reviews and assessments of risk management performance are conducted, and risk verification and management achievements are reported to serve as a reference for developing the subsequent year's risk management plan.

Indicators and Targets

The Group has established climate change-related indicators and targets and conducts annual statistical reporting and disclosures of relevant data, including but not limited to:

- Energy (gasoline, diesel, electricity, etc.) consumption;
- Direct GHG emissions (Scope 1);
- Indirect GHG emissions (Scope 2);
- Total GHG emissions (including Scope 1 and Scope 2);
- The intensity of GHG emissions.

In 2025, the Group's direct (Scope 1) GHG emissions amounted to 8,800 tonnes, with direct (Scope 1) GHG emissions per RMB10,000 of output at 0.024 tonnes. Energy indirect (Scope 2) GHG emissions amounted to 78,000 tonnes, with energy indirect (Scope 2) GHG emissions per RMB10,000 of output at 0.214 tonnes.

In 2026, the Group will optimize production technologies, enhance emissions treatment capabilities and reduce coal consumption in response to climate change and production needs, thereby lowering direct and indirect greenhouse gas emissions. Alongside active emission reduction efforts, the Group is also committed to carbon offsetting by continuing to expand tree planting in rehabilitation areas and strengthening the recovery and reuse of greenhouse gases such as methane. In addition, the Group has completed a 23 MW distributed photovoltaic project in the rehabilitation area of the Dafanpu Coal Mine, generating approximately 4.5 million kWh of electricity annually. The emission reduction effect is equivalent to planting 135,000 trees, accelerating the green and low-carbon energy transition.

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5. HARMONIOUS DEVELOPMENT

The Group adheres to a people-oriented philosophy, striving to create an equal and harmonious environment for its employees. It values employees' skill development and career advancement, emphasizes equal dialogue and communication with employees and cares for their work-life balance in a bid to build a friendly and harmonious workplace atmosphere to embody a "Family Spirit". Externally, it actively pays attention to the corporate influence on the surrounding communities and contributes to local development and well-being.

5.1 Protecting employees' rights

The Group strictly complies with national laws and regulations such as the Labor Law of the People's Republic of China, the *Labor Contract Law of the People's Republic of China* and the *Regulation on the Implementation of the Employment Contract Law of the People's Republic of China*. The Group has actively implemented the *Personnel Management System* and signed labor contracts with employees according to the law. It upholds the principles of "Transparency, Fairness, Equal Competition, Meritocracy and Free Will" and eliminates any kind of discrimination involving gender, nationality, religion, age and other factors in recruitment, training and promotion. During the reporting period, the Group did not receive any complaints about unfair employment.

The Group respects employees' rights and dignity and strictly adheres to the legal work hours limit and holiday arrangements. Administrative staff work standard 8-hour days, while mining production departments operate on rotating shift schedules according to operational situation. The Group offers annual leave, personal leave, sick leave, marriage leave, bereavement leave, maternity leave, work-related injury leave and family leave, etc. The Group strictly prohibits any form of servitude or forced labor and does not employ child labor (aged below 16), nor assign workers aged 16-18 to positions that could compromise their health and safety. Due to the Group's business nature and working environment, the proportion of male employees in the Group is higher than that of female employees. The Group stringently adheres to the principle of equal employment and prohibits any sexual discrimination.

As at 31 December 2025, there were a total of 3,351 employees, comprising 2,071 employees engaged in principal coal business and 1,280 employees in ancillary business, with a labor contract signing rate of 100%.

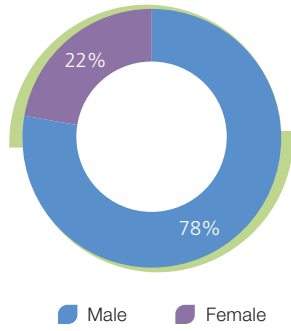
There were 3,218 current employees based in mainland China, with 5 employees based in Hong Kong, 99 employees based in Cambodia and 29 employees based in South Africa.

In 2025, the turnover rate of full-time employees in mainland China was 42.3%, totalling 1,185 employees; the turnover rate of full-time employees in Hong Kong was 36.4%, totalling 2 employees; the turnover rate of full-time employees in Cambodia was 121.4%, totalling 269 employees; the turnover rate of full-time employees in South Africa was 6.9%, totalling 1 employee. The turnover rate of male employees was 48.2%, totalling 1,146 employees, while the turnover rate of female employees was 55.9%, totalling 311 employees. The turnover rate of employees under 25 years old was 81.3%, totalling 193 employees; the turnover rate of employees between 26 and 35 years old was 52.0%, totalling 471 employees; the turnover rate of employees between 36 and 45 years old was 39.5%, totalling 463 employees; while the turnover rate of employees over 46 years was 53.3%, totalling 330 employees.

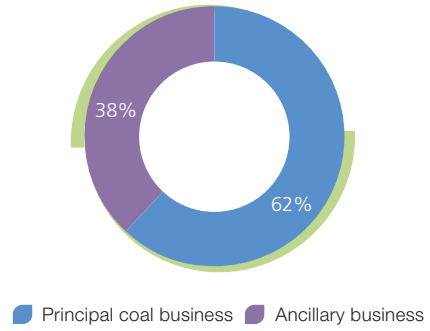
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Due to the challenges in compiling statistics for the high turnover rate of part-time employees, the following analysis charts are based solely on full-time employees. The breakdown of full-time employees by different categories is as follows:

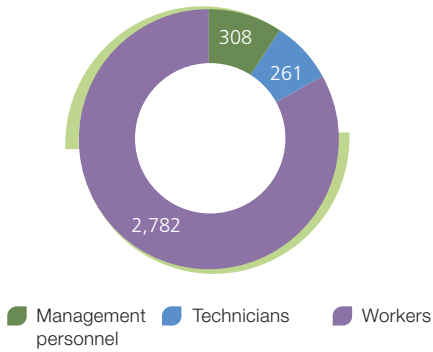
Proportion of employees by gender



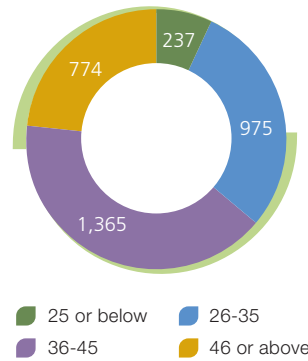
Proportion of employees by business



Proportion of employees by nature of job



Proportion of employees by age



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The Group's remuneration policy is based on the principle of fairness to ensure that the remuneration level is not lower than the local minimum wage requirements, together with attractive remuneration packages with reference to the remuneration level in the same industry. The Group also provides employees with retirement pension schemes as required by laws and regulations. To ensure the sustainable development of the Group, various channels are in place to understand and collect employees' opinions and suggestions on the Group's policies, working environment and development strategies of the Group. The Group is continuously improving its salary and benefits system, formulating and supplementing rules and policies such as *the Salary Payment Management Policy and the Detailed Rules of Employee Benefits*. These regulations standardize employee leave, housing benefits, social insurance and other benefits, maximizing the motivational effect of compensation and boosting employee engagement.

The Group has strengthened democratic management by encouraging employees to participate in its operation and management, ensuring their right to know, to participate and to supervise. In 2025, the first session of the Third employee representative conference took place, where 8 proposals were collected. The Group held 4 democratic meetings, where it addressed 28 employee issues and signed collective contracts and collective contracts on wage negotiation.

In 2025, the Group did not have any material violations of relevant laws and regulations in respect of employment such as recruitment, employment, dismissal and child labor.

5.2 Supporting employee development

The Group has established a sound employee performance appraisal system, which focuses on guiding all departments of the Group to move towards the direction of reform, innovation and elimination of disadvantages, and further mobilizes the enthusiasm, initiative, responsibility and creativity of employees in all departments, with a view to promoting the rapid and healthy development of the Group. The Group attaches great importance to the development of employees. Various types of training have been carried out to improve the quality and ability of employees from multiple dimensions of theoretical knowledge and practical skills and continuously improve the career development path of employees, achieving the mutual growth, progress and development of employees and the Group.

Mentoring agreement

The Group follows *the Coal Mine Safety Rules (Order No. 92 of State Administration of Work Safety)*, which stipulates that mine personnel must undergo four months of underground apprenticeship. During the apprenticeship period, a mentoring agreement is signed, where mentors guide apprentices to master production skills in specific roles within the specified time period, fully utilizing the role of experienced workers in "Teaching, Helping and Leading". This helps new employees quickly adapt to their positions, improve their comprehensive qualities and create a positive learning atmosphere.

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Employee training

The Group is committed to enhancing the overall quality and capability of its employees from a practical point of view and providing focused, multi-level and effective education and training to its employees. The Group formulated *the Regulations of Training Management* and other related policies, combined internal training with external training, and fully utilized various training resources. The Group is dedicated to addressing its specific needs by focusing on enhancing employees' overall quality and capabilities, offering targeted, multi-level and practical education and training to employees. During the year, 629 employee training sessions were organized, of which 58 sessions (representing 9.2% of the total) were for professional technicians and management personnel, and while 571 departmental training sessions (representing 90.8% of the total) were provided, achieving a 100% training coverage rate and high satisfaction levels among employees. In 2025, the Group's technicians and management personnel had received an average of over 87 hours of training, and the coal miners had received an average of over 70 hours of training. The average training hours for both male and female employees exceeded 50 hours.

In 2025, the Group mainly conducted video lectures, in-house trainer training sessions, refresher lectures for senior management and outdoor training to carry out different types of training:

- 1, Over 20 videos and in-house trainer lectures, such as *Plan and Summary, Time Management, Communication Skills, Excel Skills, Agile Team Building and Management Methods, Employee Relations, How to Use PowerPoint, Office Software: Tubang (Graphic Design Tool), Leadership, Writing Skills for Character Development, Team Building, Efficient Organizational Management, Corporate Document Writing, Effective Execution, One Ventilation and Three Preventions, New Employee Induction Training, Agile Team Building and Management Methods, In-house Trainer Training and Seminar and Employment Risk Prevention;*
- 2, 1 refresher lectures for senior management, such as *Workplace Core Competencies Enhancement;*
- 3, 4 lecture sessions featuring expert speakers, such as *HR and Administration Training, Safety Knowledge Seminar, Reception Etiquette and Skill Level Certification;*
- 4, 11 specialized training sessions by job type, such as *Coal Mine Power Supply Protection, Electrical Safety, Welding Techniques, the 6 Major Welding Defects, Use and Wiring of Variable Frequency Drives, Procedures and Precautions for Coal Loading Operators, Procedures and Precautions for Support Workers, Procedures and Precautions for Tunneling Machine Drivers, Operational Procedures and Safety Precautions for Coal Mining Machines, Causes and Solutions for Belt Conveyor Deviation and Monitoring and Control Operator Procedures and Precautions.*



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In addition, the Group conducts annual satisfaction questionnaires and surveys on training needs, prepares training summaries and works with in-house trainers to develop training courses that enhance training quality and meet employees' needs for career development. The Group also holds various professional training sessions for different work types in various fields from time to time, such as *One Ventilation and Three Preventions for Mines*, *Flood Prevention through Cadastral Surveying*, *Coal Mine Measurement Technology*, *Coal Mine Power Supply Technology* and *Welding Technology*. This establishes a platform for communication and collaboration, encourages cross-departmental learning and enhances the comprehensive quality and work efficiency of all employees.

School-Enterprise Cooperation

With talent development as a core strategy, the Group increased its investment in campus recruitment and strengthened government-school-enterprise partnerships since 2020 to build a talent cultivation system featuring "Targeted Training, Resource Sharing and Multi-Party Synergy":

1. Cooperation agreements: In June 2023, the Company established "Kinetic Tailored Class" ("力量订单班") with Jungar Banner Vocational High School and Ordos Vocational College, with the first batch of 25 students having commenced their internships. In May 2024, the Company launched "Kinetic Class" ("力量班") jointly with the Jungar Banner Employment Service Center and three educational institutions, receiving special subsidies from the Employment Service Center (RMB5,000/person/year for vocational high school students and RMB10,000/person/year for college and undergraduate students). In August 2024, the Group entered into an Industry-University-Research Cooperation Agreement with the North China Institute of Science and Technology, focusing on four key areas, including talent cultivation and technical services, thereby establishing a collaborative innovation platform. In 2025, the Group entered into a strategic cooperation framework agreement with the University of Science and Technology Beijing and the Energy Research Institute of Liaoning Technical University.
2. University Graduate Cultivation: The Group implements a dual-track cultivation program comprising the "Kinetic Star" (for comprehensive management talents) and the "Eagle Plan" (for technical backbones). Upon joining, new graduates rapidly integrate through "1-Day Plant Tour + 1-Week Military Training + 1-Day Executive Meeting + 1-Week Intensive Training". They are then assigned to frontline production departments, where they are mentored by team leaders, senior technicians and intermediate technicians. Currently, 20 graduates have been assigned to key positions. In July 2025, 37 newly recruited university graduates commenced their induction training.
3. Professional Conversion Training: In response to the "Talent Ordos" strategy, the Group collaborated with the Jungar Banner Employment Service Center and Inner Mongolia Tianze Safety Technology Training Co., Ltd. to train non-energy major graduates as urgently needed electrical talents for the energy sector. The first batch of 15 trainees is about to complete intensive training in mining electromechanics, thereby enriching the coal mine electrical technician workforce.

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**Performance assessment**

In 2025, the Group further improved the performance appraisal system by signing 19 departmental responsibility statements for work objectives, processing 1,413 personal monthly task reports and completing annual performance reviews with 360 mutual evaluations for 19 departments. The actual assessment provided an objective basis for the Group's evaluation and personnel appointment and dismissal. The Group has successfully completed the probation evaluation for 1 management personnel position, 8 professional and technical positions and 68 worker positions. In addition, to further strengthen talent building, the Group supports and recommends technicians to apply for national vocational qualifications and continues to promote the assessment and recruitment of internal professional and technical positions to employ outstanding employees and provide them with proper remuneration to encourage professional technological talents.

The Company has established a multi-channel talent cultivation approach to provide more development opportunities for skilled and capable employees. In order to meet the diverse needs of our employees, the Company has created various development paths covering management, technical and skilled tracks:

Management development path: Specialist- Supervisor/Deputy Section Chief- Deputy Manager/ Section Manager- Manager/Deputy Mine Manager- Senior Manager- Deputy General Manager- General Manager

Technical development path: Technician- Engineer- Deputy Chief Engineer- Chief Engineer- Senior Engineer

Skilled development path: General worker – Intermediate worker/Deputy team leader/Team leader – Senior worker/Deputy shift leader – Technician – Senior technician

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5.3 Caring for employees

The Group sticks to the principle of “Good and Practical Deeds for Employees”, paying attention to the various living needs of employees and creating a “Family Culture” with actions. The Group customizes multiple sets of work uniforms and safety protection equipment for each employee according to their requirements; provides free shuttle buses between the company and downtown for employees to facilitate their commuting; builds an economical canteen for employees and provides meal subsidies to ensure balanced meals and their nutrition. In 2025, the Group continued to implement the rule of “free lunch for workers in the mines” to ensure they can have warm and good meals. Since 2021, the Group has prepared birthday cakes and gifts for each employee. Air conditioners have been installed in all employee dormitories. Canteens have added a variety of night snacks and stir-fries and provided free green bean soup for outdoor workers in summer to create a warm “home” for employees from all aspects.

In 2020, the Group’s employees working at the Dafanpu Coal Mine moved into the new staff hostel, which improved their accommodation conditions. It has a gross floor area of over 7,000 square meters, consisting of 8 storeys divided into two parts, namely an indoor sports hall and a staff dormitory. The indoor sports hall has an area of 1,820 square meters with various sports and entertainment facilities and is open to employees free of charge. The dormitory area includes 81 rooms, all of which are equipped with standard toilets. It also offers couple rooms, visiting rooms, single rooms and double rooms. The couple room is specially designed for outstanding dual-income employees working at the mine, while the visiting room caters to single employees whose relatives come to visit from out of town. The gymnasium remains free for employee use and yoga and badminton classes are offered with professional instructors engaged based on employee demand. In 2021, a staff kitchen of staff home and a convenient service center were established. In 2025, the safety home staff kitchen was put into operation. Meanwhile, the convenience service center was enriched with new tenants during the year, including 1 pharmacy, 1 barbershop and 7 catering merchants to provide even more convenient services for employees in their daily lives.

The Group makes great efforts to create a positive corporate culture that enhances employees’ sense of identity and belonging. In 2025, the Group organized various cultural and sports activities as well as various cultural events, including the 2024 Year-end Award Ceremony, solving riddles on the Lantern Festival, a voluntary tree-planting activity at the coal mine led by the Group’s management (2025 marked the 13th year of voluntary tree planting, with a total of over 250,000 trees planted), a hiking activity in Qinhuangdao, a blessing activity at Mount Wutai, a themed Party Day event in celebration of the Party’s founding July 1st, staff sports competition, a fun sports day featuring tug-of-war, voluntary grape picking, staff birthday benefits, yoga classes and employee technical skills competitions, all of which enriched employees’ leisure lives.



Basketball Match



Outdoor Hiking

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5.4 Supporting community development

The Group complies with local laws and regulations during operations to minimize potential adverse impacts on the community and help promote community development.

The Group values community communication and actively promotes village-enterprise relations. In 2025, the Group actively liaised with the villager committee of the Sanbaoyaozi Village of Zhunge'er Banner in Inner Mongolia on the discussion of coal overburden removal, soil covering and soil excavation. It signed *the Assistance Project in Governance and Greening in the Reclamation Area* with Zhunge'er XiongFu Trading Co., Ltd.* (准格爾旗雄富商貿有限責任公司), a wholly-owned enterprise of the villager committee of the Sanbaoyaozi Village, for approximately RMB710,000, which effectively reduced the costs of soil acquisition and increased the income of the village committee. To establish a good relationship with the village committee of Sanbaoyaozi Village, a sponsorship of RMB20,000 was provided for *the Cultural Temple Fair* event in Sanbaoyaozi Village, Xuejiawan Town. To establish a good relationship with the village committee of Majiata Village, a sponsorship of RMB5,000 was provided for *the Cultural Temple Fair* event in Majiata Village, Xuejiawan Town. To establish a good relationship with the Zhangjiagadan Community Residents' Committee in Youyi Street, Zhunge'er Banner, a sponsorship of RMB5,000 was provided for the *Cultural Temple Fair* event in the community. *The Village Road Maintenance and Environmental Improvement Agreement* was signed with Zhunge'er XiongFu Trading Co., Ltd.* (准格爾旗雄富商貿有限責任公司), contributing RMB100,000 to support the village's collective economy, while the Machinery Rental Contract was signed with Ordos Xingjiaye Commercial Co., Ltd.* (鄂爾多斯市興家業商貿有限公司), contributing RMB150,000 to support the village's collective economy, which increased the income of the village committee.



Environmental, Social and Governance Report

In 2025, to further shape an image as an excellent and responsible corporation, the Group continued to provide free warm coal to local residents. The Group partnered with the Jungar Banner Volunteer Association and the New Era Civilization Practice Service Center in Jungar Banner to carry out volunteer service activities, visited the village committee to offer warmth and made contributions to consumption assistance amounted to approximately RMB310,000. In support of local economic development, the Group adheres to local employment, prioritizing the recruitment of the local workforce to effectively drive income growth for the community. Meanwhile, the Group has also deepened government-school-enterprise cooperation and innovated talent cultivation models by establishing the “Kinetic Class” tailored talent cultivation program, which cultivates 35 specialized professionals annually, and by conducting professional conversion training for underground electricians, covering 15 employees. These initiatives not only build a pool of high-quality technical talent for the Company but also make sustained and solid contributions to local employment stability and development. In 2025, Kinetic (Qinhuangdao) Energy Group Co., Ltd. continued to maintain its Quality Management System certification, with the scope of certification covering the sale of coal. The Quality Management System complies with both the national (GB/T 19001) and international (ISO 9001) standards. In 2025, the Group made a total tax payment of RMB1,027,290,008.74, in which Inner Mongolia Zhunge'er Kinetic Coal Limited made a total tax payment of RMB789,436,138.43. As of the end of the reporting period, the Group had 272 employees whose households were registered locally in Ordos, thus local employees accounting for 25.8% of total employees of Inner Mongolia Zhunge'er Kinetic Coal Limited.

Environmental, Social and Governance Report

HKEX ESG REPORTING CODE CONTENT INDEX

ESG REPORTING CODE		Reporting Content
Major Scope: A. Environment		
Aspect A1: Emissions		
A1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4.2
A1.1	The types of emissions and respective emission data.	4.2
A1.2	Total hazardous wastes produced (in tonnes) and, where appropriate, density (e.g. per unit of production volume, per facility).	4.2
A1.3	Total non-hazardous wastes produced (in tonnes) and, where appropriate, density (e.g. per unit of production volume, per facility).	4.2
A1.4	Description of emissions target(s) set and steps taken to achieve them.	4.2
A1.5	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	4.2
Aspect A2: Use of Resources		
A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	4.1
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and density (e.g. per unit of production volume, per facility).	4.1
A2.2	Water consumption in total and density (e.g. per unit of production volume, per facility).	4.1
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	4.1
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	4.1
A2.5	Total packing materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Products of the Group involve no packing materials, so this is not applicable

Environmental, Social and Governance Report

ESG REPORTING CODE		Reporting Content
Aspect A3: Environment and Natural Resources		
A3	General Disclosure Policies on minimizing the issuer's significant impacts on the environment and natural resources.	4.3
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4.3
Aspect A4: Climate Change		
A4	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	4.4
Major Scope: B. Social		
<i>Employment and Labor Standards</i>		
Aspect B1: Employment		
B1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.1
B1.1	Total workforce by gender, employment type (such as full-time or part-time), age group and geographical region.	5.1
B1.2	Employee turnover rate by gender, age group and geographical region.	5.1
Aspect B2: Health and Safety		
B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	3
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	3.2
B2.2	Lost days due to work injury.	3.2
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	3.2/3.4

Environmental, Social and Governance Report

ESG REPORTING CODE		Reporting Content
Aspect B3: Development and Training		
B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.2
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.).	5.2
B3.2	The average training hours completed per employee by gender and employee category.	5.2
Aspect B4: Labor Standards		
B4	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	5.1
B4.1	Description of measures to review employment practices to avoid child and forced labor.	5.1
B4.2	Description of steps taken to eliminate such practices when discovered.	5.1
<i>Operating Practice</i>		
Aspect B5: Supply Chain Management		
B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	2.5
B5.1	Number of suppliers by geographical region.	2.5
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	2.5
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	2.5
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	2.5

Environmental, Social and Governance Report

ESG REPORTING CODE		Reporting Content
Aspect B6: Product Responsibility		
B6	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	2.3
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	2.3
B6.2	Number of products and services related complaints received and how they are dealt with.	2.4
B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.2
B6.4	Description of quality assurance process and recall procedures.	2.3
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	2.4
Aspect B7: Anti-corruption		
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	2.1
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	2.1
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	2.1
B7.3	Description of anti-corruption training provided to directors and staff.	2.1
Community		
Aspect B8: Community Investment		
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5.4
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	5.4
B8.2	Resources contributed (e.g. money or time) to the focus areas.	5.4
Climate D		
D1 : Governance		
D1.1	Climate-related Risks and Opportunities.	4.5

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ju Wenzhong (具文忠), aged 57, is the Chairman of the Board and Executive Director of the Group. He joined the Group in September 2010, and was appointed as the Chief Executive Officer and Executive Director of the Group on 28 May 2020. He has been re-designated as the Chairman of the Board from the Chief Executive Officer since 16 June 2022. He is responsible for leading the production and sales of the Group and holds significant positions in various companies under the Group.

He obtained a professional qualification in precision machinery from the Department of Mechanical Engineering, Shenzhen University (深圳大學機械系精密機械儀器專業資格) in July 1990. Prior to joining our Group in September 2010, he served as a senior management and director in several companies.

Mr. Li Bo (李波), aged 44, is the Chief Executive Officer and Executive Director of the Group as well as the chairman of Kinetic Coal. He is primarily responsible for the comprehensive planning and the management of the overall operations of the Group's Dafanpu Coal Mine. Since joining the Group in October 2006, he has held several management positions in the Group.

He graduated from the University of Science and Technology Beijing (北京科技大學) in 2004 with a bachelor's degree in management, and obtained a professional certificate of mining engineering from China University of Mining and Technology (中國礦業大學) in 2016. He obtained the qualification of intermediate registered safety engineer in November 2020, and obtained the qualification of senior economist in December 2021.

Mr. Ji Kunpeng (紀坤朋), aged 40, has been an Executive Director of the Company since 16 June 2022 and is the chairman of Ningxia Kinetic. He is fully responsible for the operation and management of the Yong'an Coal Mine and Weiyi Coal Mine in Ningxia.

Since joining the Group in October 2009, he has served a number of roles as manager and various management positions, including the deputy general manager of Kinetic Qinhuangdao and the executive deputy general manager of Kinetic Coal. He graduated from Beijing Union University in 2008 with a bachelor's degree in management.

NON-EXECUTIVE DIRECTOR

Ms. Zhang Lin (張琳), aged 77, has been a Non-executive Director of the Company since 6 March 2012. She graduated from the South China University of Technology (華南理工大學) with a bachelor's degree in electrical engineering theory and electronic technology in 1982 and served as a teaching assistant and a lecturer at the same university from 1982 to 1993 and was an associate professor from 1993 to 2003, teaching electrical principles and electronic technology. She is also a non-executive director of Guangzhou R&F Properties Co., Ltd. (廣州富力地產股份有限公司), a company listed on the Stock Exchange (Stock Code: 2777). Ms. Zhang is the sister of Mr. Zhang Li (a substantial shareholder of the Company) and the aunt of Mr. Zhang Liang, Johnson (a substantial shareholder of the Company).

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Liu Peilian (劉佩蓮), aged 72, has been an Independent Non-executive Director of the Company since 6 March 2012. She completed her undergraduate education in finance and accounting from Guangzhou Open University (廣州市廣播電視大學) in 1990 and obtained her master's degree in business administration from Murdoch University in Australia in 2002. She is an accountant, a certified public accountant and a certified tax agent in the PRC and has over 40 years of experience in finance and accounting. She worked in the Bureau of Finance of Guangzhou Municipality (廣州市財政局) and held various senior positions with Shu Lun Pan Yangcheng Certified Public Accountants Co., Ltd. (立信羊城會計師事務所有限公司) and its predecessor firms including director, deputy chief accountant and consultant. She has been a consultant of Qinghai Huading Industrial Co., Ltd. (青海華鼎實業股份有限公司), a manufacturer of mechanical products listed on the Shanghai Stock Exchange (Stock Code: 600243), since 2010 and an independent director of Keda Industrial Co., Ltd. (廣東科達機電股份有限公司) from 2009 to 2015, another manufacturer of mechanical products listed on the Shanghai Stock Exchange (Stock Code: 600499), and GRG Banking Equipment Co., Ltd. (廣州廣電運通金融電子股份有限公司), an automatic teller machine supplier listed on the Shenzhen Stock Exchange (Stock Code: 002152), from 2011 to 2017. Moreover, she has been an independent director of Guangzhou Hongte Accurate Technology Co., Ltd. (廣東鴻特精密技術股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 300176), from 2013 to 2016.

Ms. Xue Hui (薛慧), aged 70, has been an Independent Non-executive Director of the Company since 22 April 2016. She has extensive experience in the construction and real estate industries. She acquired a certificate of Intermediate Economist in 2003, and served as the department head of the personnel office of Guangzhou Municipal Farm Administration (廣州市農場管理局) from 1974 to 1993, the deputy general manager of Guangzhou Sino Properties Development Company Ltd (廣州信和房地產開發有限公司) from 1994 to 2003 and the general manager of Chongqing R&F Properties Development Company Ltd (重慶富力城地產開發有限公司) from 2003 to 2015.

Mr. Chen Liangnuan (陳量暖), aged 75, has been an Independent Non-executive Director of the Company since 30 May 2022. He was the factory manager or secretary of several textile factories in Guangzhou from 1977 to 1996. He also has extensive experience in construction and engineering, and was the chairman of Guangzhou Tianli Construction Co. Ltd. (廣州天力建築工程有限公司) (a subsidiary of R&F Properties, a company listed on the Stock Exchange (Stock Code: 2777)), Foshan Lizun Metal Products Co., Ltd. (佛山力尊金屬製品有限公司) and Guangzhou Tianyin Landscape Engineering Co., Ltd. (廣州天盈園林工程有限公司). He is currently a supervisor of R&F Properties (Stock Code: 2777).

He graduated from the University of Donghua with a diploma of Textile Engineering in 1977. He is also a holder of a safety production assessment certificate (level-A certificate).

SENIOR MANAGEMENT

Ms. Wang Lanlan (王蘭蘭), aged 44, is the vice president, the chief financial officer and a joint company secretary of the Company. She is responsible for the overall financial management of the Group and is also the president of Kinetic (Asia) Limited. She was appointed as a joint company secretary of the Company on 17 April 2025.

Ms. Wang has been appointed as a non-executive director of MC Mining (an associate of the Group) with effect from 15 April 2025. The shares of MC Mining are listed on the Australian Securities Exchange and the Johannesburg Stock Exchange.

Ms. Wang has over 10 years of experience in corporate finance, listing and asset appraisal. Prior to joining the Group in March 2019, she served as a senior project manager at Jones Lang LaSalle (Beijing) Consultants Limited (仲量聯行(北京)諮詢有限公司) from 2006 to 2011, during which she participated in projects of listing and acquisition of more than 30 PRC enterprises listed in Hong Kong. She served as an investor relations director of China New Material Technology Holdings Limited (中國新材料科技控股有限公司) from July 2011 to December 2014; a vice president of Chuang Xin (China) Group Limited (創新(中國)集團有限公司) from August 2015 to September 2017; and a vice president of investor relations at China Binary New Fintech Group (a company listed on the Hong Kong Stock Exchange, Stock Code: 8255 which has been privatized in December 2022), from December 2017 to March 2019 before joining the Group.

Ms. Wang obtained a master's degree in business administration from the Fudan University and The University of Hong Kong in 2016.

Directors and Senior Management

SENIOR MANAGEMENT (cont'd)

Mr. Zhang Xianli (張憲利), aged 44, is the chairman of Kinetic Qinhuangdao. He is fully in charge of the overall operation of Kinetic Qinhuangdao. He graduated from Beijing Normal University in 2005 with a bachelor's degree in applied psychology.

Since joining the Group in April 2012, he has held several senior management positions in various projects within the Group, possessing many years of management experience in the field of energy development.

Mr. Zhang Bin (章彬), aged 45, joined the Group in June 2024 and currently serves as the vice president of the Group and the chairman of the Group's real estate and property management companies. He is fully responsible for the real estate business operations and overall operation of property management business under the Group.

He holds a Master's degree in human resource management from Renmin University of China and a Bachelor's degree in Real Estate Management from Renmin University of China. He previously worked at R&F Properties (Stock Code: 2777) for nineteen years and has extensive integrated management experience in real estate development and operations, urban renewal, and the sports sector.

Mr. Li Yang (李揚), aged 48, is the chairman of Inner Mongolia Liangyun Animal Husbandry Development Co., Ltd. (內蒙古量蘊牧業發展有限公司) and Inner Mongolia Liangyun Agriculture Development Co., Ltd. (內蒙古量蘊農業發展有限公司), and is fully responsible for the overall operation and management of the Group's agriculture and livestock business.

He graduated from Yanshan University (燕山大學) in 2001 with a bachelor's degree in computer science and technology. He joined the Group in December 2009, and served as sales manager, deputy general manager, executive deputy general manager, general manager and chairman of Kinetic Qinhuangdao.

Mr. Zhang Yang (章楊), aged 45, has been the general manager of Kinetic Coal since August 2024, and is mainly responsible for the overall operation of Dafanpu Coal Mine and the safe production of the mine.

He graduated from Wuhan University of Hydraulic and Electrical Engineering (武漢水利電力大學) in 2003 with a bachelor's degree in engineering management. He joined the Group in September 2021 as the assistant to the president and general manager of the Cost Control Centre. Before joining the Group, he was the deputy general manager of the tender centre of the North China regional company of R&F Properties (Stock Code: 2777) and the director of cost control department of Fuli Shoukai Gaoliyang Project Company (富力首開高麗營項目公司) (Phase I).

Mr. Chen Biao (陳彪), aged 39, is the general manager of Kinetic Qinhuangdao. He is responsible for the overall operation of Kinetic Qinhuangdao. He graduated from Huazhong University of Science and Technology (華中科技大學) in 2012, majoring in civil engineering.

He joined the Group in October 2011 and served as the sales manager and deputy general manager of Kinetic Qinhuangdao. In January 2021, he was officially promoted to be the general manager of Kinetic Qinhuangdao.

Directors and Senior Management

SENIOR MANAGEMENT (cont'd)

Mr. Deng Jianheng (鄧健恒), aged 38, is currently the Chairman of the South African project of the Group, and is primarily responsible for overall operation in South African coal mines of MC Mining project.

Mr. Deng has been appointed as a non-executive director of MC Mining (an associate of the Group) with effect from 13 October 2025. The shares of MC Mining are listed on the Australian Securities Exchange and the Johannesburg Stock Exchange.

He holds a Master's degree in Finance from the University of Glasgow and a Bachelor's degree in Law from South China University of Technology. He is also a Chartered Financial Analyst (CFA) and has passed the National Judicial Examination of China, obtaining the PRC Legal Professional Qualification. He has extensive cross disciplinary experience spanning finance, investment, and law.

Mr. Li Yinlou (李印樓), aged 56, is the chairman of the South African project of the Group, and is primarily responsible for the development and production in South African coal mines of MC Mining project. He joined the Group in 2013 and was the deputy general manager of Kinetic Coal and head manager of Dafanpu Coal Mine.

He graduated from China University of Mining and Technology (中國礦業大學) in 1992. After his graduation and before joining the Group in 2013, he served as an electrical and mechanical manager in a coal power company under China Coal Energy Company Limited (中國中煤能源股份有限公司) (Stock Code: 1898). He has almost 30 years of work experience in China's coal mining industry.

Mr. Li Qinsheng (李秦生), aged 40, is the deputy general manager of Kinetic Coal and the head manager of Dafanpu Coal Mine. He obtained a bachelor's degree in mining engineering from China University of Mining and Technology (中國礦業大學) in 2008. He has over 17 years of experience in coal mining industry. He joined our Group in August 2010, and served as the head of production technology and design department of Songzao Coal and Electric Company (松藻煤電公司) during the period from 2008 to 2010, and was responsible for production technology and process design of coal mines.

Mr. Guo Xin (郭鑫), aged 39, is the general manager of the South African project of the Group, and is mainly responsible for the safety management and production construction of the Makhado Mine of MC Mining project.

He graduated from China University of Mining and Technology (中國礦業大學) in 2012 with a bachelor's degree in mining engineering. He joined the Group in 2013, and served as a coal mining technician, deputy director of the control room and deputy chief engineer of Dafanpu Coal Mine of Kinetic Coal. He has over 10 years of working experience in coal mining.

Mr. Chong Yuk Fai (莊旭輝), aged 45, is a joint company secretary of the Company. He has over 15 years of experience in accounting, corporate finance and company secretarial functions. Prior to joining the Company, he worked at an international accounting firm providing assurance services and held positions at several listed companies in Hong Kong, where he was responsible for financial management and company secretarial functions. He holds a bachelor's degree in Accounting and Finance from The University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants.

Directors' Report

The board of directors (the “**Board**”) of Kinetic Development Group Limited (the “**Company**”) hereby presents the annual report together with the audited consolidated financial statements of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2025.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 July 2010 under the Companies Law (2010 Revision) of the Cayman Islands.

The Company is an investment holding company and the principal activities of the Group are the extraction and sale of coal products. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties faced by the Group and an indication of likely future developments in the Group's business, are set out in the Management Discussion and Analysis on pages 6 to 28 of this annual report and forms a part of this Directors' Report. Save as disclosed in section headed “Management Discussion and Analysis”, there were no significant changes in the Group's principal activities since the end of the reporting year.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2025 are set out in Note 14 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 116 to 117 of this annual report.

On Tuesday, 24 March 2026, the Board has proposed a final dividend of HKD6.0 cents per share, payable to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 29 May 2026. It is expected that the final dividend will be paid in cash in four phases according to the following schedule:

Date	Amount
On or before 10 June 2026	HKD 1.0 cents per share
On or before 31 July 2026	HKD 1.0 cents per share
On or before 31 August 2026	HKD 2.0 cents per share
On or before 30 September 2026	HKD 2.0 cents per share

The total amount of the final dividend to be distributed is HKD505,800,000. The proposal of the distribution of final dividend is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting to be held on Wednesday, 20 May 2026.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2025 are set out in the consolidated statement of changes in equity on page 120 and in Note 44 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2025, the Company's reserves available for distribution to equity shareholders in accordance with its articles of association amounted to approximately RMB696,337,000 are set out in Note 44 to the consolidated financial statements (As at 31 December 2024: approximately RMB705,306,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 15 to the consolidated financial statements.

BANK LOANS

Details of the bank loans of the Group as at 31 December 2025 are set out in Note 28 to the consolidated financial statements.

SHARE CAPITAL AND DEBENTURE

Details of the movements in the issued share capital of the Company are set out in Note 33 to the consolidated financial statements. During the year ended 31 December 2025, there were no shares or debentures issued by the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there are no restrictions against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 December 2025 attributable to the Group's major customers and suppliers are as follows:

Sales

– the largest customer	8.71%
– five largest customers in aggregate	33.51%

Purchases

– the largest supplier	15.96%
– five largest suppliers in aggregate	35.84%

None of the Directors, or any of their close associates (as defined under the Listing Rules), or, to the best knowledge of the Directors, no shareholder of the Company which owns more than 5% of the Company's issued shares, had any interest in any of the five largest customers or suppliers of the Group.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 196 of this annual report.

Directors' Report

DIRECTORS

The Directors during the year ended 31 December 2025 and up to the date of this annual report are as follows:

Executive Directors

Mr. Ju Wenzhong (*Chairman*)

Mr. Li Bo (*Chief Executive Officer*)

Mr. Ji Kunpeng

Non-executive Director

Ms. Zhang Lin

Independent Non-executive Directors

Ms. Liu Peilian

Mr. Chen Liangnuan

Ms. Xue Hui

In accordance with Article 108(a) of the articles of association of the Company, at each annual general meeting one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. A retiring Director shall be eligible for re-election. Accordingly, Mr. Li Bo, Ms. Liu Peilian and Mr. Chen Liangnuan shall retire by rotation at the annual general meeting and, being eligible, will offer themselves for re-election as Directors thereat.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the Executive Directors has entered into a service contract with the Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other.

The Non-executive and the Independent Non-executive Directors have been appointed for a term of three years in accordance with their respective letters of appointment with the Company.

None of the Directors who are 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

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Board considers all the Independent Non-executive Directors to be independent in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transactions" in this Directors' Report, there were no other transactions, arrangements or contracts in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted during the year ended 31 December 2025 or at any time during the year.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Significant Investments and Acquisitions" in the Management Discussion and Analysis, during the year ended 31 December 2025 or at any time during the year, there was neither a contract of significance between the Company or any of its subsidiaries and the controlling shareholder or any of its subsidiaries, nor a contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder or any of its subsidiaries.

CONNECTED TRANSACTIONS

Acquisition of Seedlife

On 6 September 2024, the Group entered into a share purchase agreement ("**Seedlife Share Purchase Agreement**") with Seedland Smart Service Group Limited and Seedlife Holding Limited ("**Seedlife**") to acquire 100% equity interests of Seedlife for a total consideration of RMB423,000,000. After deducting the aggregate of cash payments of RMB100,000,000, a tax payable on behalf of the seller of RMB42,300,000 and an account receivable due from the seller and its subsidiaries to Seedlife of RMB50,000,000 from the total consideration, the remaining amount of RMB230,700,000 ("**Set-off Amount**") has been set off against the equivalent amount in the prepaid amount by the Group under the agreements on sale and purchase of properties entered into between subsidiaries of Guangzhou Seedland Real Estate Development Co., Ltd. ("**Seedland**") and Kinetic Qinhuangdao in 2022 (the "**Seedland Prepayment**").

The vendors are ultimately beneficially owned by Mr. Zhang Liang, Johnson, who is interested in 62.96% of the issued shares of the Company through King Lok Holdings Limited, the controlling shareholder of the Company, by reason of being a settlor of the Zhang Family Overseas Limited, a discretionary family trust for the benefit of himself and his family members. As such, the vendors are associates of Mr. Zhang Liang, Johnson, and thus connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, Seedlife Acquisition constitutes a connected transaction of the Company. As the applicable percentage ratios in respect of the Seedlife Acquisition are more than 5%, the Seedlife Acquisition is subject to the announcement, reporting, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Seedlife Acquisition was approved by the independent shareholders by way of a poll at the extraordinary general meeting on 3 January 2025, and was completed on 13 January 2025.

Seedlife principally engages in property management services through its subsidiaries in the PRC, providing the Group with an additional revenue stream, further enhancing the financial performance of the Group.

Directors' Report

CONNECTED TRANSACTIONS (cont'd)

Acquisition of Maoming Shengda and Maoming Shengcheng

On 1 November 2024, the Group entered into the fifth supplemental agreement with subsidiaries of Seedland, Maoming Shengda Real Estate Development Co., Ltd. ("**Maoming Shengda**") and Maoming Shengcheng Real Estate Development Co., Ltd. ("**Maoming Shengcheng**") to acquire 100% equity interests of each of Maoming Shengda and Maoming Shengcheng for a total consideration of RMB70,000,000. After deducting the income tax payable by the seller from the total consideration, the remaining amount of RMB57,750,000 has been fully set off against the equivalent amount in Seedland Prepayment.

The vendors are ultimately beneficially owned by Mr. Zhang Liang, Johnson, who is interested in 62.96% of the issued shares of the Company held through King Lok Holdings Limited, the controlling shareholder of the Company, by reason of being a settlor of the Zhang Family Overseas Limited, a discretionary family trust for the benefit of himself and his family members. As such, the vendors are associates of Mr. Zhang Liang, Johnson, and thus connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, Maoming Acquisition constitutes a connected transaction of the Company. As the applicable percentage ratios in respect of the Maoming Acquisition are more than 5%, the Maoming Acquisition is subject to the announcement, annual reporting, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Maoming Acquisition was approved by the independent shareholders by way of a poll at the extraordinary general meeting on 3 January 2025.

The acquisition was completed on 13 June 2025. Maoming Shengda and Maoming Shengcheng are currently developing and constructing Taoyuan Grandeur (力量桃園, formerly known as Royal Ivy (常春藤)), a residential project located in Maoming, Guangdong.

Acquisition of Taiyuan Seedland

On 4 December 2025, the Group entered into the sixth supplemental agreement with the relevant vendors and Zunyi Shidi Real Estate Development Co., Ltd.* (遵義實地房地產開發有限公司) ("**Zunyi Seedland**") to acquire 100% equity interests in Taiyuan Seedland for a total consideration of RMB384,000,000. The consideration will be settled by setting off the Seedland Prepayment, with the remaining balance of RMB130,266,000 payable by the Group.

The relevant vendors and Zunyi Seedland are ultimately beneficially owned by Mr. Zhang Liang, Johnson, who is interested in 62.96% of the issued shares of the Company held through King Lok Holdings Limited, the controlling shareholder of the Company, by reason of being a settlor of the Zhang Family Overseas Limited, a discretionary family trust for the benefit of himself and his family members. As such, the relevant vendors and Zunyi Seedland are associates of Mr. Zhang Liang, Johnson, and thus connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Taiyuan Seedland Acquisition constitutes a connected transaction of the Company. As the applicable percentage ratios in respect of the Taiyuan Seedland Acquisition are more than 5%, the Taiyuan Seedland Acquisition is subject to the announcement, annual reporting, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As at the date of this annual report, the Taiyuan Seedland Acquisition has not yet been completed.

CONNECTED TRANSACTIONS (cont'd)

Acquisition of Dongzhimen Properties

On 4 December 2025, the Group also entered into a debt settlement arrangement with Seedland and Beijing Seedland Qushi Real Estate Development Co., Ltd.* (北京實地趨勢房地產開發有限公司) (“**Beijing Seedland**”) to acquire two properties located at Dongzhimen for a total consideration of RMB86,330,000. After deducting taxes payable and certain debts assumed on behalf of Beijing Seedland, the net consideration of RMB56,890,000 will be fully set off against outstanding payables due from Seedland to the Group under the property management services framework agreement.

Seedland and Beijing Seedland are wholly owned by Mr. Zhang Liang, Johnson, who is interested in 62.96% of the issued shares of the Company held through King Lok Holdings Limited, the controlling shareholder of the Company, by reason of being a settlor of the Zhang Family Overseas Limited, a discretionary family trust for the benefit of himself and his family members. As such, Seedland and Beijing Seedland are associates of Mr. Zhang Liang, Johnson, and thus connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Dongzhimen Properties Acquisition constitutes a connected transaction of the Company. As the Dongzhimen Property Acquisition and the Taiyuan Seedland Acquisition are proposed to be made by the Group on the same date, and the Acquisitions are both for the same purpose of offsetting outstanding receivables due from the companies ultimately beneficially owned by Mr. Zhang Liang, Johnson by way of transferring the relevant companies' interests in Taiyuan Seedland and Dongzhimen Properties to the Group, the Board has resolved that the Acquisitions shall be aggregated as a series of transactions pursuant to Rule 14A.81 of the Listing Rules. As the applicable percentage ratios in respect of the Dongzhimen Properties Acquisition, when aggregated with those of Taiyuan Seedland Acquisition, are more than 5%, the Dongzhimen Properties Acquisition is also subject to the announcement, annual reporting, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As at the date of this annual report, the Dongzhimen Properties Acquisition has not yet been completed.

Loan Agreements with Guizhou Energy

On 22 June 2020, Kinetic Qinhuangdao and Guizhou Liliang Energy Co., Ltd. (“**Guizhou Energy**”) entered into the 2020 Loan Agreement, pursuant to which Kinetic Qinhuangdao agreed to provide a loan to Guizhou Energy in the principal amount of RMB57 million for a term of 2 years commencing from the interest calculation date, with the interest rate of 2% above the 1-year loan market quoted interest rate announced by the National Interbank Funding Center. On 23 December 2022, Kinetic Qinhuangdao and Guizhou Energy entered into a supplemental agreement to the 2020 Loan Agreement, pursuant to which the parties agreed that the repayment date of the loan be extended to 31 December 2023, with the interest rate to be raised to 2.5% above the 1-year loan market quoted interest rate announced by the National Interbank Funding Center. On 9 February 2024, Kinetic Qinhuangdao and Guizhou Energy entered into a second supplemental agreement to the 2020 Loan Agreement, pursuant to which the parties agreed that the repayment date of the loan be further extended to 31 December 2025, with the interest rate to be raised to 3.5% above the 1-year loan market quoted interest rate announced by the National Interbank Funding Center. On 22 December 2025, Kinetic Qinhuangdao and Guizhou Energy entered into a third supplemental agreement to the 2020 Loan Agreement, pursuant to which the parties agreed that the repayment date of the loan be further extended to 31 December 2027, with the interest rate of 3.5% above the 1-year loan market quoted interest rate announced by the National Interbank Funding Center. Other than the above, the other terms and conditions of the 2020 Loan Agreement and the supplemental agreements continue to be in full force and effect.

Directors' Report

CONNECTED TRANSACTIONS (cont'd)

Loan Agreements with Guizhou Energy (cont'd)

On 28 June 2022, Guizhou Kinetic Mines Co., Ltd (“**Guizhou Mining**”) and Guizhou Energy entered into the 2022 Loan Agreement, pursuant to which Guizhou Mining agreed to provide a loan to Guizhou Energy in the principal amount of up to RMB200 million for a term of 2 years commencing from the interest calculation date, at the interest rate of the one year loan prime rate (LPR) plus 1.5% in the PRC. On 2 July 2024, Guizhou Mining and Guizhou Energy entered into a supplemental agreement to the 2022 Loan Agreement, pursuant to which the parties agreed that the repayment date of the loan be extended to 30 June 2025, with the interest rate to be raised to the one year loan prime rate (LPR) plus 2.5% in the PRC in effect during the term of the loan. On 30 June 2025, Guizhou Mining and Guizhou Energy entered into a second supplemental agreement to the 2022 Loan Agreement, pursuant to which the parties agreed that the repayment date of the loan be further extended to 30 June 2027, at the interest rate the one year loan prime rate (LPR) plus 2.5% in the PRC in effect during the term of the loan. Other than the above, the other terms and conditions of the 2022 Loan Agreement continue to be in full force and effect.

Guizhou Energy is indirectly held as to 100% by Mr. Zhang Li, a substantial shareholder of the Company. Guizhou Energy is an associate of Mr. Zhang Li thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, these transactions contemplated under the 2020 Loan Agreement and 2022 Loan Agreement and the relevant supplemental agreements constitute connected transactions of the Company. As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of these connected transactions are more than 0.1% but less than 5%, such connected transactions are subject to the announcement, reporting and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Aircraft Sub-Sub-Lease Agreement

On 2 August 2024, Kinetic (Asia) Limited as the lessee, and Wealth Galaxy Limited, as the lessor, entered into an aircraft sub-sub-lease agreement in relation to the leasing of the Aircraft, with the lease term commencing on the delivery date for a period of twelve (12) months. The sub-sub-leasing does not involve the acquisition of the aircraft or any other asset from the lessor. As such, the net profits or income attributable to the aircraft are not the subject of the sub-sub-leasing of the aircraft. Unless otherwise provided in the aircraft sub-sub-lease agreement, the fixed rent for the lease term shall be equivalent to an amount of US\$5,600,000. The lessee has paid US\$5,332,874 to the lessor during the year ended 31 December 2025.

The lessor is directly wholly-owned by Mr. Zhang Liang, Johnson, who is interested in 62.96% of the issued shares of the Company held by King Lok Holdings Limited, the entire issued share capital of which are held by the Zhang Family Overseas Limited, a discretionary trust with Mr. Zhang Liang, Johnson as the settlor for the benefit of himself and his family members. King Lok Holdings Limited is the controlling shareholder of the Company. As such, the lessor is the associate of Mr. Zhang Liang, Johnson thus a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the aircraft sub-sub-lease agreement constitutes a connected transaction of the Company, and is subject to the announcement, reporting and annual review requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

On 13 January 2025, Shenzhen Kinetic Live Services Holding Group Limited ("**Kinetic Live**"), an indirect wholly-owned subsidiary of the Company, and Seedland entered into a property management services framework agreement ("**Property Management Services Framework Agreement**"), pursuant to which, among others, Kinetic Live agreed to provide, and Seedland agreed to receive, property management services and other value-added services for a term commencing from 13 January 2025 to 31 December 2025. The total service fees payable by Seedland for receiving property management services and other value-added services to be provided by Kinetic Live in 2025 shall not exceed RMB60,000,000, and the total service fees paid or payable by Seedland for receiving property management services and other value-added services provided by Kinetic Live in 2025 was RMB46,705,000. For property management services, the service fees payable by Seedland shall not exceed RMB48,000,000, and the service fees paid or payable by Seedland in 2025 was RMB38,877,000. For other value-added services, the service fees payable by Seedland shall not exceed RMB12,000,000, and the service fees paid or payable by Seedland in 2025 was RMB7,828,000.

Seedland is wholly-owned by Mr. Zhang Liang, Johnson, who is interested in 62.96% of the issued shares of the Company held through King Lok Holdings Limited, the controlling shareholder of the Company, by reason of being a settlor of the Zhang Family Overseas Limited, a discretionary family trust for the benefit of himself and his family members. As such, Seedland is an associate of Mr. Zhang Liang, Johnson, and thus a connected person of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual caps for the transactions contemplated under the Property Management Services Framework Agreement exceed 0.1% but are all less than 5%, the Property Management Services Framework Agreement and the proposed annual caps for the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the continuing connected transactions set out above, and have confirmed that these continuing connected transactions were entered into: (i) in the ordinary and usual course of business of the Group; (ii) in accordance with the terms of the respective agreements governing them on terms that were fair and reasonable and in the interests of the Company and its shareholders as a whole; (iii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iv) has not exceeded the specified caps.

KPMG, the Company's external auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 (Revised) Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. KPMG has issued an unmodified letter containing their findings and conclusions in respect of the above continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

Directors' Report

CONTINUING CONNECTED TRANSACTIONS (cont'd)

On 31 December 2025, Kinetic Live entered into the 2026 Property Management Services Framework Agreement with Seedland upon the expiration of Property Management Services Framework Agreement for a further term of one year commencing on 1 January 2026, on substantially the same terms. The total service fees payable by Seedland for receiving property management services and other value-added services to be provided by Kinetic Live in 2026 shall not exceed RMB55,000,000. For property management services, the service fees payable by Seedland shall not exceed RMB45,000,000. For other value-added services, the service fees payable by Seedland shall not exceed RMB10,000,000.

RELATED PARTY TRANSACTIONS

The connected transactions disclosed above constitute related party transactions under the Hong Kong Financial Reporting Standards. A summary of significant related party transactions conducted during the year ended 31 December 2025 is disclosed in Note 38 to the consolidated financial statements. These related party transactions include the connected transactions as defined under Chapter 14A of the Listing Rules, and relevant disclosures and the independent shareholders' approvals as required by the Listing Rules are set out in this section.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2025, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules (the "Model Code") are as follows:

Long position in the ordinary shares of the Company

Name of Directors	Capacity/Type of interest	Number of ordinary shares held	% of the issued ordinary shares of the Company ^{Note 1}
Mr. Ju Wenzhong	Beneficial Interests	15,821,659 ^{Note 2}	0.19%
Mr. Li Bo	Beneficial Interests	8,001,886 ^{Note 3}	0.09%
Mr. Ji Kunpeng	Beneficial Interests	5,000,000 ^{Note 4}	0.06%
Ms. Xue Hui	Beneficial Interests	3,860,055	0.05%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES (cont'd)

Long position in the ordinary shares of the Company (cont'd)

Notes:

1. The calculation is based on the total number of issued ordinary shares of 8,430,000,000 shares as at 31 December 2025.
2. The interest comprises 10,821,659 issued shares and 5,000,000 underlying shares in respect of the outstanding awarded shares which remained unvested under the 2023 Share Award Scheme. Details of the awarded shares granted to Mr. Ju Wenzhong are set out under "GRANT OF SHARE AWARDS UNDER THE 2023 SHARE AWARD SCHEME".
3. The interest comprises 3,001,886 issued shares and 5,000,000 underlying shares in respect of the outstanding awarded shares which remained unvested under the 2023 Share Award Scheme. Details of the awarded shares granted to Mr. Li Bo are set out under "GRANT OF SHARE AWARDS UNDER THE 2023 SHARE AWARD SCHEME".
4. The interest comprises 5,000,000 underlying shares in respect of the outstanding awarded shares which remained unvested under the 2023 Share Award Scheme. Details of the awarded shares granted to Mr. Ji Kunpeng are set out under "GRANT OF SHARE AWARDS UNDER THE 2023 SHARE AWARD SCHEME".

Save as disclosed above, as at 31 December 2025, there was no other Directors or the chief executive of the Company or any of their associates who had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended 31 December 2025 was the Company, its subsidiaries, its associate, its fellow subsidiaries or its holding company a party to any arrangements to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other legal entities.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed above, during the year ended 31 December 2025, none of the Directors or their close associates (as defined under the Listing Rules) has any other interest in a business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with the business of the Group.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments of the Directors and five highest paid employees are set out in Notes 9 and 10 to the consolidated financial statements. There was no arrangement under which a Director waived or agreed to waive any remuneration during the year ended 31 December 2025.

Directors' Report

DEED OF NON-COMPETITION

King Lok Holdings Limited, Mr. Zhang Liang, Johnson and Mr. Zhang Li (the “**Covenantors**”) have entered into a deed of non-competition dated 9 March 2012 (the “**Deed of Non-Competition**”) in favour of the Company and its subsidiaries, pursuant to which each of the Covenantors has undertaken that it/he and its/his respective associates (other than any members of the Group) will not carry on, engage, invest, participate or otherwise be interested in or acquire or hold any restricted business unless such restricted business has first been offered or made available to the Group, and the Group, after review and approval by an independent Board committee of the Company comprising only of independent non-executive Directors who do not have a material interest in such restricted business, has declined to pursue such opportunity.

Each of the Covenantors have confirmed to the Company of his/its compliance with the non-competition undertakings given to the Company under the Deed of Non-Competition.

The Directors are of the view that the measures in place are sufficient to safeguard the interests of the Company and its shareholders against any competition issues or potential competition issues.

SHARE OPTION SCHEME

The Company had approved and adopted a share option scheme on 6 March 2012 (the “**2012 Share Option Scheme**”), which expired on 5 March 2022. No options had ever been granted by the Company under the 2012 Share Option Scheme. The Company has approved and adopted another share option scheme (the “**2023 Share Option Scheme**”) on 22 May 2023. The principal terms of the 2023 Share Option Scheme are summarised as follows:

(i) Purpose

The purposes and objectives of the 2023 Share Option Scheme are to recognise the contributions by certain eligible participant(s) and to give incentives thereto in order to retain and motivate them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group, by providing them with the opportunity to acquire equity interests in the Company.

(ii) Participants

Eligible participants of the 2023 Share Option Scheme include employee participants, related entity participants and service providers.

Service provider(s) means any person(s) who provide(s) services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group, including any of the following persons:

- (a) supplier(s) of goods or services to any member of the Group and its associated companies;
- (b) consultant(s) providing business consulting services to the Group and its associated companies, including but not limited to consulting services on coal products, product quality control, regulations and policies, mining operation, research and development on mining industry;

SHARE OPTION SCHEME (cont'd)

(ii) Participants (cont'd)

- (c) business or joint venture partner(s), franchisee(s), contractor(s), agent(s) or representative(s) in the mining industry of any member of the Group and its associated companies;
- (d) person(s) or entity(ies) that provide(s) design, research, development or other support or any advisory, consultancy, professional services to any member of the Group and its associated companies; and
- (e) associate(s) of any of the foregoing person(s).

For the avoidance of doubt, service provider(s) may not include placing agent(s) or financial adviser(s) providing advisory services for fundraising, mergers or acquisitions, as well as professional service provider(s) (such as auditor(s) or valuer(s)) who provide(s) assurance or are required to perform their services with impartiality and objectivity.

(iii) The total number of shares available for issue under the scheme together with the percentage of the issued shares that it represents as at the date of the annual report

The total number of shares which may be issued in respect of all options and awards to be granted under the 2023 Share Option Scheme, the 2023 Share Award Scheme and any other schemes of the Company shall not in aggregate exceed 843,000,000 shares, representing 10% of the total number of issued shares (excluding treasury shares) as at the adoption date.

As at 31 December 2025, the Company has not granted any share options under 2023 Share Option Scheme. On 6 January 2025, the Company granted 263,500,000 awarded shares to employee participants in accordance with the terms of the 2023 Share Award Scheme. Subsequent to the grant of awards, the total number of shares available for issue under the 2023 Share Option Scheme, 2023 Share Award Scheme and any other schemes of the Company is 579,500,000, representing 6.87% of the total number of issued shares (excluding treasury shares) as at the date of this annual report.

The total number of shares which may be issued in respect of all options and awards to be granted to the service providers under the 2023 Share Option Scheme, the 2023 Share Award Scheme and any other schemes of the Company shall not in aggregate exceed 84,300,000, representing 1% of the total number of issued shares (excluding treasury shares) as at the adoption date.

(iv) Maximum entitlement of each participant

Where any grant of Options to an eligible participant would result in the shares issued and to be issued in respect of all options and awards granted to such person (excluding any options and awards lapsed in accordance with the terms of the relevant scheme(s) of the Company) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the relevant class of shares in issue (excluding treasury shares), such grant shall be separately approved by the shareholders of the Company in general meeting with such eligible participant and his Close Associates (or associates if such eligible participant is a connected person) abstaining from voting.

Directors' Report

SHARE OPTION SCHEME (cont'd)

(v) **Exercise period**

In respect of an option, the period within which an option may be exercised by the grantee as the Board may in its absolute discretion determine and which shall not be more than 10 years from the grant date of the option.

An Option shall be exercised in whole or in part (but if in part only, in respect of a Board Lot or any integral multiple thereof) within the exercise period in the manner as set out in rules of the 2023 Share Option Scheme by the grantee (or any other person so permitted pursuant to the 2023 Share Option Scheme) by giving notice in writing to the Company in the manner to the satisfaction to the Company and stating that the Option is thereby exercised and specifying the number of shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate exercise price for the shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of the auditors' certificate pursuant to rules of the 2023 Share Option Scheme, the Company shall accordingly allot and issue the relevant number of shares to the grantee (or any other person so permitted pursuant to the 2023 Share Option Scheme) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or any other person so permitted pursuant to the 2023 Share Option Scheme) share certificate(s) in respect of the shares so allotted.

(vi) **Vesting period**

The vesting and exercise of any Option may be subject to a vesting period to be determined by the Board in its absolute discretion, which shall be specified in the grant letter.

Only insofar as and for so long as the Listing Rules require, the vesting period for an Option under the 2023 Share Option Scheme shall not be less than 12 months, except that the Options granted to employee participants may be less than 12 months under the following specific circumstances:

- (a) grants of "make-whole" Options to new joiners to replace the share options they forfeited when leaving the previous employers;
- (b) grants of Options to an employee participant whose employment is terminated due to death or disability or uncontrollable event. In those circumstances, the vesting of an Option may accelerate;
- (c) grants of Options with performance-based vesting conditions provided in these rules of the 2023 Share Option Scheme in lieu of time-based vesting criteria;
- (d) grants of Options made in batches during a year for administrative and compliance reasons (may include Options that should have been granted earlier but had to wait for a subsequent batch. In such cases, the vesting periods may be shorter to reflect the time from which an Option would have been granted);
- (e) grants of Options with a mixed or accelerated vesting schedule such as where the Options may vest evenly over a period of 12 months;
- (f) grants of Options with a total vesting and holding period of more than 12 months; and
- (g) such other circumstances as specified in the 2023 Share Option Scheme.

SHARE OPTION SCHEME (cont'd)

(vii) Amount payable on acceptance of the option and payment period

An offer of the grant of an Option shall remain open for acceptance by the eligible participant concerned for a period of 28 days from the grant date provided that no such grant of an Option may be accepted after the expiry of the effective period of the 2023 Share Option Scheme or after the 2023 Share Option Scheme has been terminated. An Option shall be deemed to have been granted and accepted by the eligible participant and to have taken effect when the duplicate grant letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of the Company of HKD1.00 by way of consideration for the grant thereof is received by the Company on or before the acceptance date. Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate grant letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the acceptance date, it will be deemed to have been irrevocably declined.

(viii) Exercise price

Subject to the provisions of the Listing Rules, the exercise price in respect of any particular Option under the 2023 Share Option Scheme shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the grant letter) but in any event the exercise price shall not be less than whichever is the highest of:

- (a) the nominal value (if any) of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the grant date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the grant date.

(ix) Life of the 2023 Share Option Scheme

Subject to the fulfilment of the conditions and the termination provisions pursuant to the 2023 Share Option Scheme, the 2023 Share Option Scheme shall be valid and effective for a period of 10 years commencing on the adoption date (i.e. 22 May 2023). Upon the expiry of the 2023 Share Option Scheme as aforesaid, no further Options will be offered but the provisions of the 2023 Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the 2023 Share Option Scheme.

Directors' Report

SHARE AWARD SCHEMES

2022 Share Award Scheme

The Company has approved and adopted a share award scheme on 29 November 2022 (the “**2022 Share Award Scheme**”), which allows the Company to grant awards involving existing shares to eligible participant. The principal terms of the 2022 Share Award Scheme are summarised as follows:

(i) Purpose

The purposes and objectives of the 2022 Share Award Scheme are to recognize the contributions by certain eligible participants and to give incentives thereto in order to retain and motivate them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group, by providing them with the opportunity to acquire equity interests in the Company.

(ii) Participants

Eligible participants of the 2022 Share Award Scheme include employee participants, related entity participants and service providers.

Service provider(s) means any person(s) who provide(s) services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group, including any of the following persons:

- (a) supplier(s) of goods or services to any member of the Group and its associated companies;
- (b) customer(s) (including large-scale state-owned enterprise(s), trading firm(s) of coal products and terminal power plant(s)) of any member of the Group and its associated companies;
- (c) consultant(s) providing business consulting services to the Group and its associated companies, including but not limited to consulting services on coal products, product quality control, regulations and policies, mining operation, research and development on mining industry;
- (d) business or joint venture partner(s), franchisee(s), contractor(s), agent(s) or representative(s) in the mining industry of any member of the Group and its associated companies;
- (e) person(s) or entity(ies) that provide(s) design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group and its associated companies; and
- (f) associate(s) of any of the foregoing person(s).

(iii) The total number of shares available for issue under the scheme together with the percentage of the issued shares that it represents as at the date of the annual report

The total number of shares in respect of which awards may be granted under the 2022 Share Award Scheme shall not exceed 843,000,000, representing 10% of the shares in issue (excluding treasury shares) as at the date of approval of the adoption of the 2022 Share Award Scheme.

SHARE AWARD SCHEMES (cont'd)

2022 Share Award Scheme (cont'd)

(iii) *The total number of shares available for issue under the scheme together with the percentage of the issued shares that it represents as at the date of the annual report (cont'd)*

The total number of shares available for issue under the 2022 Share Award Scheme is 843,000,000, representing 10% of the total number of issued Shares (excluding treasury shares) as at the date of this annual report.

The total number of shares in respect of which awards may be granted to the service providers under the 2022 Share Award Scheme shall not exceed 84,300,000, representing 1% of the shares (excluding treasury shares) in issue as at the adoption date.

(iv) *Maximum entitlement of each eligible participant*

Where any grant of awards to an eligible participant would result in the shares issued and to be issued in respect of all options and awards granted to such person (excluding any options and awards lapsed in accordance with the terms of the relevant scheme(s) of the Company) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the relevant class of shares in issue (excluding treasury shares), such grant shall be separately approved by the shareholders of the Company in general meeting with such eligible participant and his close associates (or associates if such eligible participant is a connected person) abstaining from voting.

(v) *Vesting period*

The vesting of any award may be subject to a vesting period to be determined by the Board in its absolute discretion, which shall be specified in the grant letter.

Only insofar as and for so long as the Listing Rules require, the vesting period for an award under the 2022 Share Award Scheme shall not be less than 12 months, except that the awards granted to employee participants may be less than 12 months under the following specific circumstances:

- (a) grants of "make-whole" Awards to new joiners to replace the share awards they forfeited when leaving the previous employers;
- (b) grants of awards to an employee participant whose employment is terminated due to death or disability or uncontrollable event. In those circumstances, the vesting of an award may accelerate;
- (c) grants of awards with performance-based vesting conditions provided in these rules of the 2022 Share Award Scheme in lieu of time-based vesting criteria;
- (d) grants of awards made in batches during a year for administrative and compliance reasons (may include Awards that should have been granted earlier but had to wait for a subsequent batch. In such cases, the vesting periods may be shorter to reflect the time from which an award would have been granted);
- (e) grants of awards with a mixed or accelerated vesting schedule such as where the awards may vest evenly over a period of 12 months; and
- (f) grants of awards with a total vesting and holding period of more than 12 months.

Directors' Report

SHARE AWARD SCHEMES (cont'd)

2022 Share Award Scheme (cont'd)

(vi) Amount payable on acceptance of the award and payment period

None.

(vii) Purchase price

In determining the purchase price (if any) of awarded shares under any Award to any eligible participant, the Board may take into consideration matters including (without limitation) the present contribution and expected contribution of the eligible participant to the profits of the Group, the general financial condition of the Group, the Group's overall business objectives and future development plan, and any other matter which the Board considers relevant.

(viii) Life of the 2022 Share Award Scheme

Subject to the fulfilment of the conditions and the termination provisions pursuant to the 2022 Share Award Scheme, the 2022 Share Award Scheme shall be valid and effective for a period of 10 years commencing on the adoption date.

2023 Share Award Scheme

The Company has approved and adopted a share award scheme on 22 May 2023 pursuant to which only grant of awards involving new shares may be made (the "**2023 Share Award Scheme**"), The principal terms of the 2023 Share Award Scheme are summarised as follows:

(i) Purpose

The purposes and objectives of the 2023 Share Award Scheme are to recognise the contributions by certain eligible participant(s) and to give incentives thereto in order to retain and motivate them for the continual operation and development of the Group; and to attract suitable personnel for further development of the Group, by providing them with the opportunity to acquire equity interests in the Company.

(ii) Participants

Eligible participants of the 2023 Share Award Scheme include employee participants, related entity participants and service providers.

Service provider(s) means any person(s) who provide(s) services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group, including any of the following persons:

- (a) supplier(s) of goods or services to any member of the Group and its associated companies;

SHARE AWARD SCHEMES (cont'd)

2023 Share Award Scheme(cont'd)

(ii) Participants(cont'd)

- (b) consultant(s) providing business consulting services to the Group and its associated companies, including but not limited to consulting services on coal products, product quality control, regulations and policies, mining operation, research and development on mining industry;
- (c) business or joint venture partner(s), franchisee(s), contractor(s), agent(s) or representative(s) in the mining industry of any member of the Group and its associated companies;
- (d) person(s) or entity(ies) that provide(s) design, research, development or other support or any advisory, consultancy, professional services to any member of the Group and its associated companies; and
- (e) associate(s) of any of the foregoing person(s).

For the avoidance of doubt, service provider(s) may not include placing agent(s) or financial adviser(s) providing advisory services for fundraising, mergers or acquisitions, as well as professional service provider(s) (such as auditor(s) or valuer(s)) who provide(s) assurance or are required to perform their services with impartiality and objectivity.

(iii) The total number of shares available for issue under the scheme together with the percentage of the issued shares that it represents as at the date of the annual report

The total number of shares which may be issued in respect of all options and awards to be granted under the 2023 Share Option Scheme, the 2023 Share Award Scheme and any other schemes of the Company shall not in aggregate exceed 843,000,000 shares, representing 10% of the total number of issued shares (excluding treasury shares) as at the adoption date.

As at the date of this annual report, the total number of shares available for issue under the 2023 Share Option Scheme, the 2023 Share Award Scheme and any other schemes of the Company is 579,500,000, representing 6.87% of the total number of issued Shares (excluding treasury shares) as at the date of this annual report.

(iv) Maximum entitlement of each eligible participant

Where any grant of awards to an eligible participant would result in the Shares issued and to be issued in respect of all options and awards granted to such person (excluding any options and awards lapsed in accordance with the terms of the relevant scheme(s) of the Company) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the relevant class of Shares in issue (excluding treasury shares), such grant shall be separately approved by the shareholders of the Company in general meeting with such eligible participant and his Close Associates (or associates if such eligible participant is a connected person) abstaining from voting.

Directors' Report

SHARE AWARD SCHEMES (cont'd)

2023 Share Award Scheme (cont'd)

(v) Vesting period

The vesting of any award may be subject to a vesting period to be determined by the Board in its absolute discretion, which shall be specified in the grant letter.

Only insofar as and for so long as the Listing Rules require, the vesting period for an award under the 2023 Share Awards Scheme shall not be less than 12 months, except that the awards granted to employee participants may be less than 12 months under the following specific circumstances:

- (a) grants of "make-whole" awards to new joiners to replace the share awards they forfeited when leaving the previous employers;
- (b) grants of awards to an employee participant whose employment is terminated due to death or disability or uncontrollable event. In those circumstances, the vesting of an award may accelerate;
- (c) grants of awards with performance-based vesting conditions provided in these rules of the 2023 Share Award Scheme in lieu of time-based vesting criteria;
- (d) grants of awards made in batches during a year for administrative and compliance reasons (may include awards that should have been granted earlier but had to wait for a subsequent batch. In such cases, the vesting periods may be shorter to reflect the time from which an award would have been granted);
- (e) grants of awards with a mixed or accelerated vesting schedule such as where the awards may vest evenly over a period of 12 months;
- (f) grants of awards with a total vesting and holding period of more than 12 months; and
- (g) such other circumstances as specified in the 2023 Share Award Scheme.

All 263,500,000 awarded shares granted to employee participants on 6 January 2025 will vest at one go on 6 January 2028.

(vi) Amount payable on acceptance of the award and payment period

None.

(vii) Purchase price

In determining the purchase price (if any) of awarded shares under any award to any eligible participant, the Board may take into consideration matters including (without limitation) the present contribution and expected contribution of the eligible participant to the profits of the Group, the general financial condition of the Group, the Group's overall business objectives and future development plan, and any other matter which the Board considers relevant.

The purchase price for the 263,500,000 awarded shares granted to employee participants on 6 January 2025 will be HK\$1.00 per share.

SHARE AWARD SCHEMES (cont'd)

2023 Share Award Scheme (cont'd)

(viii) Life of the 2023 Share Award Scheme

Subject to the fulfilment of the conditions and the termination provisions pursuant to the 2023 Share Award Scheme, the 2023 Share Award Scheme shall be valid and effective for a period of 10 years commencing on the adoption date (i.e. 22 May 2023). Upon the expiry of the 2023 Share Award Scheme as aforesaid, no further awards will be granted but the provisions of the 2023 Share Award Scheme shall remain in force and effect in all other respects. All awards granted prior to such expiry and not then vested shall continue to be valid and be vested subject to and in accordance with the 2023 Share Award Scheme.

Grant of Share Awards Under the 2023 Share Award Scheme

On 6 January 2025, the Company granted an aggregate of 263,500,000 awarded shares to employee participants under the 2023 Share Award Scheme, representing approximately 3.13% of the total issued shares (excluding treasury shares) as at the date of the grant. Among these, 15,000,000 awarded shares were granted to three executive Directors, namely Mr. Ju Wenzhong (Chairman), Mr. Li Bo (Chief Executive Officer), and Mr. Ji Kunpeng, with each receiving 5,000,000 awarded shares. The remaining 248,500,000 awarded shares were granted to employee participants who are employees of the Group but not Directors, chief executives nor substantial shareholders of the Company, or their respective associates (as defined in the Listing Rules). The grant of the awarded shares to the Director grantees was approved by the independent non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules. All awards granted to all employee participants will vest at one go on 6 January 2028. The awards were granted without performance targets. In view that (i) the grantees are employees of the Group who will contribute directly to the overall business performance, sustainable development and/or good corporate governance of the Group; (ii) the grant is a recognition for the grantees' past contributions to the Group; and (iii) the Awards are subject to certain vesting conditions and terms of the 2023 Share Award Scheme, which already cover situations where the Awards will lapse in the event that the grantees cease to be employees of the Group, the Remuneration Committee is of the view that the grant of Awards to Employee Participants without performance targets is market competitive and aligns with the purpose of the 2023 Share Award Scheme. The awards are also subject to clawback provisions in accordance with the Company's policy. The grant of awards will be satisfied by issuance of new shares under the scheme mandate limit.

As at 31 December 2025, the Company has not granted any share options under the 2023 Share Option Scheme. As at the date of this annual report, there are still 579,500,000 shares available for future grants to be satisfied by new shares under the 2023 Share Option Scheme, the 2023 Share Award Scheme and any other schemes of the Company, representing approximately 6.87% of the issued shares (excluding treasury shares) as at the date of this annual report.

Directors' Report

SHARE AWARD SCHEMES (cont'd)

Grant of Share Awards Under the 2023 Share Award Scheme (cont'd)

Category of participants	Date of grant	Vesting date	Purchase price	Number of unvested awarded shares					
				As at 1 January 2025	Granted during the year	Vested during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2025
Directors:									
Mr. Ju Wenzhong	6 January 2025	6 January 2028	HK\$1.00 per share	-	5,000,000	-	-	-	5,000,000
Mr. Li Bo	6 January 2025	6 January 2028	HK\$1.00 per share	-	5,000,000	-	-	-	5,000,000
Mr. Ji Kunpeng	6 January 2025	6 January 2028	HK\$1.00 per share	-	5,000,000	-	-	-	5,000,000
Employees (excluding directors)									
	6 January 2025	6 January 2028	HK\$1.00 per share	-	248,500,000	-	-	-	248,500,000
Total				-	263,500,000	-	-	-	263,500,000

The closing price of the shares immediately before the date on which the awards were granted was HKD1.28. The fair value of awards at the date of grant was approximately RMB49,472,000. A portion of this amount, totaling approximately RMB18,611,000, was amortized during the year in accordance with HKFRS 2 *Share-based Payment*. The fair value of the awards was measured using Black-Scholes model, taking into account factors such as the share price at the grant date, expected volatility, risk-free interest rate, and the vesting conditions.

The valuation also considered the features of the awards, including the expected dividend yield. As the awarded shares do not carry dividend rights prior to vesting, the expected dividends were incorporated into the fair value measurement by applying a discount to reflect the absence of dividend entitlement during the vesting year.

The number of shares available for grant under the 2023 Share Option Scheme, the 2023 Share Award Scheme and any other schemes of the Company at the beginning and the end of the year was 843,000,000 and 579,500,000, respectively. The number of shares available for grant under the service provider sublimit was 84,300,000 at both the beginning and the end of the year.

The Company granted an aggregate of 263,500,000 awarded shares under the 2023 Share Award Scheme. These awarded shares will be satisfied by the issuance of new shares and represent approximately 3.13% of the number of 8,430,000,000 shares in issue (excluding treasury shares) as of the date of this annual report.

Directors' Report

EQUITY-LINKED AGREEMENTS

Save for disclosed under sections headed "Share Option Scheme" and "Share Award Schemes" above, no other equity-linked agreements were entered into by the Company during the year ended 31 December 2025 or subsisted at the end of the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

So far as known to the Directors and chief executives of the Company, as at 31 December 2025, the persons or corporations (other than the Directors or chief executives of the Company) who had interest or short positions in the shares and 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 required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Long position in the ordinary shares of the Company

Name of substantial shareholders	Capacity/Type of interest	Number of ordinary shares	% of the issued ordinary shares of the Company
Mr. Zhang Li	Beneficial interests	952,682,000	11.30%
	Interest of spouse <i>Note 1</i>	2,800,000	0.03%
Madam Liao Dong Fen	Beneficial Interests	2,800,000	0.03%
	Interest of spouse <i>Note 2</i>	952,682,000	11.30%
Mr. Zhang Liang, Johnson	Founder of a discretionary trust who can influence how the trustee exercises his discretion <i>Note 3</i>	5,307,450,000	62.96%
TMF (Cayman) Ltd.	Trustee <i>Note 3</i>	5,307,450,000	62.96%
The Zhang Family Overseas Limited	Interest in a controlled corporation <i>Note 3</i>	5,307,450,000	62.96%
King Lok Holdings Limited	Beneficial interests <i>Note 3</i>	5,307,450,000	62.96%

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES (cont'd)

Long position in the ordinary shares of the Company (cont'd)

Notes:

1. Mr. Zhang Li is the spouse of Madam Liao Dong Fen. Accordingly, under the SFO, Mr. Zhang Li is deemed to be interested in the 2,800,000 ordinary shares of the Company held by Madam Liao Dong Fen.
2. Madam Liao Dong Fen is the spouse of Mr. Zhang Li. Accordingly, under the SFO, Madam Liao Dong Fen is deemed to be interested in the 952,682,000 ordinary shares of the Company held by Mr. Zhang Li.
3. The entire issued share capital of King Lok Holdings Limited, which directly holds 5,307,450,000 ordinary shares of the Company in issue, is held by The Zhang Family Overseas Limited, a discretionary family trust with Mr. Zhang Liang, Johnson as settlor for the benefit of Mr. Zhang Liang, Johnson and his family members, which is 100% owned by TMF (Cayman) Ltd., the trustee of The Zhang Family Overseas Limited. Therefore, The Zhang Family Overseas Limited, TMF (Cayman) Ltd. and Mr. Zhang Liang, Johnson are all deemed to be interested in the ordinary shares of the Company held by King Lok Holdings Limited.

Save as disclosed above, as at 31 December 2025, the Directors and chief executive of the Company were not aware of any other person or corporation (other than the Directors or chief executive of the Company) who had any interest 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 required to be recorded in the register required to be kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Group were entered into or existed during the year ended 31 December 2025.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2025, neither the Company nor any of its subsidiaries, has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares). The Company did not hold any treasury shares as of 31 December 2025.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes participated by the Group are set out in Note 2.4 to the consolidated financial statements.

CHARITABLE DONATIONS

During the year ended 31 December 2025, the Group donated approximately RMB3,713,000 in the PRC.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the biographies of the Directors and senior management of the Company are set out on pages 68 to 71 of this annual report.

CHANGES IN DIRECTORS' INFORMATION

For the year ended 31 December 2025, the Company was not aware of any changes in the information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) under Rule 13.51(2) of the Listing Rules since the publication of the interim report for the six months ended 30 June 2025.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles as set out in the Corporate Governance Code contained in Appendix C1 of the Listing Rules (the “CG Code”). The Board is of the view that the Company has complied with the code provisions of the CG Code throughout the year ended 31 December 2025.

For details of the Corporate Governance Report, please refer to pages 97 to 109 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of the Company's issued shares throughout the year ended 31 December 2025 and up to the date of this annual report.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout this year.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in Hong Kong on Wednesday, 20 May 2026. Notice of the annual general meeting will be issued and disseminated to the shareholders in due course.

The register of members of the Company will be closed from Friday, 15 May 2026 to Wednesday, 20 May 2026 (both days inclusive), during which period no transfer of shares will be registered for the purpose of determining shareholders' entitlement to attending and voting at the forthcoming annual general meeting. In order to be entitled to attend and vote at the annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 14 May 2026.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

The register of members of the Company will be closed from Wednesday, 27 May 2026 to Friday, 29 May 2026 (both days inclusive), during which period no transfer of shares will be registered for the purpose of determining shareholders' entitlement to the proposed final dividend. To qualify for the final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 26 May 2026.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

In addition to focusing on the development and operational efficiency of the Dafanpu Coal Mine, we also strive to build a first-class, and a large and modern mine which is “safe, environmentally friendly, energy saving, green, and highly efficient”. We have implemented a number of internal policies to fulfill our social responsibility towards the environment, our employees and the local communities. Further discussion and analysis in respect of environmental and social perspective as required by Schedule 5 to the Hong Kong Companies Ordinance can be found in the “Environmental, Social and Governance Report” set out on pages 29 to 67 of this annual report and forms part of this directors' report.

During the reporting year, we complied with applicable environmental laws or regulations. We are committed to conduct our operations in a manner that complies with the applicable environmental laws and regulations, and we endeavour to mitigate the adverse impact of our operations to the environment. The production in the Dafanpu Coal Mine is subject to environmental laws and regulations relating to air and water emissions, hazardous substances and waste management. We have shown our commitment to fulfill our social responsibility towards the environment through the establishment of environmental protection systems, facilities and measures.

Directors' Report

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

For the relationship between the Group and its employees, please refer to the paragraph headed "Human Resources and Emolument Policy" as set out in the "Management Discussion and Analysis" on page 28 of this annual report.

The Group actively interacts with its employees, customers and suppliers to maintain good relationships with them and to understand their expectations on the Group. The Group will incorporate their suggestions into its operations as far as they are feasible and in the best interest of the Group and the shareholders as a whole.

Further discussion on the relationship with employees, suppliers and customers of the Group can be found in the "Environmental, Social and Governance Report" set out on pages 29 to 67 of this annual report. The discussion forms a part of this Directors' Report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to complying with the relevant laws and regulations, such as the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised), of the Cayman Islands, the Company Law of the PRC, Companies Ordinance (Cap. 622), the SFO, the Listing Rules and other relevant laws and regulations.

For the year ended 31 December 2025, so far as the Company is aware, there were no material breaches of or non-compliance with the relevant rules and regulations by our Group that have significant impact on the business and operations of our Group.

TAX RELIEF

The Directors were not aware of any relief from taxation to which the shareholders were entitled by reason of their holding of the Company's listed securities.

AUDITOR

KPMG will retire and offer themselves for the re-appointment as the independent auditor at the forthcoming annual general meeting.

AUDIT COMMITTEE

The audit committee of the Company comprises two Independent Non-executive Directors, namely Ms. Liu Peilian (Chairlady) and Mr. Chen Liangnuan, and one Non-executive director, namely Ms. Zhang Lin and held a meeting with the auditor of the Company on 24 March 2026 to review the annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2025.

On behalf of the Board

Ju Wenzhong

Chairman and Executive Director

24 March 2026

Corporate Governance Report

CORPORATE GOVERNANCE CODE

As the Board believes that good corporate governance can create value for the shareholders of the Company, the Board is committed to maintaining a high standard of corporate governance practices by putting strong emphasis on a quality board of Directors, sound internal controls and effective accountability to the shareholders as a whole.

The Board is of the view that the Group has complied with the CG code throughout the year ended 31 December 2025.

The Group has adopted the code provisions in the CG Code as set out in Appendix C1 of the Listing Rules as its own code of corporate governance. The Board will continue to enhance its corporate governance practices to ensure that it complies with the CG Code and align with the latest developments.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Group has adopted the Model Code as its own code for securities transactions by the Directors.

All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standards set out in the Model Code and the Company's code of conduct for the year ended 31 December 2025.

Relevant employees who are likely to be in possession of inside information of the Group are also subject to compliance with written guidelines on terms no less exacting than the required standards set out in the Model Code. Each of the relevant employees has been given a copy of the written guidelines.

During the year ended 31 December 2025, the Company sent notifications to the Directors and employees regarding the "black-out period(s)" as specified in the relevant codes and the relevant period when the Directors and relevant employees were not allowed to deal in the securities of the Company.

No incident of non-compliance with these guidelines by the relevant employees was brought to the attention of the Company.

THE BOARD OF DIRECTORS

Responsibilities of the Board

The Board is responsible for, and has general powers under the memorandum and articles of association of the Company for, the leadership and oversight of the Company's management and performance and the formulation and review of the Group's overall policies and strategies. Moreover, the Board is also responsible for performing corporate governance duties, including (i) to develop and review of the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and (v) to review of the Company's compliance with Appendix C1 to the Listing Rules and disclosure in the corporate governance report.

During the year ended 31 December 2025, the Board has performed the above corporate governance duties. The Board has reviewed the Company's compliance with the CG Code for the year ended 31 December 2025 and this corporate governance report.

Corporate Governance Report

THE BOARD OF DIRECTORS (cont'd)

Responsibilities of the Board (cont'd)

All major decisions, including but not limited to those decisions affecting the finances of the Company and its shareholders, such as but not limited to the consolidated financial statements, business acquisitions, major transactions and dividend policies, are made by the Board as a whole. Each Director is aware of his or her fiduciary duties and responsibilities as a director under the Listing Rules, the CG Code and applicable laws and regulations; and has acted objectively for the benefit and in the best interests of the Company and its shareholders.

Decisions of the Board are communicated to the senior management through the Executive Directors. The day-to-day management, administration and operation of the Group are delegated to the Executive Directors and the senior management team. The senior management team is also responsible for the supervision and execution of the Group's business plans. The Board periodically reviews the performance of the senior management team.

Certain functions and responsibilities are delegated to committees established by the Board. For details, please refer to the sub-sections headed "Audit Committee", "Remuneration Committee" and "Nomination Committee" below.

Composition of the Board

The Board comprises of three Executive Directors, one Non-executive Director and three Independent Non-executive Directors whose names are listed below. Each member of the Board brings valuable experience, knowledge and expertise to the Board for its efficient and effective functioning.

Executive Directors

Mr. Ju Wenzhong (*Chairman*)

Mr. Li Bo (*Chief Executive Officer*)

Mr. Ji Kunpeng

Non-executive Director

Ms. Zhang Lin

Independent Non-executive Directors

Ms. Liu Peilian

Mr. Chen Liangnuan

Ms. Xue Hui

Ms. Zhang Lin is the sister of Mr. Zhang Li, a substantial shareholder of the Company, and the aunt of Mr. Zhang Liang, Johnson, the controlling shareholder of the Company.

Except for the familial relationship between Mr. Zhang Li, Mr. Zhang Liang, Johnson and Ms. Zhang Lin as disclosed above, there is no financial, business, family or any other relevant relationship between the Directors and the substantial or the controlling shareholder of the Company.

During the year ended 31 December 2025, the Company has complied with the requirements of the Listing Rules to have three Independent Non-executive Directors representing more than one-third of the Board of whom Ms. Liu Peilian possesses appropriate professional qualifications or accounting or related financial management expertise.

THE BOARD OF DIRECTORS (cont'd)

Composition of the Board (cont'd)

Having considered the factors for assessing the independence of Independent Non-executive Directors under Rule 3.13 of the Listing Rules and the written annual confirmations from each Independent Non-executive Director, the Board considers all of its Independent Non-executive Directors to be independent.

The list of Directors (by category) is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules. A list of the Company's Directors identifying their roles and functions is also available on the Company's website at www.kineticme.com and on the website of the Stock Exchange.

Terms of Appointment of Directors

Executive Directors

Each of the Executive Directors of the Company has entered into a service contract for a term of three years. The appointment may be terminated by not less than three months' notice in writing served by either the relevant Executive Director or the Company.

Non-executive Director and Independent Non-executive Directors

Each of the Non-executive Directors and Independent Non-executive Directors of the Company were all appointed by the Company for a term of three years.

Nomination, Appointment, Re-election and Removal Procedures

The procedures and process of appointment, re-election and removal of Directors are set out in the Company's articles of association. Every Director is subject to the provisions of retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his or her appointment and be subject to re-election at such general meeting.

The nomination committee of the Board has been established to review the structure, size and composition of the Board at least annually to ensure that the Board has a balance of expertise, skills and experience appropriate to meet the requirements of the Company. This committee will identify individuals who are qualified or suitable for directorship, assess their qualifications, skills, prior experience, character and other relevant aspects, including but not limited to their independence in the case of an independent non-executive Director candidate, and make recommendations to the Board on the appointment or re-appointment of Directors or the filling of casual vacancies on the Board or any other proposed changes to the Board to complement the Company's corporate strategies. Please refer to the sub-section headed "Nomination Committee" below for more details on the nomination committee of the Board.

Board Practices and Conduct of Meetings

Directors are given the opportunity to include matters in the agenda for Board meetings, with notices of regular Board meetings served to all Directors at least 14 days before the meetings. Directors are allowed to seek independent professional advice in appropriate circumstances at the Company's expense.

Directors are encouraged to make a full and active contribution to the Board's affairs and to voice out their views and concerns. Directors are supplied with sufficient information and given sufficient time for discussion to ensure that Board decisions fairly reflect Board consensus.

Corporate Governance Report

THE BOARD OF DIRECTORS (cont'd)

Board Practices and Conduct of Meetings (cont'd)

Whenever there is a potential conflict of interest, the matter is considered during a physical board meeting at which disinterested Independent Non-executive Directors are present and, if such interest is material, the interested Director(s) shall declare the nature of his or her or their interest in accordance with the Company's articles of association and will not vote or be counted in the quorum or any resolutions of the Board in respect of the relevant contracts or arrangements unless so authorised by the Company's articles of association. All Directors have undertaken that if a conflict of interest situation arises in respect of any of them, they shall (i) not vote or be counted in the quorum of any resolution of the Board unless so authorised by the Company's articles of association, (ii) refrain from being present during the relevant discussions at Board meetings and (iii) play no part in the decision-making process of the Board.

Minutes of Board meetings and meetings of Board committees, containing sufficient detail of the matters considered and decisions reached, including any concerns raised or dissenting views expressed, are sent to each Director for their review, comments and records within a reasonable time after each meeting. Final versions of such minutes are kept by the Company Secretary and are open for inspection by Directors upon reasonable notice.

Directors' Attendance Records

During the year ended 31 December 2025, 21 Board meetings were held at which the Directors reviewed and approved, among other things, interim and annual results of the Group, connected transactions and disclosable transactions. The Board also deliberated on strategic initiatives, risk management, financial planning, corporate governance, and other matters essential to the Group's sustainable development and compliance with applicable regulatory requirements.

During the year ended 31 December 2025, the Chairman of the Board held a meeting with the Independent Non-executive Directors without the presence of other Executive Directors. The attendance record of each Director at the aforementioned Board meetings and at the Company's Annual General Meeting held on 20 May 2025 and the two Extraordinary General Meetings held on 3 January 2025 set out below:

	Attendance/Number of Meetings		
	Board Meeting	Annual General Meeting	Extraordinary General Meetings
Executive Directors			
Mr. Ju Wenzhong (<i>Chairman</i>)	21/21	1/1	2/2
Mr. Li Bo (<i>Chief Executive Officer</i>)	20/21	1/1	2/2
Mr. Ji Kunpeng	20/21	1/1	2/2
Non-Executive Director			
Ms. Zhang Lin	14/21	1/1	0/2
Independent Non-executive Directors			
Ms. Liu Peilian	21/21	1/1	2/2
Mr. Chen Liangnuan	21/21	1/1	2/2
Ms. Xue Hui	21/21	1/1	2/2

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 31 December 2025, the roles of Chairman and Chief Executive Officer have been carried out by Mr. Ju Wenzhong and Mr. Li Bo respectively.

The Chairman is responsible for the Group's overall business strategy and corporate development and the identification of potential acquisition targets. The Chairman approves the agenda for, and chairs, Board meetings to ensure that all key and appropriate issues are discussed in a timely manner, including any matters proposed by other Directors. He is responsible for the effective functioning of the Board, including but not limited to taking measures to ensure that all Directors are properly briefed on issues arising at Board meetings, providing all Directors with adequate information which is accurate, clear, complete and reliable in a timely manner, communicating shareholders' views to the Board as a whole and promoting a culture of openness and constructive debate during Board meetings.

The Chief Executive Officer is responsible for the Group's overall management and operations. He works primarily with the senior management and ensures that any major strategic, corporate or management decisions made by the Board are communicated to and implemented by the senior management.

BOARD COMMITTEES

Audit Committee

The audit committee of the Board (the "Audit Committee") has been established in compliance with Rule 3.21 of the Listing Rules. It is responsible for ensuring that the Group has an appropriate and effective financial reporting, risk management and internal control systems in compliance with the Listing Rules, evaluating and determining the nature and extent of the risks the Board is willing to take in achieving the Company's objective, overseeing management in the design, implementation and monitoring of the risk management and internal control systems, overseeing the integrity of the consolidated financial statements of the Group (including the review of the quarterly, half-yearly and annual results review of risk management and internal control system), selecting and assessing the independence and qualifications of the Company's external auditor and ensuring effective communication between the Directors, internal auditors and external auditors. The Audit Committee consists of three members (including one Non-executive Director and two Independent Non-executive Directors), namely, Ms. Liu Peilian (Chairlady of the Audit Committee), who possesses the appropriate professional qualification or accounting or related financial management expertise, Mr. Chen Liangnuan and Ms. Zhang Lin. The terms of reference of the Audit Committee has been made available on the Company's website at www.kineticme.com and on the website of the Stock Exchange.

The Audit Committee held three meetings during the year ended 31 December 2025. In these three meetings, the Audit Committee discussed and reviewed, among other things, (i) the accuracy and fairness of Group's annual results for the year ended 31 December 2024 and interim results for the six months ended 30 June 2025; and (ii) the effectiveness of the Group's risk management and internal control system and internal audit function.

The attendance record of each member at the Audit Committee meetings is set out below:

Audit Committee Member	Attendance/ Number of Meetings
Ms. Liu Peilian (<i>Chairlady</i>)	3/3
Ms. Zhang Lin	3/3
Mr. Chen Liangnuan	3/3

The external auditor was invited to attend the meetings without the presence of the Executive Directors to discuss issues related to audit and financial reporting with the Audit Committee. A meeting of the Audit Committee was also held on 24 March 2026 to consider and review, among other things, the Group's annual results and annual report for the year ended 31 December 2025. All members of the Audit Committee attended the meeting.

Corporate Governance Report

BOARD COMMITTEES (cont'd)

Remuneration Committee

The remuneration committee of the Board (the “**Remuneration Committee**”) has been established in accordance with the code provisions of the CG Code. It is responsible for assisting the Board in determining the policy and structure for the remuneration of Directors and senior management, assessing the performance of Executive Directors, reviewing incentive schemes and the terms of the Directors’ service contracts and fixing the remuneration packages for Executive Directors and senior management. The Remuneration Committee consists of three members (including one Non-executive Director and two Independent Non-executive Directors), namely, Ms. Xue Hui (Chairlady of the Remuneration Committee), Ms. Liu Peilian and Ms. Zhang Lin. The terms of reference of this committee has been made available on the Company’s website at www.kineticme.com and on the website of the Stock Exchange.

The Remuneration Committee held four meetings during the year ended 31 December 2025. In these meetings, the Remuneration Committee discussed and reviewed, among other things, (i) the performance of Executive Directors and the remuneration policy of the Directors of the Company; (ii) the amendments to the terms of reference of the Remuneration Committee to review and approve matters relating to share schemes under Chapter 17 of the Listing Rules; and (iii) the grant of share awards pursuant to 2022 Share Award Scheme 2023 Share Award Scheme.

The attendance record of each member at the Remuneration Committee meeting is set out below:

Remuneration Committee Member	Attendance/ Number of Meetings
Ms. Xue Hui (<i>Chairlady</i>)	4/4
Ms. Liu Peilian	4/4
Ms. Zhang Lin	4/4

Corporate Governance Report

BOARD COMMITTEES (cont'd)

Nomination Committee

The nomination committee of the Board (the “**Nomination Committee**”) has been established in compliance with the code provisions of the CG Code. The Nomination Committee is responsible for determining the policy for the nomination of Directors, identifying and recommending to the Board appropriate candidates to serve as Directors, evaluating the structure and composition of the Board and developing, recommending to the Board and monitoring the nomination guidelines of the Company. The Nomination Committee consists of three members, including one Executive Director and two Independent Non-executive Directors, namely, Mr. Ju Wenzhong (Chairman of the Nomination Committee), Mr. Chen Liangnuan and Ms. Xue Hui. The terms of reference of the Nomination Committee has been made available on the Company’s website at www.kineticme.com and on the website of the Stock Exchange.

The Nomination Committee held one meeting during the year ended 31 December 2025. In the meeting, the Nomination Committee discussed and reviewed, among other things, (i) the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the Group’s business and that it is in compliance with the requirements under the Listing Rules; and (ii) the recommendation on re-election of retiring Directors at the annual general meeting of the Company. Please refer to the sub-section headed “Nomination, Appointment, Re-election and Removal Procedures” above for details of the policy for the nomination of directors performed by the Nomination Committee during the year.

The attendance record of each member at the Nomination Committee meeting are set out below:

Nomination Committee Member	Attendance/ Number of Meetings
Mr. Ju Wenzhong (<i>Chairman</i>)	1/1
Mr. Chen Liangnuan	1/1
Ms. Xue Hui	1/1

Corporate Governance Report

BOARD DIVERSITY

During the year ended 31 December 2025, the Company continued to monitor Board composition with regard to its diversity policy which requires board appointments 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 wide range of diversity perspectives, including but not limited to age, gender, experience, race, geographical/cultural background and personal attributes. The Nomination Committee has developed measurable objectives to implement the board diversity policy and it would continue to monitor the progress in achieving these objectives. As at the publication date of this annual report, the Board comprises seven Directors, including three females and coal mining and accounting professionals. The Board is diversified in terms of gender, professional background and skills.

GENDER DIVERSITY AT WORKFORCE LEVELS

The gender diversity of the Group's workforce (including senior management) as at 31 December 2025 was approximately 78% male and 22% female. The predominant image of mining industry, being the core business of the Group, is that of a male-dominated industry requiring physical strength and good tolerance for underground and outdoor conditions. Accordingly, it is unpractical for the Group to set any specific target of gender diversity for its workforce. However, the Group is committed to providing equal opportunities to suitable candidates and staff for employment, learning and job advancement regardless of gender.

EXTERNAL AUDITOR'S REMUNERATION

The amount of fees charged by the Company's external auditor, KPMG, in respect of their audit services and non-audit services for the year ended 31 December 2025 amounted to approximately RMB6,200,000 and approximately RMB300,000 respectively.

THE COMPANY SECRETARY

The Company Secretary plays a role in supporting the Board by ensuring good information flow within the Board and also that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman and/or the Chief Executive Officer on governance matters and should also facilitate induction and professional development of Directors. Mr. Chong Yuk Fai has been appointed to succeed Ms. Cheng Lucy as the Company Secretary with effect from 6 February 2025. On 17 April 2025, Ms. Wang Lanlan was appointed as a Joint Company Secretary. Both Ms. Wang Lanlan and Mr. Chong Yuk Fai have confirmed that they have complied with all the required qualifications and training requirements under the Listing Rules as at 31 December 2025.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to Clause 191 of the Company's articles of association, every Director and officer shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur in or sustain by the execution of his/her duty or otherwise in relation thereto. Thus, the Company has arranged Directors' and Officers' liability insurance for its Directors and senior management during the year ended 31 December 2025. The insurance covers the corresponding costs, charges, expenses and liabilities for any legal action against them arising out of corporate activities.

Corporate Governance Report

DIRECTORS' TRAINING

According to the principle C.1 of the CG Code, Directors should participate in continuing professional development to develop and refresh their knowledge and skills by attending training and by reading materials in relation to the roles, functions and duties of a listed company director and the latest developments in the relevant rules and regulations.

The Directors confirmed that they have complied with the principle C.1 of the CG Code for the year ended 31 December 2025 and they participated in the following types of continuing professional development:

	Category of Continuing Professional Development
Executive Directors	
Mr. Ju Wenzhong	(I), (II)
Mr. Li Bo	(I), (II)
Mr. Ji Kunpeng	(I), (II)
Non-executive Director	
Ms. Zhang Lin	(I), (II)
Independent Non-executive Directors	
Ms. Liu Peilian	(I), (II)
Mr. Chen Liangnuan	(I), (II)
Ms. Xue Hui	(I), (II)

(I): Attending seminars.

(II): Reading materials in relation to the roles, functions and duties of a listed company director and the latest development of relevant rules and regulations.

INVESTOR COMMUNICATIONS AND SHAREHOLDERS' RIGHTS

The Company considers timely communication to its shareholders and/or investors and transparent reporting as key components of good corporate governance.

The Company aims to maintain frequent and timely communication with its shareholders and/or investors through a variety of communication channels, including but not limited to general meetings, annual and interim reports and official announcements. General meetings provide a platform for shareholders to exchange views with the Board and the Directors are available to answer questions at the Company's annual general meetings. Shareholders will be sent a copy of the annual and interim reports or be notified of the release of such reports. Annual and interim reports are accessible on the website of the Stock Exchange and the Company's website at www.kineticme.com, where general information on the Group's business and activities is available for public access. Official announcements will be released from time to time in accordance with the Listing Rules to update our shareholders and/or investors with the latest developments of the Group. The Board reviewed the implementation and effectiveness of the shareholders' communication policy and the results were satisfactory.

Corporate Governance Report

INVESTOR COMMUNICATIONS AND SHAREHOLDERS' RIGHTS (cont'd)

Voting at general meetings of the Company is conducted by way of poll in accordance with the Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company, respectively.

Pursuant to Clause 64 of the Company's articles of association, one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right to vote at general meetings may deposit a written requisition (the "**Written Requisition**") to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in the Written Requisition. Such meeting shall be held within two months after the deposit of the Written Requisition if the requisition is confirmed as proper and valid. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders and investors are also welcomed to submit any enquiries to the Board and suggestions or proposals at general meetings directly to the Company's principal place of business in Hong Kong as provided in the section "Corporate Information" in this annual report.

ACCOUNTABILITY

The Directors have included a management discussion and analysis of the Group's performance for the year ended 31 December 2025 under the section headed "Management Discussion and Analysis" on pages 6 to 28 of this annual report.

DIVIDEND POLICY

Subject to Cayman Companies Law, the Company may declare, through a general meeting, final dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. The Company's articles of association provides that dividends may be declared and paid out of our profits, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of our share premium account or any other fund or account which can be authorised for this purpose in accordance with Cayman Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide: (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividends or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Corporate Governance Report

DIVIDEND POLICY (cont'd)

In addition, the declaration of dividends is subject to the discretion of the Board, and the amounts of dividends actually declared and paid will also depend upon the following factors:

- the Group's general business conditions;
- the Group's financial results;
- the progress of merger and acquisition and the Group's capital requirements;
- payment by the Company's subsidiaries of cash dividends to the Company;
- interests of the Company's shareholders; and
- any other factors which the Board may deem relevant.

Future dividend payments will also depend upon the availability of dividends received from the Company's subsidiary companies in China. PRC laws require that dividends be paid only out of the net profit calculated according to PRC generally accepted accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including the HKFRSs. PRC laws also require foreign investment enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from the Company's subsidiaries may also be restricted if they incur debts or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that the Company or its subsidiaries may enter into in the future. Dividends payable by the Company to the foreign investors may be subject to PRC withholding tax. The Enterprises Income Tax Law may also affect tax exemptions on dividends that may be received by the Company and by the shareholders.

The Directors will declare dividends, if any, in Hong Kong dollars with respect to shares on a per share basis and will pay such dividends in Hong Kong dollars. Any final dividends for a fiscal year will be subject to the shareholders' approval.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for maintaining a sound and effective risk management and internal control systems of the Group. The systems play an important role in maintaining and improving accountability and transparency in the conduct of the Group's business and are designed for the Group to identify and manage the significant risks to achieve its business objectives, safeguard the interests of the Company's shareholders, ensure compliance with relevant laws and regulations and assists in enhancing investor's confidence. The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company's Internal Audit Department (the "**IA Department**") performs internal audit functions and the Board is responsible for overseeing and reviewing the effectiveness of the risk management and internal control systems of the Group on an ongoing basis.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

Risk Management and Internal Control Systems

The risk management and internal control systems of the Company are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against all risk issues and material misstatement or loss. We have employed a bottom-up approach for identification, assessment and mitigation of risk at all business unit levels and across all functional areas.

Procedures Used to Identify, Evaluate and Manage Significant Risks

During the process of risk assessment, the Audit Committee is responsible for identifying the risk of the Group and deciding on the risk levels and the Board is responsible for assessing and determining the nature and extent of the risks that are acceptable to the Group when achieving its strategic objectives. After discussing and taking into consideration the risk response measures, the relevant departments and business units shall be assigned to implement the risk management solutions in accordance with their respective roles and responsibilities. The identified risk together with the risk response measures will be recorded at the risk register and subject to the Board's oversight.

Main Features of Risk Management and Internal Control Systems

The key elements of the risk management and internal control systems of the Company include the establishment of a risk register to keep track of and document identified risks, the assessment and evaluation of risks, the development and continuous updating of response measures, and the ongoing testing of internal control procedures to ensure their effectiveness.

An ongoing risk assessment approach is adopted by the Company for identifying and assessing the key inherent risks that affect the achievement of its objectives. The judgement of the risk is mainly determined in accordance with the likelihood of occurrence and consequence of occurrence of the risk, which can be categorized into 3 classes, classifying the degree of risk impact as: Minor (1), Moderate (2) and Significant (3), and the probability of occurrence of risk as: Unlikely (1), Possible (2) and Likely (3). The risk degrees reflect the level of management's attention and risk treatment effort required.

Procedures Used to Review the Effectiveness of the Risk Management & Internal Control Systems and to Resolve Material Internal Control Defects

The IA Department has performed two reviews of the effectiveness of the Group's risk management and internal control systems respectively covering the period from 1 January 2025 to 30 June 2025 and from 1 July 2025 to 31 December 2025 in compliance with the requirements under Code Provision D.2.1 of the CG Code, according to the scope of review agreed and approved by the Audit Committee covering the Group's material controls in financial, operational and compliance aspects. IA Department reported directly to the Audit Committee and the Audit Committee is satisfied that there has been no major deficiency noted in the areas of the Company's risk management and internal controls systems being reviewed after implementation of recommendations of the internal control defects reported by IA Department. Accordingly, the Board considered the risk management and internal control systems to be effective and the resources, staff qualifications and experience, training programs given to our employees and relevant budget of the Company's accounting, internal audit and financial reporting functions to be adequate.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Board has established the Inside Information Policy for the handling and dissemination of inside information. The Inside Information Policy stipulates the obligations of the Group, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemptions and waiver to the disclosure of inside information, external communication guidelines and compliance and reporting procedures. Management of the Group must take all reasonable measures from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group. They must promptly bring any possible leakage or divulgence of inside information to the attention of the Chief Financial Officer who will notify the Board as soon as reasonably practicable accordingly for taking the appropriate prompt action. In the event that there is evidence of any material violation of the Inside Information Policy, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding the likelihood of its recurrence.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2025 and confirm that the consolidated financial statements contained herein give a true and fair view of the results and state of affairs of the Group for the year under review. The Directors consider that the consolidated financial statements have been prepared in conformity with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirement of Hong Kong Companies Ordinance, and reflect amounts which are based on best estimates and reasonable, informed and prudent judgment of the Board. Such acknowledgement should be read in conjunction with, but be distinguished from, the statement of the external auditor of the Company, KPMG, in relation to their reporting responsibilities as set out in their independent auditor's report on pages 110 to 115 of this annual report. The Directors are also responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

SENIOR MANAGEMENT REMUNERATION BY BAND

The remuneration of the Group's senior management, whose biographies are set out in "Directors and Senior Management" on pages 68 to 71 of this annual report, for the year ended 31 December 2025 are set out below:

	Number of Individuals
Remuneration band (in RMB)	
RMB nil – RMB2,000,000	10
RMB2,000,001 – RMB4,000,000	1

Independent Auditor's Report

Year ended 31 December 2025



Independent auditor's report

To the shareholders of Kinetic Development Group Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Kinetic Development Group Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 116 to 195, which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory 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 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as 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**”) as 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**”), as applicable to audits of financial statements of public interest entities. We have also 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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw your attention to Note 2.1 to the consolidated financial statements, which indicates that the Group determines to incur significant expenditure for its completed and proposed acquisitions including property development projects and mining projects. The Group's ability to fund the expenditure largely relies on its ability to generate future operating cash inflows and obtain borrowings from banks or other financial institutions which may be influenced by government policies and volatility in coal market price. As stated in Note 2.1 to the consolidated financial statements, these facts or circumstances, along with other matters as set forth in Note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Independent Auditor's Report

Year ended 31 December 2025

KEY AUDIT MATTER (cont'd)

Revenue recognition

Refer to Note 5 to the consolidated financial statements and the accounting policies on page 150.

The Key Audit Matter	How the matter was addressed in our audit
<p>The Group is principally engaged in the coal mining and trading business, from which the Group has earned relevant revenue amounted to RMB4,514,074,000 for the year ended 31 December 2025.</p> <p>The Group enters into sale agreements with customers and, in accordance with the terms of the agreements, revenue is recognised when the control of the coal has been transferred to the customers. Management evaluates the terms of individual agreements in order to determine the appropriate timing for revenue recognition.</p> <p>We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing for recognition of revenue by management to meet specific targets or expectations.</p>	<p>Our audit procedures to assess the recognition of revenue included the following:</p> <ul style="list-style-type: none"> • obtaining an understanding of and evaluating the design, implementation and operating effectiveness of key internal controls over revenue recognition; • inspecting sale agreements, on a sample basis, to understand the trade terms agreed with customers and assessing the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards; • comparing, on a sample basis, revenue transactions recorded during the year with the underlying sale agreements, delivery documents, invoices and bank-in slips for settled balances and assessing whether the related revenue had been recognised in accordance with the Group's revenue recognition policies; • obtaining confirmations, on a sample basis, from major customers of the Group based on sales transactions recognised during the year; • comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying sale and purchase agreements and delivery documents to determine whether the related revenue had been recognised in the appropriate financial period; • comparing details of a sample of journals, which met specific risk-based criteria, with relevant underlying documentation; • assessing whether the Group's disclosures in the consolidated financial statements in respect of revenue comply with the requirements of the prevailing accounting standards.

Independent Auditor's Report

Year ended 31 December 2025

KEY AUDIT MATTER (cont'd)

Assessing the net realisable value of properties inventory

Refer to Note 23 to the consolidated financial statements and the accounting policies on page 169.

The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2025, the aggregate carrying value of the Group's properties inventory was RMB2,417,106,000 and the write-down of properties was RMB217,113,000. The carrying amount of these properties was significant.</p> <p>These properties are stated at the lower of cost and net realisable value. The calculation of the net realisable value for these properties at the financial reporting date is performed by management.</p> <p>The calculation of the net realisable value of these properties involves significant management judgement and estimation in the costs to complete each property development project (if any) as well as the future net selling prices for these properties.</p> <p>We identified the assessment of net realisable value of properties inventory as a key audit matter because of the significance of the properties and because the assessment is inherently subjective and requires significant management judgement and estimation which increases the risk of error or potential management bias.</p>	<p>Our audit procedures to assess the net realisable value of properties inventory included the following:</p> <ul style="list-style-type: none"> • obtaining an understanding of and evaluating the design, implementation and operating effectiveness of key internal controls over assessment of the net realisable value of properties inventory; • with the assistance of our internal valuation specialists, evaluating the appropriateness of the valuation methodology with reference to the requirements of the prevailing accounting standards; • with the assistance of our internal valuation specialists, on a sample basis, assessing the reasonableness of the expected future selling prices with reference to recently transacted prices for similar properties or the prices of comparable properties located in the same vicinity of the selected development site; • on a sample basis, assessing the reasonableness of the estimated construction costs to complete the selected property under development and future selling cost by comparing with the Group's latest budgets and challenging management's latest budgets with reference to signed construction contracts and/or unit construction costs of recently completed properties developed by the Group as well as the latest progress of the property under development; • comparing, on a sample basis, the key assumptions included in the prior year's calculation of the net realisable value with the actual amounts for the current year to assess the accuracy of management's forecasting and budgeting process and if there were any indications of management bias.

Independent Auditor's Report

Year ended 31 December 2025

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon as part of our engagement to audit the consolidated financial statements. We have been engaged to perform an assurance engagement on the disclosed continuing connected transactions that form part of the other information and provide a separate assurance practitioner's 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.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as 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 assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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, 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.

Independent Auditor's Report

Year ended 31 December 2025

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism 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.
- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 related safeguards applied.

Independent Auditor's Report

Year ended 31 December 2025

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

From the matters communicated with the Audit Committee, 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.

The engagement partner on the audit resulting in this independent auditor's report is Man Siu Kei (practising certificate number: P07419).

KPMG*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

24 March 2026

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
Revenue	5	5,293,266	5,655,829
Cost of sales		(3,262,960)	(2,532,609)
Gross profit		2,030,306	3,123,220
Other incomes and losses, net	6	(93,317)	(75,247)
Gains on fair value changes of financial assets	22	(55,430)	144,493
Selling expenses		(31,039)	(39,730)
Administrative and other expenses		(486,348)	(344,114)
Profit from operations		1,364,172	2,808,622
Share of profits less losses of associates		(53,738)	10,610
Finance costs	8	(75,757)	(82,477)
Profit before taxation	7	1,234,677	2,736,755
Income tax expense	11	(345,265)	(656,101)
Profit for the year		889,412	2,080,654
Other comprehensive income for the year that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements from functional currency to presentation currency		14,958	25,821
Total comprehensive income for the year		904,370	2,106,475

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
Profit for the year attributable to:			
Equity shareholders of the Company		895,798	2,109,787
Non-controlling interests		(6,386)	(29,133)
		889,412	2,080,654
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		911,956	2,134,877
Non-controlling interests		(7,586)	(28,402)
		904,370	2,106,475
Earnings per share attributable to equity shareholders			
of the Company	13		
– Basic		RMB10.66 cents	RMB25.06 cents
– Diluted		RMB10.57 cents	RMB25.06 cents

Consolidated Statement of Financial Position

31 December 2025

	Note	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment	15	3,655,126	3,431,271
Right-of-use assets	16	180,670	186,832
Intangible assets	17	3,415,758	3,200,749
Goodwill	18	245,404	156,181
Interest in associates	19	416,358	174,032
Deferred tax assets	31	154,041	75,142
Prepayments for proposed acquisitions	20	1,335,990	2,236,770
Other non-current assets	21	688,475	261,055
Total non-current assets		10,091,822	9,722,032
Current assets			
Financial assets at fair value through profit or loss	22	208,185	334,409
Inventories	23	2,530,724	1,716,335
Trade and other receivables	24	674,042	200,439
Pledged and restricted deposits	25	18,177	127,584
Cash at bank and on hand	25	81,586	629,937
Current portion of other non-current assets	21	3,803	259,990
Total current assets		3,516,517	3,268,694
Current liabilities			
Trade and other payables	26	2,157,486	1,522,347
Contract liabilities	27	915,063	891,021
Bank loans	28	117,000	535,720
Lease liabilities	29	27,100	20,363
Income tax payable		529,166	456,410
Total current liabilities		3,745,815	3,425,861
Net current liabilities		(229,298)	(157,167)
Total assets less current liabilities		9,862,524	9,564,865

Consolidated Statement of
Financial Position
31 December 2025

	Note	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Bank loans	28	755,000	342,600
Lease liabilities	29	28,384	57,193
Long-term payables	30	719,918	779,414
Deferred tax liabilities	31	85,642	53,362
Accrual for reclamation costs	32	61,069	57,549
Total non-current liabilities		1,650,013	1,290,118
NET ASSETS		8,212,511	8,274,747
EQUITY			
Share capital	33	54,293	54,293
Reserves	35	8,104,449	8,173,983
Total equity attributable to equity shareholders of the Company		8,158,742	8,228,276
Non-controlling interests		53,769	46,471
TOTAL EQUITY		8,212,511	8,274,747

Approved and authorised for issue by the board of directors on 24 March 2026.

Ju Wenzhong
Chairman and Executive Director

Li Bo
Chief Executive Officer and Executive Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2025

	Attributable to equity shareholders of the Company										
	Share capital RMB'000 (Note 33)	Share premium RMB'000 (Note 34)	Share award scheme reserves RMB'000 (Note 35(i))	Share-based payment reserves RMB'000	Other reserves RMB'000 (Note 35(ii))	Statutory reserves RMB'000 (Note 35(iii))	Exchange reserve RMB'000 (Note 35(iv))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2025	54,293	483,907	(23,511)	-	119,307	2,596,181	67,490	4,930,609	8,228,276	46,471	8,274,747
Profit for the year	-	-	-	-	-	-	-	895,798	895,798	(6,386)	889,412
Other comprehensive income	-	-	-	-	-	-	16,158	-	16,158	(1,200)	14,958
Total comprehensive income for the year	-	-	-	-	-	-	16,158	895,798	911,956	(7,586)	904,370
Dividends paid	-	-	-	-	-	-	-	(854,576)	(854,576)	-	(854,576)
Dividend payable	-	-	-	-	-	-	-	(153,806)	(153,806)	-	(153,806)
Transfer to statutory reserves	-	-	-	-	-	115,869	-	(115,869)	-	-	-
Appropriation of maintenance and production funds	-	-	-	-	-	301,692	-	(301,692)	-	-	-
Utilisation of maintenance and production funds	-	-	-	-	-	(63,979)	-	63,979	-	-	-
Equity settled share-based payment expenses	-	-	-	18,611	-	-	-	-	18,611	-	18,611
Capital contribution from non-controlling interests	-	-	-	-	8,281	-	-	-	8,281	1,719	10,000
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	13,165	13,165
At 31 December 2025	54,293	483,907	(23,511)	18,611	127,588	2,949,763	83,648	4,464,443	8,158,742	53,769	8,212,511

	Attributable to equity shareholders of the Company									
	Share capital RMB'000 (Note 33)	Share premium RMB'000 (Note 34)	Share award scheme reserves RMB'000 (Note 35(i))	Other reserves RMB'000 (Note 35(ii))	Statutory reserves RMB'000 (Note 35(iii))	Exchange reserve RMB'000 (Note 35(iv))	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2024	54,293	483,907	-	141,831	2,348,715	42,400	4,296,704	7,367,850	52,349	7,420,199
Profit for the year	-	-	-	-	-	-	2,109,787	2,109,787	(29,133)	2,080,654
Other comprehensive income	-	-	-	-	-	25,090	-	25,090	731	25,821
Total comprehensive income for the year	-	-	-	-	-	25,090	2,109,787	2,134,877	(28,402)	2,106,475
Dividends paid	-	-	-	-	-	-	(1,228,416)	(1,228,416)	-	(1,228,416)
Transfer to statutory reserves	-	-	-	-	31,830	-	(31,830)	-	-	-
Appropriation of maintenance and production funds	-	-	-	-	280,465	-	(280,465)	-	-	-
Utilisation of maintenance and production funds	-	-	-	-	(64,829)	-	64,829	-	-	-
Capital injection into a subsidiary	-	-	-	(22,524)	-	-	-	(22,524)	22,524	-
Purchase of shares under share award schemes	-	-	(23,511)	-	-	-	-	(23,511)	-	(23,511)
At 31 December 2024	54,293	483,907	(23,511)	119,307	2,596,181	67,490	4,930,609	8,228,276	46,471	8,274,747

Consolidated Statement of Cash Flows

Year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
Operating activities			
Profit before taxation		1,234,677	2,736,755
Adjustments for:			
Depreciation of property, plant and equipment	7	167,253	134,397
Amortisation of intangible assets	7	52,138	34,889
Depreciation of right-of-use assets	7	3,857	6,498
Impairment of goodwill	6	99,152	94,492
Write-down of inventories		179,482	86,622
Finance costs	8	75,757	82,477
Interest income	6	(14,003)	(34,861)
Net gains on redemption of financial assets at fair value through profit or loss	6	(9,338)	(1,180)
Share of profits less losses of associates		53,738	(10,610)
Gains on fair value changes of financial assets		55,430	(144,493)
Loss on disposal of a subsidiary	6	10,350	–
Equity-settled share-based payment expenses	7	18,611	–
Decrease/(increase) in inventories		439,056	(380,094)
Decrease in trade and other receivables		(68,788)	(21,825)
(Decrease)/increase in trade and other payables and contract liabilities		(854,292)	322,051
Decrease in restricted deposits		25,615	32,455
Others		5,864	17,329
Cash generated from operations		1,474,559	2,954,902
Income tax paid		(370,944)	(605,162)
Net cash flows generated from operating activities		1,103,615	2,349,740

Consolidated Statement of Cash Flows

Year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
Investing activities			
Dividends received from an associate		16,252	10,058
Interest received		4,518	29,838
Proceeds from disposal of items of property, plant and equipment		6,567	1,164
Payments for property, plant and equipment, intangible assets and other non-current assets		(268,918)	(454,174)
Prepayment for application of license of enlarged coal production capacity	21	(25,821)	(90,967)
Acquisition of subsidiaries, net of cash acquired	41	(70,291)	(53,914)
Loans to a related party	38(b)	(21,139)	(17,097)
Investment in an associate		(397,060)	(93,647)
Prepayments for the proposed acquisitions		(50,000)	(65,013)
Decrease/(increase) in pledged deposits for notes payable		85,197	(32,255)
Purchase of financial assets at fair value through profit or loss		(2,007)	(78,009)
Redemption of financial assets at fair value through profit or loss		82,140	25,131
Net cash flows used in investing activities		(640,562)	(818,885)
Financing activities			
Proceeds from bank loans		685,070	610,070
Repayment of bank loans		(762,930)	(1,034,550)
Repayment of other borrowing		–	(193,190)
Dividends paid		(854,576)	(1,535,420)
Interest paid		(44,018)	(47,514)
Purchase of shares under share award schemes		–	(23,511)
Lease paid		(22,434)	(6,128)
Decrease in pledged deposits for bank loans		–	600,000
Net cash flows used in financing activities		(998,888)	(1,630,243)
Net decrease in cash and cash equivalents		(535,835)	(99,388)
Cash and cash equivalents at 1 January		629,937	734,143
Effect of foreign exchange rate changes		(12,516)	(4,818)
Cash and cash equivalents at end of the year	25	81,586	629,937

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 27 July 2010 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) and its shares are publicly traded on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company’s registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company and its subsidiaries (collectively referred to as the “**Group**”) are mainly engaged in the extraction and sales of coal products, as well as certain newly developed business through acquisitions including real estate and property management service.

In the opinion of the directors of the Company (the “**Directors**”), King Lok Holdings Limited, a company incorporated in the British Virgin Islands (“**BVI**”), is the immediate holding company of the Company; and the ultimate holding company of the Company is TMF (Cayman) Ltd., a company incorporated in Cayman Islands.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (the “**HKFRS**”), Hong Kong Accounting Standards (the “**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for the assets and liabilities are stated at their fair value as explained in the accounting policies set out in Note 2.4 to the consolidated financial statements. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new or amended to HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting year of the Group. Note 2.2 to the consolidated financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting years reflected in the consolidated financial statements.

The preparation of consolidated financial statements in conformity with HKFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRS Accounting Standards that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in Note 3 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

2.1 BASIS OF PREPARATION (cont'd)

As at 31 December 2025, the Group had net current liabilities of RMB229,298,000 and has undertaken several acquisitions with prepayments made as disclosed in Note 20 and Note 41 to the consolidated financial statements. The Directors estimated to incur significant expenditure for the business acquired or developed. In addition, the Group has also been contemplating to expand existing business through actively seeking potential mining project targets or diversifying its business by stepping into new business beyond coal mining. The Group may seek financing from banks or other financial institutions in order to fund the acquisitions and future capital expenditure and property development expenditure.

The Group's ability to fund the aforementioned acquisitions and further expenditures largely relies on its future operating cash inflows and its ability to finance through external borrowings, which may be influenced by the government macro-control policies and volatility in coal market price.

The scale of the expected capital and operating expenditure and possible mismatch of future cash flow projections may indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The Directors assessed the Group's ability to continue as a going concern, taking into account (i) the Group's current cash at bank and on hand; (ii) the expected operating cash flows of the Group for at least the next twelve months from the end of the current reporting year; and (iii) the Group's capital expenditure and other necessary additional amount forecasted for at least the next twelve months from the end of the current reporting year, with the potential gap to be satisfied by external borrowings. The Directors are of the opinion that the Group is proactively monitoring the progress of the acquisitions and additional cashflow needs and will take feasible initiatives to conclude the transactions. The Group will also carefully monitor its liquidity position. Assuming that the Group is able to generate sufficient cash inflows from future operations and obtain borrowings from banks or other financial institutions when needed, the Group will be able to meet its liabilities as and when they fall due for at least the next twelve months. Accordingly, it is appropriate to prepare the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

Basis of consolidation

The Group accounts for business combinations under the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group performs the assessment in accordance with Note 2.4 to the consolidated financial statements – Asset Acquisition.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include the amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Notes to the Consolidated
Financial Statements
Year Ended 31 December 2025

2.1 BASIS OF PREPARATION (cont'd)

Basis of consolidation (cont'd)

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The consolidated financial statements of financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 2.4 to the consolidated financial statements – Trade and Other Payables and Interest-Bearing Borrowings.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

2.1 BASIS OF PREPARATION (cont'd)

Basis of consolidation (cont'd)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has applied the following amendments to HKAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability* issued by the HKICPA to these financial statements for the current accounting period. The amendments do not have a material impact on these financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Consolidated
Financial Statements
Year Ended 31 December 2025

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

Up to the date of issue of the consolidated financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in the consolidated financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, <i>Financial instruments</i> and HKFRS 7, <i>Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments</i>	1 January 2026
Annual improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18, <i>Presentation and disclosure in financial statements</i>	1 January 2027
HKFRS 19, <i>Subsidiaries without public accountability: disclosures</i>	1 January 2027
Amendments to HKFRS 10, <i>Consolidated financial statements</i> and HKAS 28, <i>Investments in associates and joint ventures: Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements, except for the following:

HKFRS 18, *Presentation and disclosure in financial statements*

HKFRS 18 will replace HKAS 1 *Presentation of financial statements* and aims to improve the transparency and comparability of information about an entity's financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the ECL model to such other long-term interests where applicable).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

Notes to the Consolidated
Financial Statements
Year Ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (cont'd)

Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2.4 to the consolidated financial statements – Impairment of Non-financial Assets).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (cont'd)

Fair value measurement (cont'd)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and 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, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss and other comprehensive income in the period in which it arises.

Notes to the Consolidated
Financial Statements
Year Ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (cont'd)

Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group; or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group 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 employees of either 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 the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (cont'd)

Biological assets

Biological assets are measured on initial recognition and at the end of each reporting period at their fair values less costs to sell, except where fair value cannot be measured reliably due to unavailability of quoted market prices and for which alternative fair value measurements are determined to be unreliable, in which case the assets are stated at costs incurred less any accumulated depreciation and any accumulated impairment losses.

Any resultant gain or loss arising on initial recognition and from changes in fair value less costs to sell is charged to the profit or loss for the period in which the gain or loss arises.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after property, plant and equipment put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment need to be replaced at intervals, the Group recognises these parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to allocate the cost of each item of property, plant and equipment other than mining structures to its residual value over its estimated useful life as follows:

	Depreciable life
Buildings	20 – 40 years
Machinery and equipment	3 – 15 years
Motor vehicles	5 – 10 years
Office equipment	3 – 6 years

Mining structures are depreciated on the units-of-production method based on proved and probable coal reserves.

Where part of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Notes to the Consolidated
Financial Statements
Year Ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (cont'd)

Property, plant and equipment and depreciation (cont'd)

An item of property, plant and equipment including any significant parts initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss and other comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, machinery and equipment, and mining structures under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at end of each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Mining rights are stated at cost less accumulated amortisation and impairment losses. The mining rights are amortised using the units-of-production method based on the proved and probable coal reserves. The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (cont'd)

Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method over the unexpired term of leases.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

Notes to the Consolidated
Financial Statements
Year Ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (cont'd)

Credit losses

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, which are held for the collection of contractual cash flows which represent solely payments of principal and interest);
- contract assets as defined in HKFRS 15.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (cont'd)

Credit losses (cont'd)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) 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 (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Notes to the Consolidated
Financial Statements
Year Ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (cont'd)

Credit losses (cont'd)

Basis of calculation of interest income (cont'd)

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Inventories

Inventories are measured at the lower of cost and net realisable value as follows:

Coal products

Coal products are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads.

Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Completed properties held for sales and properties under development

Completed properties held for sales and properties under development comprises specifically identified cost, including the acquisition cost of interests in freehold and leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised and any other costs incurred in bringing the properties to their present location and condition. In the case of properties developed by the Group which comprise of multiple units to be sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square foot basis, unless another basis is more representative of the cost of the specific unit.

Net realisable value represents the estimated selling price less any estimated costs of completion and costs to be incurred in selling the property.

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (cont'd)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses.

Financial assets at fair value through profit or loss

Trust wealth management investments are initially recognised at fair value, for which transaction costs are recognised directly in profit or loss. Trust wealth management investments are subsequently stated at fair value through profit or loss (FVPL). Changes in the fair value of the investments are recognised in profit or loss.

Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

Notes to the Consolidated
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Year Ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (cont'd)

Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policies for borrowing costs.

Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

Obligations for land reclamation

The Group's obligations for land reclamation consist of spending estimates for underground mines in accordance with the PRC rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash spending for a third party to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset associated with the liability for final reclamation and mine closure. The obligation and corresponding asset are recognised in the period when the Group has such present obligation. The asset is depreciated on the units-of-production method over its expected life and the liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and corresponding asset are recognised at the appropriate discount rate.

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (cont'd)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is recognised in respect of all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Notes to the Consolidated
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Year Ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (cont'd)

Income tax (cont'd)

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the profit or loss by way of a reduced depreciation charge.

Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, 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.

Further details of the Group's revenue and other income recognition policies are as follows:

- (a) from the sales of goods, revenue is recognised when the customer takes possession of and accepts the goods, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the provision of property management services, revenue is generally recognised over the scheduled period on a straight-line basis;
- (c) for property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the purchasers obtain the physical possession or the legal title of the completed properties and the Group has the present right to payment from the purchasers;
- (d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (cont'd)

Employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. 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. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Obligations for contributions to defined contribution retirement plans in the Group’s other operating regions function under the relevant local regulations and are expensed as the related services are provided.

Share-based payments

The shares awarded under the share award schemes are acquired from open market. The net consideration paid, including any directly attributable incremental costs, is presented as “Share award scheme reserves” and deducted from equity.

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the closing price of the Company’s shares on grant date plus any directly attributable incremental costs. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in Note 12 to the consolidated financial statements.

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Financial Statements
Year Ended 31 December 2025

2.4 MATERIAL ACCOUNTING POLICIES (cont'd)

Foreign currencies

The functional currency of the Company is Hong Kong dollar. The consolidated financial statements are presented in RMB because it is the currency mainly held by the Group's subsidiaries to carry out the Group's business. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of the Company and these subsidiaries are translated into the presentation currency of the Group at the exchange rate prevailing at the end of the reporting period and the profit or loss is translated into RMB at the weighted average exchange rate for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, the management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Recognition of deferred tax liabilities for withholding taxes

Deferred tax liabilities are recognised for withholding tax levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, based upon the likely dividends declared.

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

Judgements (cont'd)

Recognition of deferred tax liabilities for withholding taxes (cont'd)

The management is of the view that it is able to fully control the timing of the reversal of the temporary difference arising from dividend distribution of these subsidiaries and it is probable that these subsidiaries will make such profit distribution in the foreseeable future. Therefore, the Group has recognised deferred tax liabilities for withholding taxes.

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 described below.

Coal reserves

Estimates of the Group's coal reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the criteria that have to be met before estimated coal reserves can be designated as "proved" and "probable". Proved and probable coal reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation and amortisation rates.

Despite the inherent imprecision in these estimates, they are used in determining depreciation, amortisation and impairment losses. Depreciation and amortisation rates are determined based on estimated proved and probable coal reserve quantities (the denominator) and capitalised costs of mining structures and mining rights (the numerator). The capitalised cost of mining structures and mining rights are depreciated and amortised based on the units of coal produced.

Obligations for land reclamation

The estimation of the liabilities for final reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liabilities. The Group considers the factors including the future production volume and development plan, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liabilities, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligations will be recognised at the appropriate discount rate. As at 31 December 2025, the Group had an accrual for reclamation costs amounted to RMB61,670,000 (31 December 2024: RMB57,549,000).

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3 ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

Estimation uncertainty (cont'd)

Impairment of goodwill and other non-financial assets

The Group assesses whether there are any indicators of impairment for non-financial assets at the end of each reporting period. Goodwill and non-financial assets when there are indicators that the carrying amounts may not be recoverable, are tested for impairment. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal or its value in use. For the Group's goodwill and other non-financial assets, value in use calculation is used to assess impairment. When value in use calculations are undertaken, the management must estimate the expected future cash flows from the asset or cash-generating unit, using key assumptions such as forecasted market price of coal and other products, production volumes and coal reserves, and choose a suitable discount rate in order to calculate the present value of those cash flows.

For details of the Group's goodwill and non-financial assets, please refer to Notes 18, 15, 16 and 17 to the consolidated financial statements.

Net realisable value of properties inventory

A write-down of inventories is made based on the estimated net realisable value of inventories. For the properties, the net realisable value is assessed by taking into account the costs to complete each property development project as well as the future net selling prices for these properties. The Group re-estimates the allowance to reduce the valuation of inventories to net realisable value project by project at the end of each reporting period. The assessment of the write-down amount involves management's judgments and estimates. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of the inventories and the write-down charge/reversal in the period in which such estimate has been changed.

Deferred tax

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In determining the amount of deferred tax assets to be recognised, significant judgement is required relating to the timing and level of future taxable profits, after taking into account the individual group companies' future business plans. The amount of deferred tax assets recognised at future dates are adjusted if there are significant changes from these estimates.

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

4 SEGMENT INFORMATION

Management has determined operating segments with reference to the reports reviewed by the chief operating decision maker (“**CODM**”) of the Group that are used to assess the performance and allocate resources. The Group manages its businesses by business lines, in a manner consistent with the way in which the information is reported internally to the Group’s CODM. During the year ended 31 December 2025, the Group entered into agreements with counterparties to acquire certain properties and expanded its business into additional lines beyond coal mining. The reportable segments of the Group are coal mining segment, real estate and property management segment and the other segment which mainly include agriculture and animal husbandry and cigar and tobacco, all of which align with the business plans and information provided to the CODM of the Group.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group’s CODM monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all current and non-current assets, excluding financial assets at fair value through profit or loss and deferred tax assets. Segment liabilities include all current and non-current liabilities, excluding income tax payable, taxes payable other than income tax and deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to the revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. The head office and corporate expenses are not allocated to individual segments.

Profit before taxation is utilized to assess the profit or loss of the reporting segment.

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Year Ended 31 December 2025

4 SEGMENT INFORMATION (cont'd)

(i) Segment results, assets and liabilities (cont'd)

The information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2025 and 2024 is set out below.

	Coal mining segment		Real estate and property management segment		Other segment		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment revenue	4,514,074	5,368,508	693,399	236,427	94,515	81,901	5,301,988	5,686,836
Inter-segment revenue	-	-	-	-	(8,722)	(31,007)	(8,722)	(31,007)
Revenue from external customers	4,514,074	5,368,508	693,399	236,427	85,793	50,894	5,293,266	5,655,829
Reportable segment profit/(loss) before taxation	1,747,333	3,045,732	(242,159)	(62,182)	(164,740)	(144,776)	1,340,434	2,838,774
Interest income	13,990	33,873	1	15	12	226	14,003	34,114
Finance costs	(69,548)	(77,624)	(3)	(115)	(5,716)	(4,618)	(75,267)	(82,357)
Depreciation and amortisation	(159,618)	(136,823)	(16,169)	-	(44,116)	(37,710)	(219,903)	(174,533)
Impairment on goodwill, other non-current assets and inventories	-	-	(166,544)	(50,569)	(120,704)	(147,758)	(287,248)	(198,327)
Impairment losses on trade and other receivables	-	-	(11,325)	-	-	-	(11,325)	-
Reportable segment assets	8,491,279	9,105,228	3,562,853	2,460,972	1,191,981	1,014,975	13,246,113	12,581,175
Additions to non-current segment assets	771,862	1,466,147	274,821	47,775	71,815	135,170	1,118,498	1,649,092
Reportable segment liabilities	2,988,210	3,067,974	1,330,668	723,398	213,733	229,608	4,532,611	4,020,980

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

4 SEGMENT INFORMATION (cont'd)

(ii) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities

	Note	2025 RMB'000	2024 RMB'000
Revenue			
Reportable segment revenue		5,301,988	5,686,836
Elimination of inter-segment revenue		(8,722)	(31,007)
Consolidated revenue	5	5,293,266	5,655,829
Profit			
Reportable segment profit before taxation		1,340,434	2,838,774
Elimination of inter-segment profits		–	–
Reportable segment profit before taxation derived from			
Group's external customers		1,340,434	2,838,774
Other incomes and losses, net		(27,812)	(49,361)
Depreciation and amortisation		(1,191)	(14,777)
Finance costs		(490)	(120)
Unallocated head office and corporate expenses		(76,264)	(37,761)
Consolidated profit before taxation		1,234,677	2,736,755
Assets			
Reportable segment assets		13,246,113	12,581,175
Financial assets at fair value through profit or loss	22	208,185	334,409
Deferred tax assets	31	154,041	75,142
Consolidated total assets		13,608,339	12,990,726

Notes to the Consolidated
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Year Ended 31 December 2025

4 SEGMENT INFORMATION (cont'd)

(ii) Reconciliation of reportable segment revenue, profit or loss, assets and liabilities(cont'd)

	Note	At 31 December 2025 RMB'000	At 31 December 2024 RMB'000
Liabilities			
Reportable segment liabilities		4,532,611	4,020,980
Income tax payable		529,166	456,410
Taxes payable other than income tax	26	248,409	185,227
Deferred tax liabilities	31	85,642	53,362
Consolidated total liabilities		5,395,828	4,715,979

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets (excluding the deferred tax assets). The geographical location of customers is based on the location at which the goods or services are delivered. The geographical location of the non-current assets is based on the physical location of the asset to which they are operated or the location of the business to which they are managed.

	Revenues from external customers		Non-current assets	
	2025	2024	At 31 December 2025	At 31 December 2024
The PRC	5,283,511	5,639,594	9,081,761	8,999,301
Other regions or countries	9,755	16,235	856,020	647,589
	5,293,266	5,655,829	9,937,781	9,646,890

Notes to the Consolidated Financial Statements

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5 REVENUE

The principal activities of the Group are the extraction and sales of coal products. Revenue represents the sales value of goods supplied to customers or services provided to customers, excluding value added taxes or any trade discounts.

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers		
Sales of coal products	4,514,074	5,368,508
Property management services	219,115	–
Sales of properties	474,284	236,427
Others	85,793	50,894
	5,293,266	5,655,829

Revenue from the joint trial operation of Yong'an Coal Mine of the Group for the year ended 31 December 2025 was RMB178,370,000. No single customer of the Group accounted for 10% or more of the revenue of the Group for the year ended 31 December 2025.

	2025 RMB'000	2024 RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	5,074,151	5,655,829
Services rendered over a period of time	219,115	–

Notes to the Consolidated
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5 REVENUE (cont'd)

Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of coal and other products

The performance obligation is satisfied upon delivery of the coal and other products and certain residual payment, representing 10% to 20% of transaction amounts, is generally due within 30 to 90 days from delivery.

Provision of property management services

The performance obligation is satisfied over the period of services rendered.

Sales of properties

The performance obligation is satisfied upon delivery of the completed properties.

6 OTHER INCOMES AND LOSSES, NET

	Note	2025 RMB'000	2024 RMB'000
Government grants		34,876	79,101
Interest income		14,003	34,861
Net gains on redemption of financial assets at fair value through profit or loss		9,338	1,180
Net gains/(losses) on disposal of property, plant and equipment		2,934	(116)
Foreign exchange differences, net		(27,864)	(51,954)
Impairment of goodwill	18	(99,152)	(94,492)
Penalties		(26,572)	(9,718)
Impairment losses on trade and other receivables		(11,325)	–
Loss on disposal of a subsidiary		(10,350)	–
Donation		(3,713)	(21,982)
Others		24,508	(12,127)
		(93,317)	(75,247)

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

7 PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging:

	Note	2025 RMB'000	2024 RMB'000
Cost of inventories sold	23(a)	1,800,831	1,276,455
Transportation and storage costs		1,293,400	1,256,154
Cost of property management services		168,729	–
Cost of sales		3,262,960	2,532,609
Salaries, wages, bonuses and benefits		523,789	408,545
Contribution to defined contribution plans		19,056	16,744
Equity-settled share-based payment expenses (Note 42)		18,611	–
Staff costs (including directors' emoluments (Note 9))		561,456	425,289
Depreciation of property, plant and equipment	15	167,253	134,397
Amortisation of intangible assets	17	52,138	34,889
Depreciation of right-of-use assets	16	3,857	6,498
Auditor's remuneration			
– Annual audit service		6,200	5,780
– Non-audit service		300	1,830

Cost of inventories sold and cost of property management services for the year ended 31 December 2025 included RMB486,079,000 (2024: RMB375,121,000) relating to staff costs, depreciation of property, plant and equipment and right-of-use assets, and amortisation of intangible assets, which were included in the respective expenses disclosed above.

8 FINANCE COSTS

An analysis of finance costs is as follows:

	2025 RMB'000	2024 RMB'000
Interest expenses	43,405	47,767
Unwinding of discount	32,352	34,710
Total	75,757	82,477

Notes to the Consolidated
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9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to the section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Salaries, allowances and benefits in kind RMB'000	Directors' fees RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Share-based payments RMB'000	Total remuneration RMB'000
2025						
Executive Directors:						
Mr. Ju Wenzhong	1,001	2,189	420	211	337	4,158
Mr. Li Bo	747	912	420	147	337	2,563
Mr. Ji Kunpeng	747	912	420	147	337	2,563
	2,495	4,013	1,260	505	1,011	9,284
Non-executive Director:						
Ms. Zhang Lin	-	547	-	-	-	547
Independent Non-executive Directors:						
Ms. Liu Peilian	-	547	-	-	-	547
Ms. Xue Hui	-	547	-	-	-	547
Mr. Chen Liangnan	-	547	-	-	-	547
	2,495	6,201	1,260	505	1,011	11,472

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

9 DIRECTORS' EMOLUMENTS (cont'd)

	Salaries, allowances and benefits in kind RMB'000	Directors' fees RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Share-based payments RMB'000	Total remuneration RMB'000
2024						
Executive Directors:						
Mr. Ju Wenzhong	1,094	2,189	420	209	–	3,912
Mr. Li Bo	744	912	420	99	–	2,175
Mr. Ji Kunpeng	744	912	420	93	–	2,169
	2,582	4,013	1,260	401	–	8,256
Non-executive Director:						
Ms. Zhang Lin	–	547	–	–	–	547
Independent Non-executive Directors:						
Ms. Liu Peilian	–	547	–	–	–	547
Ms. Xue Hui	–	547	–	–	–	547
Mr. Chen Liangnuan	–	532	–	–	–	532
	2,582	6,186	1,260	401	–	10,429

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10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2024: three) are the Directors whose emoluments are disclosed in Note 9 to the consolidated financial statements. The aggregate amounts of the emoluments of the other two (2024: two) individuals who are not the Directors are as follows:

	2025 RMB'000	2024 RMB'000
Salaries and other emoluments	4,895	4,935
Contributions to the retirement scheme	708	250
	5,603	5,185

The emoluments of the two (2024: two) individuals who are not the Directors with the highest emoluments are within the following bands:

	Number of employees	
	2025	2024
HKD1,500,001 to HKD2,000,000	1	1
HKD2,000,001 to HKD2,500,000	–	–
HKD3,500,001 to HKD4,000,000	1	1
	2	2

11 INCOME TAX EXPENSE

	2025 RMB'000	2024 RMB'000
Current tax – the PRC	443,281	659,730
Deferred income tax		
Reversal and origination of temporary differences (Note 31)	(98,016)	(3,629)
Total tax expense for the year	345,265	656,101

- (a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiaries either incorporated in the Cayman Islands or the British Virgin Islands were not subject to any income tax in the Cayman Islands and the British Virgin Islands, respectively.

Notes to the Consolidated Financial Statements

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11 INCOME TAX EXPENSE (cont'd)

- (b) Pursuant to the rules and regulations of the Kingdom of Cambodia, Power Cigar Tobacco Co., Ltd. was subject to a rate of 20% on the taxable income.
- (c) Except for Inner Mongolia Zhunge'er Kinetic Coal Limited ("**Kinetic Coal**"), the PRC corporate income tax was provided at a rate of 25% on the taxable income of the subsidiaries operating in the Mainland China, as adjusted for income and expense items which were not assessable or deductible for income tax purposes. Kinetic Coal was recognised as qualified enterprise subject to the "Western Development Strategy" on 28 December 2023, hence it enjoys a preferential income tax rate of 15% from 2023 to 2030.
- (d) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if certain criteria are met. The Group is therefore subject to withholding taxes on dividends distributed by those subsidiaries established in the Mainland China in respect of earnings generated from 1 January 2008. In February 2025, the Company, Blue Gems Worldwide Limited and Kinetic (Asia) Limited obtained Hong Kong SAR Certificate of Resident Status for the calendar year 2025 and the two succeeding calendar years, respectively. As a result, under the "Arrangement between the Mainland China and Hong Kong SAR for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income", the Group was subject to a withholding tax rate of 5% from 2025 to 2027. The Group provided for and paid the withholding taxes subject to a tax rate of 5% for the year ended 31 December 2025.
- (e) Reconciliation between income tax expense and profit before taxation at applicable tax rate is as follows:

	2025 RMB'000	2024 RMB'000
Profit before taxation	1,234,677	2,736,755
Tax on profit before taxation, calculated at the rates applicable to the results in the jurisdictions concerned	191,809	465,236
Effect of non-deductible expenses	26,446	8,761
Adjustments in respect for current tax of previous years	(161)	715
Effect of non-taxable income	(3,377)	(847)
Effect of withholding tax on the distributable profit of the Group's PRC subsidiaries	62,005	94,207
Tax losses not recognised as deferred tax assets	68,543	88,029
Income tax expense	345,265	656,101

Notes to the Consolidated
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12 DIVIDENDS

	2025	2024
	RMB'000	RMB'000
Interim dividend – HKD5.0 cents (2024: HKD4.0 cents) per ordinary share	383,801	308,953
Special dividend – HKD3.5 cents (2024: HKD 7.0 cents) per ordinary share	273,228	537,491
Proposed final dividend – HKD6.0 cents (2024: HKD4.5 cents) per ordinary share	446,274	351,293

The proposed final dividends subsequent to the end of the reporting year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The proposed final dividends have not been recognised as a liability as at 31 December 2025.

13 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2025 is based on the profit for the year attributable to equity shareholders of the Company of RMB895,798,000 (2024: RMB2,109,787,000) and the weighted average number of ordinary shares of 8,406,832,000 (2024: 8,418,618,000 shares) in issue during the year. The calculation of the weighted average number of ordinary shares takes into account the effect of the purchase of shares under the share award scheme and further details are set out in Note 35(i) to the consolidated financial statements.

The calculation of diluted earnings per share for the year ended 31 December 2025 is based on the profit for the year attributable to ordinary equity shareholders of the Company of RMB895,798,000, and the weighted average number of 8,473,690,000 shares (diluted) during the year. The calculation of the weighted average number of diluted shares takes into account the effect of the share-based incentives grant under the share award scheme and further details are set out in Note 42 to the consolidated financial statements.

There were no dilutive potential ordinary shares during the year ended 31 December 2024, and therefore, diluted earnings per share was the same as the basic earnings per share.

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14 INVESTMENT IN SUBSIDIARIES

Name of company	Note	Place of incorporation and business	Particulars of issued capital/ registered capital	Paid up capital	Proportion of ownership interest			Principal activities
					Group's effective interest	Held by the Company	Held by a subsidiary	
Blue Gems Worldwide Limited		BVI	USD1	USD1	100%	100%	–	Investment holding
Kinetic (Asia) Limited		Hong Kong	HKD 229,330,000	HKD229,330,000	100%	–	100%	Investment holding
Porus Power Limited		BVI	USD1	USD1	100%	100%	–	Investment holding
Prosperity Power (Asia) Limited		Hong Kong	HKD1	HKD1	100%	–	100%	Investment holding
Kinetic (Qinhuangdao) Energy Group Co., Ltd.** ("Kinetic Qinhuangdao") (力量(秦皇島)能源集團有限公司)		Mainland China	HKD1,505,288,000	HKD1,505,288,000	100%	–	100%	Sale of mineral products
Inner Mongolia Zhunge'er Kinetic Coal Ltd.* (內蒙古准格爾旗力量煤業有限公司)		Mainland China	RMB1,080,000,000	RMB1,080,000,000	100%	–	100%	Coal mining and sale of mineral products
Kinetic (Tianjin) Coal Co., Limited* ("Kinetic Tianjin") (力量(天津)煤炭貿易有限公司)		Mainland China	RMB10,000,000	RMB10,000,000	100%	–	100%	Trading of mineral products
Tianjin Kinetic Fuying Energy Co., Ltd.* (天津力量富盈能源有限公司)		Mainland China	RMB100,000,000	RMB10,000,000	100%	–	100%	Trading of mineral products
Inner Mongolia Liangyun Animal Husbandry Development Co., Ltd.* (內蒙古量蘊牧業發展有限公司)		Mainland China	RMB50,000,000	RMB50,000,000	100%	–	100%	Breeding, production and sales of breeding stock
Inner Mongolia Liangyun Agriculture Development Co., Ltd.* (內蒙古量蘊農業發展有限公司)		Mainland China	RMB5,000,000	RMB5,000,000	100%	–	100%	Production and sales of wine and fruit wine and grape planting
Shanxi Power Yingtong Real Estate Development Co., Ltd.** (山西力量盈通房地產開發有限公司)		Mainland China	RMB50,000,000	–	100%	–	100%	Properties development and sales
Guizhou Kinetic Mines Co., Ltd.** (貴州力量礦業有限公司)		Mainland China	RMB297,000,000	–	100%	–	100%	Production and sales of mineral products
Ningxia Kinetic Mining Co., Ltd.* ("Ningxia Kinetic") (寧夏力量礦業有限公司)		Mainland China	RMB289,700,000	RMB289,700,000	100%	–	100%	Coal mining and sale of mineral products
Wuhai Fuliang Real Estate Development Co., Ltd.* ("Wuhai Fuliang") (烏海富量房地產開發有限公司)		Mainland China	RMB30,000,000	–	100%	–	100%	Development and sale of real estate
Wuhai Fuliang Property Management Co., Ltd.* (烏海富量物業管理有限公司)		Mainland China	RMB5,000,000	–	100%	–	100%	Property management
Inner Mongolia Kinetic Energy Co., Ltd.* (內蒙古力量能源銷售有限公司)		Mainland China	RMB10,000,000	–	100%	–	100%	Trading of mineral products
Jinli (Hainan) Electricity and Fuel Co., Ltd.* ("Jinli") (金力(海南)電力燃料有限公司)		Mainland China	RMB100,000,000	RMB100,000,000	100%	–	100%	Trading of mineral products
Yunneng (Tianjin) Electricity and Fuel Co., Ltd.* (蘊能(天津)電力燃料有限公司)		Mainland China	RMB200,000,000	–	100%	–	100%	Trading of mineral products
Inner Mongolia Zhunge'er Fuyun Engineering Co., Ltd.* (內蒙古准格爾旗富運工程有限公司)		Mainland China	RMB2,000,000	RMB2,000,000	100%	–	100%	Engineering construction
Liyun (Ningxia) Energy Co., Ltd.* (力蘊(寧夏)能源有限公司)		Mainland China	RMB200,000,000	–	100%	–	100%	Trading of mineral products
Ningxia Fuyun Engineering Co., Ltd.* (寧夏富運工程有限公司)		Mainland China	RMB200,000,000	–	100%	–	100%	Engineering construction
Liyun (Ningbo) Electricity and Fuel Co., Ltd.* (力蘊(寧波)電力燃料有限公司)		Mainland China	RMB100,000,000	–	100%	–	100%	Trading of mineral products
Star Idea Enterprises Limited ("Star Idea") (星耀企業有限公司)		BVI	USD66,862	USD66,862	82.81%	82.81%	–	Investment holding
Power Cigar Tobacco Co., Ltd. ("Power Cigar Tobacco")		Cambodia	USD62,000,000	USD62,000,000	82.81%	–	100%	Manufacturing and wholesale of tobacco products
Power Prosper International Trading Limited (力鑫國際貿易有限公司)		Hong Kong	HKD1	HKD1	82.81%	–	100%	Trading of tobacco products

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14 INVESTMENT IN SUBSIDIARIES (cont'd)

Name of company	Note	Place of incorporation and business	Particulars of issued capital/ registered capital	Paid up capital	Proportion of ownership interest			Principal activities
					Group's effective interest	Held by the Company	Held by a subsidiary	
Power Wisdom Strategic Limited		BVI	USD1	USD1	100%	100%	-	Investment holding
Kinetic Vista Limited		BVI	USD1	USD1	100%	100%	-	Investment holding
Kinetic Crest Limited		BVI	USD1	USD1	100%	100%	-	Investment holding
Kinetic Wisdom Development Limited (量盈發展有限公司)		Hong Kong	HKD1	HKD1	100%	-	100%	Investment holding
Kinetic Seed Services Limited		Cayman Islands	USD1	USD1	100%	-	100%	Investment holding
Taiyuan Hetai Shengrui Real Estate Co., Ltd.* (太原和泰盛瑞置業有限公司)		Mainland China	RMB390,938,900	RMB390,938,900	100%	-	100%	Properties development and sales
Taiyuan Shirui Real Estate Co., Ltd.* (太原實瑞置業有限公司)		Mainland China	RMB10,000,000	-	100%	-	100%	Properties development and sales
Qinhuangdao Jifu Real Estate Development Co., Ltd.* (秦皇島極富房地產開發有限公司)	(b)	Mainland China	RMB30,100,000	RMB30,100,000	100%	-	100%	Properties development and sales
Qinhuangdao Liangying Real Estate Development Co., Ltd.* (秦皇島量盈房地產開發有限公司)	(a)	Mainland China	RMB10,000	-	100%	-	100%	Properties development and sales
Seedlife Holding Limited	(b)	BVI	USD1	USD1	100%	-	100%	Investment holding
Seed Live Holding Limited (種子生活有限公司)	(b)	Hong Kong	HKD1	HKD1	100%	-	100%	Investment holding
Shenzhen Kinetic Live Service Holding Group Limited** (深圳力量生活服務控股集團有限公司) and its Subsidiaries	(b)	Mainland China	RMB50,000,000	-	100%	-	100%	Property Management
Maoming Litao Decoration Engineering Ltd.* (茂名力桃裝飾工程有限公司)	(a)	Mainland China	RMB10,000	-	100%	-	100%	Properties development and sales
Maoming Shengcheng Real Estate Co., Ltd.* (茂名晟城置業有限公司)	(b)	Mainland China	RMB25,000,000	RMB25,000,000	100%	-	100%	Properties development and sales
Maoming Shengda Real Estate Co., Ltd.* (茂名晟大置業有限公司)	(b)	Mainland China	RMB25,000,000	RMB25,000,000	100%	-	100%	Properties development and sales
Taiyuan Yingliang Property Management Ltd.* (太原盈量物業管理有限公司)	(a)	Mainland China	RMB10,000	-	100%	-	100%	Property Management
Taiyuan Julii Investment Ltd.* (太原聚力投資有限公司)	(a)	Mainland China	RMB500,000	-	100%	-	100%	Investment holding
Taiyuan Shengli Real Estate Development Ltd.* (太原盛力房地產開發有限公司)	(a)	Mainland China	RMB100,000	-	100%	-	100%	Properties development and sales
Kinetic Development Metal Mining (SL) Limited	(a)	The Republic of Sierra Leone	SLL100,000,000	-	100%	-	100%	Investment holding
Kinetic Mining Development South Africa (Pty) Ltd.	(a)	South Africa	-	-	100%	-	100%	Investment holding
Kineticdev Holding (Singapore) Pte. Ltd.	(a)	Singapore	USD750,000	USD750,000	100%	-	100%	Investment holding
Power Prosperity Trade FZE	(a)	Dubai	AED50,000	-	100%	-	100%	Trading of tobacco products

* The entities' official names are in Chinese. The English translations of the entities' names are for reference only.

** The entities are wholly foreign-owned enterprises and their official names are in Chinese. The English translations of the entities' names are for reference only.

Note:

(a) The entities were newly established as subsidiaries of the Group in 2025.

(b) The entities were acquired by the Group in 2025. More details are set out in Note 41 to the consolidated financial statements.

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15 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Mining structures RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2024 and at 1 January 2025:							
Cost	940,622	1,294,305	56,303	27,046	1,040,999	1,243,217	4,602,492
Accumulated depreciation	(129,377)	(784,768)	(25,385)	(12,429)	(219,262)	-	(1,171,221)
Net carrying amount	811,245	509,537	30,918	14,617	821,737	1,243,217	3,431,271
At 1 January 2025, net of accumulated depreciation	811,245	509,537	30,918	14,617	821,737	1,243,217	3,431,271
Acquisition of subsidiaries (Note 41)	-	94	558	1,836	-	251	2,739
Additions	44,546	20,063	9,262	24,330	6,048	292,547	396,796
Disposals	-	(2,868)	(536)	(228)	-	-	(3,632)
Depreciation provided during the year	(29,906)	(67,476)	(10,960)	(12,334)	(46,577)	-	(167,253)
Transfers among categories	10,878	2,264	-	456	700	(14,298)	-
Transfers to intangible assets	-	-	-	-	-	(410)	(410)
Exchange adjustments	(2,935)	(1,445)	(2)	(3)	-	-	(4,385)
At 31 December 2025, net of accumulated depreciation	833,828	460,169	29,240	28,674	781,908	1,521,307	3,655,126
At 31 December 2025:							
Cost	992,670	1,311,596	65,622	53,454	1,047,747	1,521,307	4,992,396
Accumulated depreciation	(158,842)	(851,427)	(36,382)	(24,780)	(265,839)	-	(1,337,270)
Net carrying amount	833,828	460,169	29,240	28,674	781,908	1,521,307	3,655,126

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15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Mining structures RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2023 and at 1 January 2024:							
Cost	720,660	1,092,140	54,139	14,396	682,161	963,863	3,527,359
Accumulated depreciation	(106,451)	(720,481)	(20,412)	(10,629)	(185,708)	–	(1,043,681)
Net carrying amount	614,209	371,659	33,727	3,767	496,453	963,863	2,483,678
At 1 January 2024, net of accumulated depreciation							
Acquisition of subsidiaries	–	16	15	–	–	–	31
Additions	42,458	128,372	2,435	11,682	358,839	727,715	1,271,501
Disposals	–	(725)	(551)	(4)	–	–	(1,280)
Depreciation provided during the year	(22,804)	(71,251)	(4,989)	(1,798)	(33,555)	–	(134,397)
Transfers among categories	175,280	80,196	280	967	–	(256,723)	–
Transfers to inventories	–	–	–	–	–	(191,638)	(191,638)
Exchange adjustments	2,102	1,270	1	3	–	–	3,376
At 31 December 2024, net of accumulated depreciation	811,245	509,537	30,918	14,617	821,737	1,243,217	3,431,271
At 31 December 2024:							
Cost	940,622	1,294,305	56,303	27,046	1,040,999	1,243,217	4,602,492
Accumulated depreciation	(129,377)	(784,768)	(25,385)	(12,429)	(219,262)	–	(1,171,221)
Net carrying amount	811,245	509,537	30,918	14,617	821,737	1,243,217	3,431,271

The Group was in the process of applying for the title of certificates of certain properties with a carrying value of RMB607,001,000 as at 31 December 2025 (31 December 2024: RMB672,885,000). The Directors are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected despite the fact that the Group has not yet obtained the relevant property title certificates.

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16 RIGHT-OF-USE ASSETS

	Land use right RMB'000	Leased properties RMB'000	Leased land RMB'000	Leased equipment RMB'000	Total RMB'000
Carrying amount at 1 January 2024	31,361	3,625	53,063	–	88,049
Additions	16,975	400	6,988	80,242	104,605
Depreciation	(1,226)	(2,609)	(2,663)	–	(6,498)
Exchange adjustments	–	626	–	50	676
Carrying amount at 31 December 2024 and 1 January 2025	47,110	2,042	57,388	80,292	186,832
Disposals	–	(1,313)	–	–	(1,313)
Depreciation	(1,275)	(245)	(2,337)	–	(3,857)
Exchange adjustments	–	(5)	(939)	(48)	(992)
Carrying amount at 31 December 2025	45,835	479	54,112	80,244	180,670

17 INTANGIBLE ASSETS

	RMB'000
As at 1 January 2024	3,233,648
Additions	1,229
Amortisation	(34,889)
Exchange adjustments	761
At 31 December 2024 and 1 January 2025	3,200,749
Acquisition of subsidiaries (Note 41(a))	268,296
Amortisation	(52,138)
Exchange adjustments	(1,149)
As at 31 December 2025	3,415,758

As at 31 December 2025, intangible assets of the Group mainly consisted of mining rights and client relationship newly recognised in the acquisition of Seedlife Group (see Note 41(a)) to the consolidated financial statements.

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18 GOODWILL

	Note	2025 RMB'000	2024 RMB'000
At 1 January		156,181	250,673
Acquisition of subsidiaries	41(a)	188,375	–
Impairment loss	6	(99,152)	(94,492)
At 31 December		245,404	156,181

Impairment tests for cash-generating units (the “CGU”) containing goodwill

On 9 October 2023, the Group acquired the 73% equity interests of Star Idea and its subsidiaries (collectively, the “**Star Idea Group**”) for a total consideration of USD62,757,000 (equivalent to RMB440,974,000). The excess of the consideration over the net fair value of the identifiable net assets of the Star Idea Group of to RMB250,673,000 was recorded as goodwill and allocated to the Star Idea Group’s business of manufacturing and wholesale of tobacco products.

On 13 January 2025, the Group acquired the 100% equity interests of Seedlife Holding Limited (“**Seedlife**”) and its subsidiaries (collectively, the “**Seedlife Group**”) for a total consideration of RMB423,000,000. The excess of the consideration over the net fair value of the identifiable net assets of the Seedlife Group of to RMB188,375,000 was recorded as goodwill and allocated to the Seedlife Group’s business of property management services. Please refer to Note 41 to the consolidated financial statements for more details.

The Group’s goodwill is stated at cost less accumulated impairment losses. At the end of the reporting period, the carrying amount of goodwill allocated to CGUs was as follows:

	2025 RMB'000	2024 RMB'000
Star Idea Group CGU (a)	57,029	156,181
Seedlife Group CGU (b)	188,375	–
	245,404	156,181

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18 GOODWILL (cont'd)

Impairment tests for cash-generating units (the "CGU") containing goodwill (cont'd)

(a) *Star Idea Group CGU*

The recoverable amount of the Star Idea Group CGU is determined based on value-in-use calculations. The Group engaged an independent professional valuer to assist with the calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used in estimating the recoverable amounts are as follows:

	2025	2024
Growth rate beyond the five-year period (Note (i))	3.00%	2.90%
Pre-tax discount rate (Note (ii))	18.25%	17.05%

(i) The growth rate beyond the five-year period is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of the relevant industry.

(ii) The pre-tax discount rate reflects specific risks relating to the Star Idea Group CGU.

The impairment loss of RMB99,152,000 recognised in "Other incomes and losses, net" during the year ended 31 December 2025 pertains to Star Idea Group CGU due to its underperformance (2024: RMB94,492,000). As the Star Idea Group CGU has been reduced to its recoverable amount, any adverse changes in the assumptions used to calculate recoverable amount would result in further impairment losses.

(b) *Seedlife Group CGU*

The recoverable amount of the Seedlife Group CGU is determined based on value-in-use calculations. The Group engaged an independent professional valuer to assist with the calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used in estimating the recoverable amounts are as follows:

	2025
Growth rate beyond the five-year period (Note (i))	2.00%
Pre-tax discount rate (Note (ii))	18.25%

(i) The growth rate beyond the five-year period is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate of the relevant industry.

(ii) The pre-tax discount rate reflects specific risks relating to the Seedlife Group CGU.

As at 31 December 2025, the amount of headroom for Seedlife Group CGU was RMB26,683,000.

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18 GOODWILL (cont'd)

Impairment tests for cash-generating units (the "CGU") containing goodwill (cont'd)

(b) Seedlife Group CGU (cont'd)

The management of the Group have undertaken sensitivity analysis on the impairment test of goodwill and identified a reasonably possible change in key parameters would not cause the carrying amount of the CGU to exceed its recoverable amount. The following table sets out the hypothetical change to growth rate and pre-tax discount rate that would have removed the remaining headroom:

	As at 31 December 2025
Growth rate	-54.50%
Pre-tax discount rate	4.17%

19 INTEREST IN ASSOCIATES

The following list contains the particulars of associates as at 31 December 2025, among which Xiaojia is an unlisted corporate entity whose quoted market price is not available:

Name	Particulars of issued shares of the associated company	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Shenhua Zhunneng Xiaojia Shayan Coal Storage and Delivery Limited* ("Xiaojia") (神華准能肖家沙塢煤炭集運有限責任公司)	Registered Capital RMB122,000,000	Mainland China	45%	Coal storage, delivery and handling
MC Mining Limited ("MC Mining") (Note)	Issued Capital USD1,127,255,000	Australia	40.13%	Acquisition, exploration, development and operation of metallurgical and thermal coal projects in South Africa

* The official name of the entity is in Chinese only. The English translation of the entity's name is for reference only.

Note: As MC Mining is a listed company in the Australian Securities Exchange and the Johannesburg Stock Exchange, the market value of shares in MC Mining held by the Group was Australian Dollar 55,512,000 (equivalent to RMB260,305,000) as at 31 December 2025.

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19 INTEREST IN ASSOCIATES (cont'd)

The financial information of the associates, i.e. Xiaojia and MC Mining, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

	Xiaojia		MC Mining	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Gross amount of the associates				
Current assets	119,460	106,932	39,020	48,881
Non-current assets	100,411	103,229	957,460	789,797
Current liabilities	(11,203)	(14,976)	(160,771)	(206,012)
Non-current liabilities	–	–	(70,310)	(88,985)
Equity	208,668	195,185	765,399	543,681
Revenue	109,430	105,448	112,481	40,089
Total comprehensive income	49,600	40,129	(272,562)	(57,121)
Dividend received from an associate during the year	16,252	10,058	–	–
Share of profits/(losses) and other comprehensive income by the Group	22,320	18,058	(76,058)	(7,448)
Reconciled to the Group's interest in the associate				
Gross amount of net assets of the associates	208,668	195,185	765,399	543,681
Group's effective interest	45%	45%	40.13%	13.04%
Group's share of net assets of the associates	93,900	87,833	307,155	70,896
Goodwill arising from investment in associates	–	–	15,303	15,303
Carrying amount in the consolidated financial statements	93,900	87,833	322,458	86,199

According to the constitution of MCM, it is stipulated that the Board is responsible for the business management of the company. The Group holds 3 seats on the Board of Directors of MCM, with a voting ratio of 3/8. Decisions of the Board of Directors require the approval of a majority of decisions. In addition, the shareholders' meeting has the right to vote based on the fully paid shares held. The Group held 40.13% of the shares as at 31 December 2025, which did not account for more than 50% of the total shares, and MCM has not yet been controlled through the shareholders' meeting. Therefore, MCM is recognised as an associated company of the Group.

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20 PREPAYMENTS FOR PROPOSED ACQUISITIONS

	Note	2025 RMB'000	2024 RMB'000
– Proposed acquisition of Guizhou Liliang Energy Co., Ltd. (“ Guizhou Liliang ”)	(a)	1,080,256	1,080,256
– Proposed acquisitions with Guangzhou Seedland Real Estate Development Co., Ltd. (“ Seedland ”) and its subsidiaries	(b)	253,734	311,484
Acquisitions completed in 2025	41(a)(b)	–	843,030
		1,333,990	2,234,770
Other		2,000	2,000
		1,335,990	2,236,770

Notes:

- (a) On 24 December 2021, the Group entered into an acquisition agreement with Guizhou Liliang, an entity owned by Mr. Zhang Li, to acquire its 75% equity interests in Liupanshui Changlin Real Estate Development Co., Ltd. which would own the mining rights of a coal mine in Guizhou province upon completion of a restructuring, with a total consideration of RMB1,100,000,000. According to the acquisition agreement, the Group prepaid RMB550,000,000 in 2021 and RMB530,256,000 in 2022 to Guizhou Liliang, respectively. Prior to the completion of the acquisition, certain conditions shall be satisfied. If those conditions were not satisfied, the Group is entitled to require Guizhou Liliang to refund any payment (without interest) which the Group had actually made to it under the acquisition agreement. The recoverability of the prepayments is secured by 100% equity interests of Guizhou Liliang. This transaction is a connected and major transaction and subject to the shareholders' approval.
- (b) Since 2022, the Group entered into a series of property purchase agreements and supplemental agreements with subsidiaries of Seedland, to acquire certain properties. As at 31 December 2025, the balance of prepayments to Seedland and its subsidiaries is expected to be net off with consideration of proposed acquisition of Taijing Real Estate Development Co., Ltd. (“**Taiyuan Seedland**”). As at 31 December 2025, the acquisition of Taiyuan Seedland has not been completed and remains subject to the fulfilment of the relevant conditions, including approval by independent shareholders.

On 17 February 2023, Mr. Zhang Liang, Johnson and King Lok Holdings Limited, an entity then 100% owned by Mr. Zhang Liang, Johnson and currently 100% held by the Zhang Family Overseas Limited, a discretionary trust with Mr. Zhang Liang, Johnson as the settlor for the benefit of himself and his family members, agreed to pledge 5,307,450,000 shares held by them in the Company and the interests derived therefrom as security for the performance of contractual obligations of Guizhou Liliang, Mr. Zhang Li and subsidiaries of Seedland under the relevant acquisitions and loan agreements. The share pledge arrangement serves as a security of the prepayments made for the acquisition of Guizhou Liliang, acquisition of properties from Seedland, as well as loans to Guizhou Liliang.

The Directors have assessed the progress of the transactions and the ability of the related parties to fulfil the obligations under the agreements described above and even if these transactions not completed as schedule the counterparties are financially capable to repay the outstanding amounts to the Company.

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21 OTHER NON-CURRENT ASSETS

	Note	2025 RMB'000	2024 RMB'000
Loans to a related party	38	293,316	259,990
Prepayment for acquiring of enlarged coal production capacity		116,788	90,967
Performance compensation receivable (Note)		113,049	84,734
Prepayments of equipment		55,458	44,632
Long-term deferred expense		6,671	6,774
Subscription of shares in MC Mining to be registered		77,741	–
Others		29,255	33,948
		692,278	521,045
Less: current portion of other non-current assets	38	(3,803)	(259,990)
Other non-current assets		688,475	261,055

Note: According to the performance undertaking clauses in the supplemental agreement of the acquisition of Star Idea Group, the seller should compensate the Company in cash based on the shortfall of aggregate actual earnings before interests, taxes, depreciation and amortisation (“**EBITDA**”) compared with the aggregate estimated EBITDA of Star Idea Group during the period encompassing five financial years ending 31 December 2027. The actual amount of compensation will be adjusted in line with the actual performance of Star Idea Group till end of 2027.

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22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	2025 RMB'000	2024 RMB'000
Trust wealth management investments	(a)	208,185	228,911
Trading securities		–	105,498
		208,185	334,409

Note:

- (a) On 25 December 2020, the Group entered into a subscription agreement with Northern International Trust Co., Ltd. (“**Northern Trust**”) to subscribe a trust wealth management investment amounting to RMB252,530,000, which is redeemable on demand. As at 31 December 2025, the fair value of the investment was RMB174,447,000 (31 December 2024: RMB154,841,000) resulting in a profit of RMB19,606,000 in 2025 (2024: RMB19,711,000) on fair value changes, due to price movement in its investment in a corporate bond issued by Guangzhou R&F in 2018 with an annual interest rate of 6.58%. Subsequent to 31 December 2025, the fair value of the trust wealth management investment was in the range between RMB150,000,000 and RMB200,000,000.

On 28 December 2020, the Group entered into a subscription agreement with Beijing International Trust Co., Ltd. (“**Beijing Trust**”) to subscribe a trust wealth management investment amounting to RMB151,500,000 for a period of 10 years, which is redeemable on demand. As at 31 December 2025, the fair value of the investment was RMB33,738,000 (31 December 2024: RMB74,070,000), resulting in a loss of RMB40,332,000 on fair value changes, due to price movement in its investment in a corporate bond issued by Guangzhou R&F in 2020 with an annual interest rate of 6.30%. Subsequent to 31 December 2025, the fair value of the trust wealth management investment was in the range between RMB25,000,000 and RMB45,000,000.

23 INVENTORIES

	2025 RMB'000	2024 RMB'000
Properties	2,417,106	1,494,206
Coal products	147,482	126,486
Tobacco materials and products	112,275	98,168
Raw materials, accessories and chemicals	79,685	55,607
Others	40,280	28,490
	2,796,828	1,802,957
Less: write-down of inventories	(266,104)	(86,622)
	2,530,724	1,716,335

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23 INVENTORIES (cont'd)

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Note	2025 RMB'000	2024 RMB'000
Carrying amount of inventories sold		1,621,349	1,192,172
Write down of inventories		206,612	84,283
Reversal of write-down of inventories		(27,130)	–
	7	1,800,831	1,276,455

24 TRADE AND OTHER RECEIVABLES

	Note	2025 RMB'000	2024 RMB'000
Trade debtors			
– Amount due from third parties		132,784	6,528
– Amount due from related parties	38(b)	48,233	–
		181,017	6,528
Other receivables			
– Prepayments and deposits		243,413	93,931
– Amount due from related parties	38(b)	144,426	17,308
– Deductible input VAT		128,690	74,426
– Others		48,249	8,246
		564,778	193,911
Total		745,795	200,439
Less: provision for bad debts		(71,753)	–
		674,042	200,439

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24 TRADE AND OTHER RECEIVABLES (cont'd)

An aging analysis of the trade debtors as at the end of the reporting year, based on the invoice date and net of provisions, is as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year	62,065	6,528
1 to 2 years	32,203	–
2 to 3 years	14,311	–
Over 3 years	5,332	–
	113,911	6,528

The movements of the provision for bad debts in respect of trade and other receivables during the year are as follows:

	2025 RMB'000
Balance at 1 January	–
Acquisition of a subsidiary (Note 41(a))	60,428
Provision for the year	11,325
Balance at 31 December	71,753

Trade debtors are generally due within 30 to 90 days from the date of billing.

The provision for bad debts was estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

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25 CASH AT BANK AND ON HAND AND PLEDGED AND RESTRICTED DEPOSITS

	Note	2025 RMB'000	2024 RMB'000
Cash at bank and on hand		81,586	629,937
Pledged deposits		8,158	93,355
Restricted deposits		10,019	34,229
		99,763	757,521
Less:			
Pledged deposits for notes payable		(8,158)	(93,355)
Restricted deposits		(10,019)	(34,229)
Cash and cash equivalents		81,586	629,937

As at 31 December 2025, the cash at bank and on hand balances of the Group denominated in RMB amounted to RMB66,909,000 (31 December 2024: RMB612,825,000).

As at 31 December 2025, the Group's bank balances of RMB8,158,000 (31 December 2024: RMB93,355,000) were deposited as guarantee fund for notes payable.

As at 31 December 2025, the Group's bank balances of RMB3,027,000 (31 December 2024: RMB23,198,000) were deposited with banks as a mine environment restoration guarantee fund pursuant to the related government regulations.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with banks with no recent history of default.

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26 TRADE AND OTHER PAYABLES

	Notes	2025 RMB'000	2024 RMB'000
Taxes payable other than income tax		248,409	185,227
Payables for construction	(a)	1,020,543	812,692
Notes payable		18,772	106,661
Payables for acquisitions	38	121,986	69,282
Amounts due to other related parties	38	142,745	11,000
Dividends payable		153,806	–
Other payables and accruals	(b)	451,225	337,485
		2,157,486	1,522,347

Notes:

- (a) Payables for construction are non-interest bearing.

An aging analysis of the payables for construction as at the end of the reporting year, based on the invoice date, is as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year	577,631	737,295
1 to 2 years	377,142	58,900
Over 2 years	65,770	16,497
	1,020,543	812,692

- (b) Other payables and accruals are non-interest bearing and are expected to be settled within one year or repayable on demand.

27 CONTRACT LIABILITIES

	2025 RMB'000	2024 RMB'000
Sales of goods	551,273	542,001
Sales of properties	363,790	349,020
	915,063	891,021

All of the other contract liabilities are expected to be recognised as income within one year.

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28 BANK LOANS

	At 31 December 2025				At 31 December 2024		
	Note	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current							
Bank loan – secured	(a)	5.00%	2026	50,000	–	–	–
Bank loan – secured					5.51%	2025	155,070
Long-term bank loan due within 1 year – secured	(b)	5.50%	2026	67,000	–	–	–
Long-term bank loan due within 1 year – secured		–	–	–	–	–	–
Long-term bank loan due within 1 year – secured		–	–	–	5.00%	2025	150,000
Long-term bank loan due within 1 year – secured		–	–	–	5.00%	2025	100,000
Long-term bank loan due within 1 year – secured		–	–	–	5.50%	2025	30,650
Long-term bank loan due within 1 year – secured		–	–	–	4.90%	2025	100,000
				117,000			535,720
Non-current							
Long-term bank loan – secured	(c)	4.90%	2027	280,000	–	–	–
Long-term bank loan – secured	(d)	4.95%	2028	295,000	–	–	–
Long-term bank loan – secured	(e)	5.80%	2027	180,000	–	–	–
Long-term bank loan – secured	(b)	–	–	–	5.50%	2026	67,600
Long-term bank loan – secured		–	–	–	4.90%	2026	275,000
				755,000			342,600
				872,000			878,320

Notes:

- (a) As at 31 December 2025, the Group's bank loans amounting to RMB50,000,000 were secured by the property, plant and equipment of the Group and guaranteed by Kinetic Coal, and will be due in 2026.
- (b) As at 31 December 2025, the Group's bank loans amounting to RMB67,000,000 was guaranteed by Kinetic Coal and will be due in 2026.
- (c) As at 31 December 2025, the Group's bank loans amounting to RMB280,000,000 was secured by the mining right of Dafanpu Coal Mine held by Kinetic Coal and will be due in 2027.
- (d) As at 31 December 2025, the Group's bank loans amounting to RMB295,000,000 was secured by the mining right of Dafanpu Coal Mine held by Kinetic Coal and will be due in 2028.
- (e) As at 31 December 2025, the Group's bank loans amounting to RMB180,000,000 was secured by the mining right of Coal Mine held by Kinetic Ningxia and will be due in 2027.

Notes to the Consolidated
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29 LEASE LIABILITIES

The lease liabilities are repayable as follows:

	2025 RMB'000	2024 RMB'000
Within 1 year	27,100	20,363
After 1 year but within 2 years	26,530	29,363
After 2 years but within 5 years	–	25,977
After 5 years	1,854	1,853
	55,484	77,556

30 LONG-TERM PAYABLES

	2025 RMB'000	2024 RMB'000
Present value of payables in relation to mining rights	497,770	554,197
Present value of compensation payable in relation to the demolition and relocation	307,424	307,578
	805,194	861,775
Current portion recorded in trade and other payables	(85,276)	(82,361)
	719,918	779,414

31 DEFERRED TAX

The deferred tax assets and liabilities are as follows:

	2025 RMB'000	2024 RMB'000
Deferred tax assets before offsetting	187,717	91,456
Offset amount	(33,676)	(16,314)
Deferred tax assets after offsetting	154,041	75,142
Deferred tax liabilities before offsetting	(119,318)	(69,676)
Offset amount	33,676	16,314
Deferred tax liabilities after offsetting	(85,642)	(53,362)
	68,399	21,780

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31 DEFERRED TAX (cont'd)

The movements in deferred tax assets and liabilities during the year, excluding the offsetting of balances within the same tax jurisdictions, are as follows:

Deferred tax liabilities

	Depreciation allowance less than the related depreciation RMB'000	Withholding taxes RMB'000	Right-of-use assets RMB'000	Mining structures arising from accrual for reclamation costs RMB'000	Effect on temporary differences in depreciation and amortisation RMB'000	Total RMB'000
At 1 January 2024	10,505	19,099	2,876	5,903	20,774	59,157
(Credited)/charged to profit or loss	(1,207)	12,127	(235)	-	(473)	10,212
Exchange adjustments	-	-	-	-	307	307
At 31 December 2024	9,298	31,226	2,641	5,903	20,608	69,676
At 1 January 2025	9,298	31,226	2,641	5,903	20,608	69,676
(Credited)/charged to profit or loss	(818)	(12,191)	(70)	-	(3,812)	(16,891)
Acquisition of subsidiaries (Note 41)	-	-	-	-	66,979	66,979
Exchange adjustments	-	-	-	-	(446)	(446)
At 31 December 2025	8,480	19,035	2,571	5,903	83,329	119,318

Deferred tax assets

	Depreciation and amortisation allowance in excess of the related depreciation and amortisation RMB'000	Unrealised intergroup profit RMB'000	Credit loss allowance RMB'000	Lease liabilities RMB'000	Provision for loss of inventory RMB'000	Accrual for reclamation costs RMB'000	Temporary fair value changes of financial assets at fair value through profit or loss RMB'000	Others RMB'000	Total RMB'000
At 1 January 2024	549	4,282	-	1,238	-	5,993	27,788	4,192	44,042
Credited/(charged) to profit or loss	1,571	15,233	-	103	-	331	(15,118)	11,721	13,841
Acquisition of subsidiaries (Note 41)	-	-	-	-	-	-	-	33,509	33,509
Exchange adjustments	-	-	-	-	-	-	-	64	64
At 31 December 2024	2,120	19,515	-	1,341	-	6,324	12,670	49,486	91,456
At 1 January 2025	2,120	19,515	-	1,341	-	6,324	12,670	49,486	91,456
Credited/(charged) to profit or loss	2,467	(5,623)	2,774	89	43,806	348	10,568	26,696	81,125
Acquisition of subsidiaries (Note 41)	-	-	15,165	-	-	-	-	-	15,165
Exchange adjustments	-	-	-	-	(29)	-	-	-	(29)
At 31 December 2025	4,587	13,892	17,939	1,430	43,777	6,672	23,238	76,182	187,717

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32 ACCRUAL FOR RECLAMATION COSTS

The accrual for reclamation costs has been determined based on management's best estimation. However, as the effects of current mining activities on the land become evident in future, the estimate of the associated costs may be subject to change.

The Directors considered that the accrued reclamation obligations as at 31 December 2025 were adequate and appropriate. The accrual for reclamation costs is only based on estimates and therefore, the ultimate liabilities may exceed or be less than such reclamation costs.

33 SHARE CAPITAL

	2025 RMB'000	2024 RMB'000
Issued and fully paid: 8,430,000,000 ordinary shares of USD0.001 each	54,293	54,293

There was no movement in the Company's share capital during the year. The authorised share capital of the Company is USD500,000,000 consisting of 500,000,000,000 ordinary shares of USD0.001 each.

34 SHARE PREMIUM

Under the Company Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

35 RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the consolidated financial statements.

The nature and purpose of reserves are stated as follows:

(i) Share award scheme reserves

The share award scheme reserves represent the acquisition cost for shares acquired under the share award scheme that has been recognised in accordance with the accounting policies set out in Note 2.4 to the consolidated financial statements.

Share award schemes

The Company has approved and adopted a share award scheme on 29 November 2022 (the "**2022 Adoption Date**") (the "**2022 Share Award Scheme**"), in which the Directors of the Company are authorised, at its discretion, to grant awards involving existing shares to eligible participants as incentives or rewards for their contributions to the Company.

The Company has approved and adopted a new share option scheme (the "**2023 Share Option Scheme**") and another new share award scheme (the "**2023 Share Award Scheme**") on 23 May 2023 (the "**2023 Adoption Date**").

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35 RESERVES (cont'd)

(i) Share award scheme reserves (cont'd)

Share award schemes (cont'd)

The total number of shares which may be issued in respect of all options and awards to be granted under the 2023 Share Option Scheme, the 2023 Share Award Scheme and 2022 Share Award Scheme (collectively, the “**Share Award Schemes**”) of the Company shall not in aggregate exceed 843,000,000, representing 10% of the shares in issue as at the 2022 Adoption Date and 2023 Adoption Date, respectively.

Please refer to Note 42 to the consolidated financial statements for more details.

(ii) Other reserves

The other reserves of the Group mainly represent the difference between (a) the nominal value of share capital of Blue Gems Worldwide Limited and (b) the nominal value of the shares issued by the Company in exchange under the reorganisation of the Group on 20 July 2011.

(iii) Statutory reserves

Pursuant to the articles of association of the PRC subsidiaries of the Group, appropriations to the surplus reserve fund should be made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC, until the surplus reserve fund is equal to 50% of the entity's registered capital. The surplus reserve funds of Kinetic Tianjin, Kinetic Hainan and Kinetic Coal were equal to 50% of the registered capital as at 31 December 2018, 31 December 2021 and 31 December 2022, respectively. Moreover, the surplus reserve funds of Kinetic Qinhuangdao and Jinli were equal to 50% of the registered capital respectively as at 31 December 2024. The rest of the PRC subsidiaries of the Group had transferred 10% of the profit after taxation to statutory reserves as at 31 December 2025 accordingly.

Pursuant to the relevant PRC regulations for coal mining companies, provision for production maintenance, production safety and other related expenditures are accrued by the Group at fixed rates based on the coal production volume (the “**maintenance and production funds**”). The maintenance and production funds are initially set aside as appropriations of profit attributable to equity shareholders of the Company and can be utilised when operating expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised for such designated purpose would then be transferred from the statutory reserve back to retained earnings.

(iv) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements from functional currency to presentation currency. The reserve is dealt with in accordance with the accounting policies set out in Note 2.4 to the consolidated financial statements.

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36 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Bank loans RMB'000	Other borrowing RMB'000	Interest payable RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2024	1,302,800	–	1,763	8,887	1,313,450
Changes from financing cash flows					
Proceeds from bank loans	610,070	–	–	–	610,070
Repayment of bank loans	(1,034,550)	–	–	–	(1,034,550)
Repayment of other borrowing	–	(193,190)	–	–	(193,190)
Interest paid	–	–	(47,514)	–	(47,514)
Lease paid	–	–	–	(6,128)	(6,128)
Other changes					
Acquisition of subsidiaries (Note 41)	–	193,190	–	–	193,190
Increase in lease liabilities from entering into new leases during the year	–	–	–	73,685	73,685
Interest expenses	–	–	47,767	437	48,204
Foreign exchange adjustment					
	–	–	–	675	675
At 31 December 2024	878,320	–	2,016	77,556	957,892
At 1 January 2025	878,320	–	2,016	77,556	957,892
Changes from financing cash flows					
Proceeds from bank loans	685,070	–	–	–	685,070
Repayment of bank loans	(762,930)	–	–	–	(762,930)
Interest paid	–	–	(44,019)	–	(44,019)
Lease paid	–	–	–	(22,434)	(22,434)
Other changes					
Acquisition of subsidiaries (Note 41)	71,540	–	–	–	71,540
Interest expenses	–	–	43,405	362	43,767
Foreign exchange adjustment					
	–	–	–	–	–
At 31 December 2025	872,000	–	1,402	55,484	928,886

(b) Changes in investing activities – prepayments for the proposed acquisitions

During the year ended 31 December 2025, the prepayments of the Group in relation to proposed acquisitions amounted to RMB50,000,000 (2024: RMB65,013,000) in aggregate. Further details of these transactions with related parties are disclosed in Note 20(b) to the consolidated financial statements.

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37 COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting year:

	2025 RMB'000	2024 RMB'000
Authorised and contracted for	851,511	1,347,104

(b) Environmental contingencies

As at 31 December 2025, the Group has not incurred any significant expenditure specifically for environmental remediation and, apart from the accrual for reclamation costs (Note 32), and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that would have a material adverse effect on the financial position or operating results of the Group. Laws and regulations protecting the environment have generally become more stringent in recent years and could become more stringent in the future. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts.

These uncertainties include:

- (i) the exact nature and extent of the contamination at the mine and coal washing plant;
- (ii) the extent of required cleanup efforts;
- (iii) varying costs of alternative remediation strategies;
- (iv) changes in environmental remediation requirements; and
- (v) the identification of new remediation sites.

The amount of such future cost is indeterminable due to factors such as unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed for future environmental legislation cannot be reasonably estimated at present but could be material.

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38 RELATED PARTY TRANSACTIONS

Apart from those disclosed elsewhere in the report including the acquisitions disclosed in Note 41 to the consolidated financial statements, during the year ended 31 December 2025, the transactions with the following parties are considered as related party transactions.

Name of related parties	Relationship
Mr. Zhang Li	A substantial shareholder of the Company
Mr. Zhang Liang, Johnson	A party interested in 62.96% issued shares of the Company held through King Lok Holdings Limited (Note)
Mr. Zhang G.M.	A shareholder of Star Idea
Mr. Ju Wenzhong	Chairman and Executive Director
Shenhua Zhunneng Xiaojia Shayan Coal Storage and Delivery Limited (“Xiaojia”) (神華准能肖家沙塢煤炭集運有限責任公司)*	An associate of the Group
Seedland (實地地產集團有限公司) * and its subsidiaries	Controlled by Mr. Zhang Liang, Johnson
R&F Properties (廣州富力地產股份有限公司)* and its subsidiaries	Mr. Zhang Li is one of major shareholders
Guangzhou Puji Properties Agency Co., Ltd (“Guangzhou Puji”) (廣州普及房地產代理有限公司)*	Controlled by Mr. Zhang Liang, Johnson
Wealth Galaxy Limited	Controlled by Mr. Zhang Liang, Johnson
Seedland Smart Service	Controlled by Mr. Zhang Liang, Johnson
Zhuhai Seedland	Controlled by Mr. Zhang Liang, Johnson

* The English translation of the entity names are for reference only. The official names of the entities are in Chinese only.

Note: The entire issued share capital of King Lok Holdings Limited is held by The Zhang Family Overseas Limited, a discretionary trust with Mr. Zhang Liang, Johnson as the settlor for the benefit of himself and his family members.

(a) Transactions with related parties

	2025 RMB'000	2024 RMB'000
Loading service from Xiaojia	115,421	130,735
Lease service from Wealth Galaxy Limited	38,516	20,451
Provision of property management services to Seedland	46,705	–
Others	1,000	4,205
	201,642	155,391

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38 RELATED PARTY TRANSACTIONS (cont'd)

(b) Amounts due from related parties

	Note	31 December 2025 RMB'000	31 December 2024 RMB'000
Other non-current assets (including current portion)			
– Loans to a related party (Note)	21	293,316	259,990
Prepayments for proposed acquisitions	20	1,333,990	2,234,770
Trade and other receivables			
– Amounts due from Mr. Zhang Liang, Johnson and/or Mr. Zhang Li and the related entities	38(c)(i)	192,659	–
– Amounts due from a related party		–	17,308
		1,819,965	2,512,068

Note:

As at 31 December 2025, the principal of loan to Guizhou Liliang and related interest receivable was RMB293,316,000 (31 December 2024: RMB259,990,000). The interest income on these loans for the year ended 31 December 2025 was RMB12,187,000 (2024: RMB10,937,000). The principal amount of the loan together with all the outstanding interest payables thereon shall be fully repaid on the due date in 2027.

(c) Amounts due to related parties

	Note	31 December 2025 RMB'000	31 December 2024 RMB'000
Xiaojia		4,698	–
Mr. Zhang Liang, Johnson and/or Mr. Zhang Li and the related entities	(i)	260,033	70,282
Mr. Zhang G.M.		–	10,000
		264,731	80,282

Note:

- (i) As at 31 December 2025, the amounts due from and to Mr. Zhang Liang and/or Mr. Zhang Li and the related entities primarily represented the consideration payables of acquisitions (see Note 41 to the consolidated financial statements for details) and those amounts due to/from the related parties recorded by the acquirees.

Amounts due to the related parties are unsecured, interest-free and repayable on demand.

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38 RELATED PARTY TRANSACTIONS (cont'd)

(d) Key management personnel remuneration of the Group

	2025 RMB'000	2024 RMB'000
Short-term employee benefits	23,480	23,461
Contributions to defined contribution retirement plans	1,188	1,058
Share-based payments	2,073	–
Total compensation paid to key management personnel	26,741	24,519

Further details of directors' emoluments are included in Note 9 to the consolidated financial statements.

(e) Applicability of the Listing Rules relating to connected transactions

Certain related party transactions in respect of Notes 38(a) and 38(b) to the consolidated financial statements above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected Transactions" of the Directors' Report.

39 FAIR VALUE MEASUREMENT

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

39 FAIR VALUE MEASUREMENT (cont'd)

Fair value hierarchy (cont'd)

	Fair value at 31 December 2025 RMB'000	Fair value measurements as at 31 December 2025 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Assets:				
Performance compensation receivable	113,049	–	–	113,049
Trust wealth management investments	208,185	–	–	208,185

	Fair value at 31 December 2024 RMB'000	Fair value measurements as at 31 December 2024 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Assets:				
Performance compensation receivable	84,734	–	–	84,734
Trust wealth management investments	228,911	–	–	228,911
Trading securities	105,498	105,498	–	–

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These techniques maximise the use of relevant observable inputs and minimise the use of unobservable inputs. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

During the year ended 31 December 2025, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

During the year ended 31 December 2025, there were loss amounting to RMB55,428,000 (2024: gain amounting to RMB59,759,000) mainly arising from the fair value changes of the trust wealth management investment and trading securities as a result of the market price movements.

Notes to the Consolidated
Financial Statements
Year Ended 31 December 2025

39 FAIR VALUE MEASUREMENT (cont'd)

Fair value hierarchy (cont'd)

The movement during the year ended 31 December 2025 in the balance of Level 3 fair value measurements is as follows:

	2025 RMB'000	2024 RMB'000
At 1 January	228,911	220,177
Redemption of financial assets at fair value through profit or loss	–	(16,106)
Changes in fair value recognised in profit or loss during the period	(20,726)	24,840
At 31 December	208,185	228,911

Except for the above mentioned, there are no other financial assets or liabilities measured at fair value at the end of the reporting year.

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2025. The following methods and assumptions were used to estimate the fair values:

The fair values of cash and bank deposits, financial assets included in trade and other receivables, financial liabilities included in trade and other payables and interest-bearing bank loans approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's principal financial instruments comprise interest-bearing bank loans, cash and bank deposits, certain other non-current assets, lease liabilities and long-term payables. The main purpose of interest-bearing bank loans, cash and bank deposits are to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, commodity price risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank deposits and short-term debt obligations with a floating interest rate. As at 31 December 2025, the Group did not hold debt obligations with a floating interest rate and are not exposed to significant interest rate risk.

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise short-term bank and other deposits and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group generally trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The Group measures provision for bad debts for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. Trade receivables are generally due within 30 to 90 days from the date of billing with a major portion of transaction amount paid in advance from sales of coal products, while trade receivables are generally collected within a longer period of time from provision of property management services due to different customer characteristics, consisting of a large number of individual customers.

As the Group's historical credit loss experience indicates significant different loss patterns for different lines of business, the loss allowance based on past due status is further distinguished between the Group's different customer bases. The Group assesses individually the expected credit losses for certain individual trade receivables with objective evidence of impairment and recognised a separate loss allowance. The individual impaired trade receivables were from the newly acquired property management services of Seedlife, of which the individual loss allowance have been made as at the acquisition date amounting to RMB45.9 million.

Given that the provision for bad debts of the Group's trade receivables are derived from the provision of property management services, in addition to disclosures in Note 24 to the consolidated financial statements, the following table provides information about the Group's exposure to credit risk and ECLs for trade receivables in this regard as at 31 December 2025:

	2025		
	Expected loss rate %	Gross carrying amount RMB'000	Provision for bad debts RMB'000
Within 1 year	4.1%	59,892	2,457
1 to 2 years	7.2%	33,226	2,396
2 to 3 years	14.3%	17,889	2,557
Over 3 years	53.7%	17,984	9,651
		128,991	17,061

Notes to the Consolidated
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Year Ended 31 December 2025

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Commodity price risk

The Group is exposed to commodity price risk through fluctuations of the price of coal sold by the Group. The Group has not used forward contracts to eliminate the commodity price exposures on individual transactions.

Foreign currency risk

The Group are not exposed to significant foreign currency exchange risk as their transactions of operation and balances are substantially denominated in their respective functional currencies.

Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including reviewing of the expected cash inflows and outflows, maturity of bank loans in order to monitor the Group's liquidity requirements in the short and longer term. Note 2.1 to the consolidated financial statements explains management's plans for managing the liquidity needs of the Group to enable it to continue to meet its obligations as they fall due.

At the end of the reporting year, financial obligations of the Group included trade and other payables, bank loans, lease liabilities and long-term payables. The following table details the remaining contractual maturities of the Group's non-derivative financial liabilities at the end of the reporting year, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates) and the earliest date the Group can be obligated to pay:

As at 31 December 2025

	Contractual undiscounted cash outflow					Carrying amount at 31 December 2025 RMB'000
	within 1 year or on demand RMB'000	1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Bank loans	158,869	491,516	302,301	-	952,686	872,000
Other financial liabilities included in trade and other payables	1,742,580	-	-	-	1,742,580	1,742,580
Lease liabilities (including current portion)	28,492	26,779	-	1,854	57,125	55,484
Long-term payables (including current portion)	87,224	87,224	519,238	186,401	880,087	719,918
	2,017,165	605,519	821,539	188,255	3,632,478	3,389,982

As at 31 December 2024

	Contractual undiscounted cash outflow					Carrying amount at 31 December 2024 RMB'000
	within 1 year or on demand RMB'000	1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Bank loans	584,693	368,103	12,658	-	965,454	878,320
Other financial liabilities included in trade and other payables	1,195,336	-	-	-	1,195,336	1,195,336
Lease liabilities (including current portion)	24,793	28,511	26,482	1,854	81,640	77,556
Long-term payables (including current portion)	110,864	346,322	260,140	273,115	990,441	861,775
	1,915,686	742,936	299,280	274,969	3,232,871	3,012,987

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2025 and 31 December 2024.

For the year ended 31 December 2025, the Group's cash at bank and on hand was mainly used in the development of the Group's Dafanpu Coal Mine, Yong'an Coal Mine and Weiyi Coal Mine and prepayments of proposed acquisitions to service the Group's indebtedness and to fund the Group's working capital. The Group financed its funding requirements mainly through a combination of interest-bearing bank loans and cash generated from operating activities. The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as total borrowings less cash at bank and on hand. Capital is the total equity.

As at 31 December 2025, the Group's outstanding balance of bank loans amounted to RMB872,000,000. The Group's gearing ratio was 8.8% as at 31 December 2025 (as at 31 December 2024: 2.9%). The gearing ratios as at the end of the reporting year were as follows:

	2025 RMB'000	2024 RMB'000
Bank loans	872,000	878,320
Less: Cash at bank and on hand	(81,586)	(629,937)
Net debt	790,414	248,383
Total equity	8,212,511	8,274,747
Capital and net debt	9,002,925	8,523,130
Gearing ratio	8.8%	2.9%

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41 ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Seedlife

On 6 September 2024, the Group entered into a share purchase agreement with Seedland Smart Service and Seedlife to acquire 100% equity interests of Seedlife. The total consideration of the acquisition was RMB423,000,000. Upon the completion of the acquisition on 13 January 2025, the Group controls 100% equity interests of Seedlife. As at 31 December 2025, the remaining consideration amounting to RMB42,300,000 was payable by the Group.

Seedlife is a limited liability company incorporated under the Laws of the British Virgin Islands, which principally engages in property management services through its subsidiaries in the PRC.

The acquisition of Seedlife contributed consolidated revenue of RMB219,114,000 and consolidated net profit of RMB16,975,000 to the Group for the period from the acquisition date to 31 December 2025.

	Acquisition date RMB'000
Total consideration	423,000
Less: Fair value of total identifiable net assets	(234,625)
<hr/>	
Goodwill	188,375
<hr/>	
Total consideration	423,000
Less: Cash at bank and on hand of acquiree	(14,146)
Prepayment for the proposed acquisition in previous years	(278,405)
Payables for the acquisition	(42,300)
Account receivable deducted from the consideration	(50,000)
<hr/>	
Net cash outflow arising from the acquisition of Seedlife	38,149

The goodwill arising from the acquisition is attributable to the anticipated future benefits following the acquisition of the equity interests in the subsidiary stated above. None of the goodwill recognised is expected to be deductible for tax purposes.

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

41 ACQUISITION OF SUBSIDIARIES (cont'd)

(a) Acquisition of Seedlife (cont'd)

The assets and liabilities arising from the acquisition of Seedlife are as follows:

	Fair value at the acquisition date RMB'000
Property, plant and equipment	2,737
Intangible assets	268,296
Deferred tax assets	15,165
Trade and other receivables	272,025
Cash at bank and on hand	14,146
Pledged and restricted deposits	798
Other non-current assets	1,322
Trade and other payables	(233,293)
Contract liabilities	(39,592)
Deferred tax liabilities	(66,979)
Total identifiable net assets	234,625

The fair value of the identifiable assets and liabilities acquired in the acquisition was determined based on independent valuation conducted by an external valuer using discounted cash flow for intangible assets and cost method for all other assets and liabilities.

(b) Acquisition of Qinhuangdao Jifu

On 6 December 2024, the Group entered into an acquisition framework agreement with Hainan Hangxiao Real Estate Development Co., Ltd. ("**Hainan Hangxiao**") and other vendors to acquire 100% equity interests of Qinhuangdao Jifu. R&F Properties agreed to transfer to the Group, and the Group agreed to receive, the creditor's rights held by R&F Properties against Qinhuangdao Jifu totalling RMB617,394,000 ("**Creditor's Rights**") for a consideration of RMB564,625,000 ("**Creditor's Rights Transfer**"); the Hainan Hangxiao agreed to transfer to R&F Properties, and R&F Properties agreed to receive, the debt owed by Hainan Hangxiao to the Group (i.e. the amount paid by the Group under the previous property purchase framework agreement) in the amount of RMB564,625,000 ("**Debt Transfer**"); and Hainan Hangxiao and the Group agreed to terminate the previous property purchase framework agreement. The consideration payable by the Group for the Creditor's Rights Transfer shall be fully set off by the equivalent amount payable by R&F Properties under the Debt Transfer. Upon the completion of the acquisition in 2025, the Group controls 100% equity interests of Qinhuangdao Jifu.

Qinhuangdao Jifu is a limited liability company established in the PRC, which principally engages in real estate development and sales.

Notes to the Consolidated
Financial Statements
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41 ACQUISITION OF SUBSIDIARIES (cont'd)

(b) Acquisition of Qinhuangdao Jifu (cont'd)

The identifiable assets of Qinhuangdao Jifu are mainly properties under development that the Group intends to acquire for sale.

The assets and liabilities arising from the acquisition of Qinhuangdao Jifu are as follows:

	Acquisition date RMB'000
Property, plant and equipment	2
Inventories	1,036,959
Trade and other receivables	57,680
Pledged and restricted deposits	607
Trade and other payables	(205,542)
Contract liabilities	(325,081)
Total identifiable net assets	564,625
Less: Prepayment for the proposed acquisition	(564,625)
Cash outflow arising from the acquisition of Qinhuangdao Jifu	-

(c) Acquisition of Maoming Shengda and Maoming Shengcheng

On 1 November 2024, the Group entered into the fifth supplemental agreement with subsidiaries of Seedland to acquire 100% equity interests of Maoming Shengda and Maoming Shengcheng. The total consideration of the acquisition was RMB70,000,000. Upon the completion of the acquisition in 2025, the Group controls 100% equity interests of Maoming Shengda and Maoming Shengcheng.

Maoming Shengda and Maoming Shengcheng are companies established in the PRC with limited liability, which principally engage in real estate development and sales.

The identifiable assets of Maoming Shengda and Maoming Shengcheng are mainly properties under development that the Group intends to acquire for sale.

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

41 ACQUISITION OF SUBSIDIARIES (cont'd)

(c) Acquisition of Maoming Shengda and Maoming Shengcheng (cont'd)

The assets and liabilities arising from the acquisition of Maoming Shengda and Maoming Shengcheng at the acquisition date are as follows:

	Maoming Shengda RMB'000	Maoming Shengcheng RMB'000
Trade and other receivables	21,479	1,080
Cash at bank and on hand	22,858	–
Inventories	293,758	102,209
Trade and other payables	(252,133)	(21,594)
Contract liabilities	(26,117)	–
Bank loans and other borrowings	(14,540)	(57,000)
Total identifiable net assets	45,305	24,695
Total identifiable net assets of Maoming Shengda and Maoming Shengcheng		70,000
Total consideration for the identifiable net assets acquired		70,000
Less: Cash at bank and on hand of acquirees		(22,858)
Prepayment for the proposed acquisition		(57,750)
Payables for the acquisition		(12,250)
Add: Payment in relation to the other borrowings prior to the acquisition date		55,000
Net cash outflow arising from the acquisition of Maoming Shengda and Maoming Shengcheng		32,142

42 EQUITY SETTLE SHARE-BASED TRANSACTIONS

The Company has approved and adopted the 2022 Share Award Scheme, 2023 Share Option Scheme, 2023 Share Award Scheme as disclosed in Note 35(i) to the consolidated financial statements. On 6 January 2025, a total of 263,500,000 awarded shares were granted to directors and employees of the Group under the 2023 Share Award Scheme (2024: Nil). Each awarded share entitles the holder to subscribe for one ordinary share of the Company at an exercise price of HKD1.00. All awarded shares granted to directors and employees will vest on 6 January 2028.

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Year Ended 31 December 2025

42 EQUITY SETTLE SHARE-BASED TRANSACTIONS (cont'd)

(i) The exercise price and the number of awarded shares are as follows

	2025	
	Exercise price HKD	Number of awarded shares
Outstanding at the beginning of the year	–	–
Granted during the year	1.00	263,500,000
Outstanding at the end of the year	1.00	263,500,000
Exercisable at the end of the year		–

(ii) Fair value of awarded shares and assumptions

The estimate of the fair value of the awarded shares granted is measured based on Black-Scholes model. Key assumptions used in determining the fair value of share options granted are as follows:

	2025
Fair value of awarded shares and assumptions	
Fair value at measurement date	HKD49,472,000
Share price	HKD1.20
Exercise price	HKD1.00
Expected volatility	47.27%
Option life	3 years
Risk-free interest rate	3.41%

Expected volatility was estimated based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information.

Risk-free interest rate was based on the rate on Hong Kong Bond Yield.

The Black-Scholes model has been used to estimate the fair value of the awarded shares. The variables and assumptions used in computing the fair value of the awarded shares are based on the Company's best estimate. The fair values of share options will vary if different variables and assumptions are adopted.

43 SUBSEQUENT EVENTS AFTER THE REPORTING YEAR

(a) Subscription of shares issued by MC Mining

Upon subscription of further shares issued by MC Mining on 9 January 2026 and 12 March 2026 with a total consideration of USD20,000,000 (equivalent to RMB 141,288,000), the Group has subscribed a total of 373,316,119 new ordinary shares of MC Mining and holds approximately 47.42% of equity interests in MC Mining.

Notes to the Consolidated Financial Statements

Year Ended 31 December 2025

44 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting year is as follows:

	Note	2025 RMB'000	2024 RMB'000
Non-current assets			
Investment in subsidiaries	14	644,384	743,537
Prepayments for proposed acquisitions		–	47,705
Other non-current assets		113,049	84,734
Total non-current assets		757,433	875,976
Current assets			
Amount due from subsidiaries		2,391,030	631,656
Other receivables		719	2,952
Cash at bank		2,434	792
Total current assets		2,394,183	635,400
Current liabilities			
Amount due to subsidiaries		2,177,899	682,495
Dividends payable		153,806	–
Other payables		69,281	69,282
Total current liabilities		2,400,986	751,777
Net current liabilities		(6,803)	(116,377)
NET ASSETS		750,630	759,599
EQUITY			
Share capital		54,293	54,293
Reserves (Note)		696,337	705,306
TOTAL EQUITY		750,630	759,599

Approved and authorised for issue by the board of directors on 24 March 2026.

Ju Wenzhong

Chairman and Executive Director

Li Bo

Chief Executive Officer and Executive Director

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44 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (cont'd)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000 (Note 34)	Share award scheme reserves RMB'000 (Note 35(i))	Share- based payment reserves RMB'000	Other reserve RMB'000 (Note 35(ii))	Exchange reserve RMB'000 (Note 35(iv))	Retained profit RMB'000	Total RMB'000
At 1 January 2024	483,907	-	-	141,831	64,438	12,612	702,788
Profit for the year	-	-	-	-	-	1,251,174	1,251,174
Other comprehensive income	-	-	-	-	3,272	-	3,272
Total comprehensive income for the year	-	-	-	-	3,272	1,251,174	1,254,446
Dividends paid	-	-	-	-	-	(1,228,417)	(1,228,417)
Purchase of shares under share award schemes	-	(23,511)	-	-	-	-	(23,511)
At 31 December 2024 and 1 January 2025	483,907	(23,511)	-	141,831	67,710	35,369	705,306
Profit for the year	-	-	-	-	-	976,440	976,440
Other comprehensive income	-	-	-	-	4,362	-	4,362
Total comprehensive income for the year	-	-	-	-	4,362	976,440	980,802
Dividends paid	-	-	-	-	-	(854,576)	(854,576)
Dividend payable	-	-	-	-	-	(153,806)	(153,806)
Equity settled share-based payment expenses	-	-	18,611	-	-	-	18,611
At 31 December 2025	483,907	(23,511)	18,611	141,831	72,072	3,427	696,337

Financial Summary

FINANCIAL RESULTS

	Year ended 31 December 2025 RMB'000	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Revenue	5,293,266	5,655,829	4,745,069	6,155,830	5,580,702
Profit before taxation	1,234,677	2,736,755	2,440,901	3,634,027	3,422,296
Income tax expense	(345,265)	(656,101)	(368,178)	(977,712)	(954,737)
Profit for the year	889,412	2,080,654	2,072,723	2,656,315	2,467,559
Other comprehensive income for the year that may be reclassified subsequently to profit or loss: Exchange differences on translation of financial statements of operations outside China	14,958	25,821	42,547	(12,339)	9,013
Total comprehensive income for the year	904,370	2,106,475	2,115,270	2,643,976	2,476,572
Earnings per share attributable to equity shareholders of the Company (RMB cent)					
– Basic	10.66	25.06	24.65	31.61	29.28
– Diluted	10.57	25.06	24.65	31.65	29.28

ASSETS AND LIABILITIES

	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Total non-current assets	10,091,822	9,722,032	8,780,727	7,880,432	2,823,202
Total current assets	3,516,517	3,268,694	2,157,187	1,612,209	3,219,009
Total current liabilities	3,745,815	3,425,861	2,572,076	1,815,415	1,391,272
Net current (liabilities)/assets	(229,298)	(157,167)	(414,889)	(203,206)	1,827,737
Total assets less current liabilities	9,862,524	9,564,865	8,365,838	7,677,226	4,650,939
Total non-current liabilities	1,650,013	1,290,118	945,639	1,360,436	78,897
Net assets	8,212,511	8,274,747	7,420,199	6,316,790	4,572,042
Total equity	8,212,511	8,274,747	7,420,199	6,316,790	4,572,042