ANNUAL REPORT
2023

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

Contents

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
Ms. Cheng Lucy

COMPANY SECRETARY
Ms. Cheng Lucy

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 Minsheng Banking Corp., Ltd.

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**"), as of 31 December 2023.

The year 2023 was marked by intensified geopolitical tensions, alongside adverse factors such as high interest rates, high inflation, high debt levels and the rise of trade protectionism, which increased the downward pressure on the global economy. With the precise macro-economic adjustment and control of the Chinese government, the overall economic and social situation has remained stable while China's economy showed strong resilience. According to the National Bureau of Statistics of China, the gross domestic product ("**GDP**") of the People's Republic of China ("**PRC**") reached approximately RMB126.1 trillion in 2023, representing a year-on-year increase of 5.2% at constant prices.

In 2023, the domestic coal market experienced robust supply and demand, with supply slightly exceeding demand in general. As domestic coal production capacity was progressively released and the quantity of imported coal increased, the overall coal market supply was abundant. On the other hand, the steady economic recovery also boosted the demand for electricity consumption. With coal power remaining as the core of the power generation sector, demand for coal has consequently increased. Domestic coal prices stayed at a relatively high level despite experiencing a decline in 2023.

As a leading integrated coal enterprise in China, the Group's business activities cover coal production, washing, loading, transportation and trading. In spite of the adverse underground mining conditions faced by Dafanpu Coal Mine in the first half of 2023, the Group took timely measures to gradually resume normal production by May 2023 and accelerated production and sales in the second half of the year to catch up with the annual production and sales targets. Moreover, the Group implemented precise and efficient sales strategies based on market conditions and production situations, minimizing the adverse effects of falling market coal prices and production disruptions. For the year ended 31 December 2023, the Group's revenue reached approximately RMB4,745.1 million, representing a decrease of 22.9% year-on-year. The Group's consolidated net profit amounted to approximately RMB2,072.7 million, representing a decrease of 22.0% year-on-year.

In 2023, the Group continued to promote the safe, efficient and green mine construction in Dafanpu Coal Mine. In terms of safety, the Group regularly organized hands-on training and safety production month activities to improve the skills and safety awareness of employees. In terms of production, the Group improved the digital level of coal mines in an all-round manner by adopting dynamic management, upgrading equipment system and strengthening equipment control. During the year, the smart coal mining working faces and the smart mines of Dafanpu Coal Mine successfully passed the acceptance inspection. In terms of operation management, the Group continued to implement refined management for cost reduction and efficiency enhancement. For the year ended 31 December 2023, the Group's gross profit margin was 59.1%, while the net profit margin was 43.7%, remaining at a relatively high level in the industry. In addition, capitalizing on its high-quality self-produced coals "Kinetic 2", the Group continued to reinforce and strengthen its brand's downstream influence.

Furthermore, the Group's Yong'an Coal Mine and Weiyi Coal Mine, located in the Ningxia Hui Autonomous Region, are currently under construction. Upon commencement of production, they are expected to effectively expand the Group's coal production capacity, diversify coal types and become one of the main growth points for future performance.

Chairman's Statement

In addition, the Group attaches great importance to environmental protection and sustainable development. The Group's Dafanpu Coal Mine continues to maintain the honor of being a national-level green mine. Moreover, the Group continued to orchestrate the development of its mine reclamation areas and commenced auxiliary businesses in the agriculture and livestock industry, and commenced the business of production, operation and sales of cigar and tobacco in Cambodia through acquisition in October 2023, which further enhanced the Group's performance on top of its principal coal business.

Looking forward to 2024, the global economic environment remains complex and challenging, with an uncertain outlook. The Chinese government will continue to prioritize stability, implement precise macro-control measures, and stimulate domestic demand. As such, the domestic economy is expected to maintain a stable and positive momentum. As for the coal industry, the coal supply is expected to increase consistently in 2024 though at a limited rate. The demand side will remain its resilience with the gradual recovery of the economy, supporting coal prices at a relatively high level. In the medium-to long-term, thermal power will continue to dominate the future power generation sector, and high-quality coal enterprises will have a stable development outlook.

The Group will capture market opportunities and actively identify and explore quality projects by fully leveraging on its advantages in terms of high standard and premium products, strong profitability and cash position. Moreover, the Group will seek to achieve steady growth and development, striving for outstanding returns for the society and our shareholders.

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

Ju Wenzhong
Chairman and Executive Director

25 March 2024

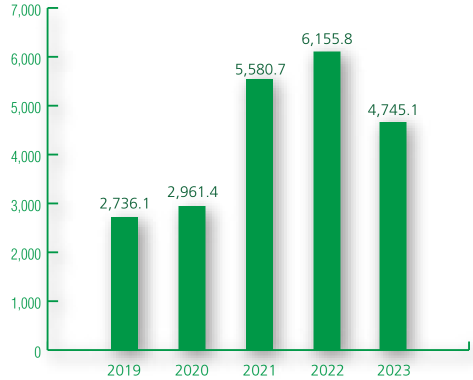
MANAGEMENT
DISCUSSION AND ANALYSIS

Diverse Offering of Quality Products

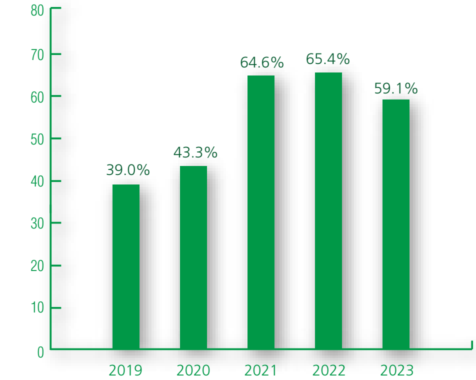
Management Discussion and Analysis

Key Financial and Operational Performance Indicators

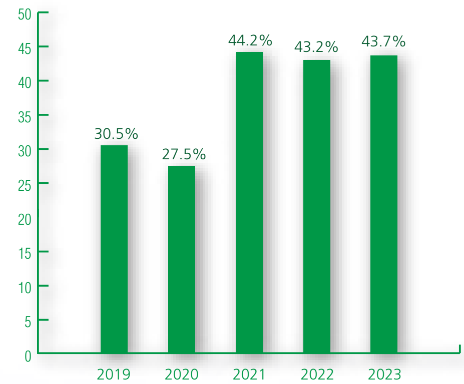
Revenue
(RMB Million)



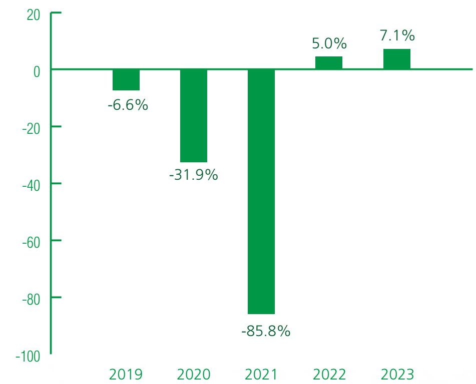
Gross Profit Margin



Net Profit Margin

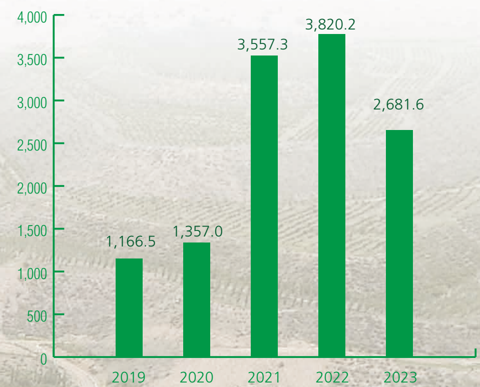


Gearing Ratio



CAPEX
(RMB Million)

EBITDA
(RMB Million)



Management Discussion and Analysis

2023 weekly average price of 5,000 Kcal thermal coal at Qinhuangdao Port (free on board):

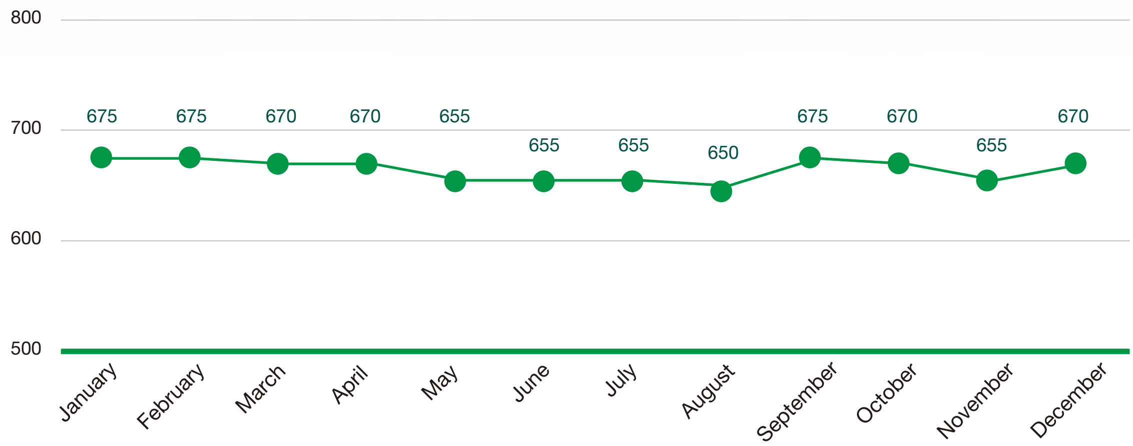
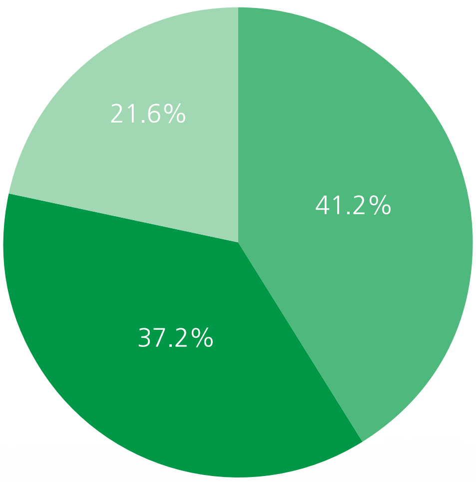


Illustration of the Structure of Customers (By Revenue):



Large-scale state-owned enterprises	37.2%
Trading firms	41.2%
Terminal power plant	21.6%


力量煤业欢迎

Management Discussion and Analysis

MARKET REVIEW

In 2023, the global economy continued its challenging recovery from the negative impacts of the COVID-19 pandemic and the Ukraine crisis. However, the recovery lacked momentum, the growth was unstable, and the trend of divergence among countries became more notable. The exacerbation of geopolitical conflicts and multiple risks cast a shadow over the global growth outlook. In face of the complex and grim external environment, the Chinese economy demonstrated strong resilience and enormous potential, with an overall improvement and solid progress in high-quality development. According to the National Bureau of Statistics of China, China's GDP for 2023 amounted to approximately RMB126.1 trillion, representing a year-on-year increase of 5.2% based on constant prices; sizable nationwide industrial enterprises achieved a business revenue of approximately RMB133.4 trillion, representing a year-on-year increase of 1.1% on a comparable basis; sizable nationwide industrial enterprises achieved a total profit of approximately RMB7,685.83 billion, representing a year-on-year decrease of 2.3% on a comparable basis.

In 2023, with the expansion of coal production capacity and a significant increase in the volume of imported coal, the domestic coal supply and demand tension significantly eased, but overall, supply exceeded demand moderately. On the supply side, with the effective implementation of policies of expanding production and ensuring supply, there was a stable growth in the domestic production of coal. At the same time, with the relaxation of coal import policies, there was a high-level growth in the quantity of imported coal. According to the National Bureau of Statistics of China, the raw coal output of China's sizable nationwide industrial enterprises amounted to approximately 4.66 billion tonnes in 2023, with a year-on-year increase of 2.9% on a comparable basis. China imported approximately 474 million tonnes of coal during the same period, with a year-on-year increase of 61.8% on a comparable basis. On the demand side, to ensure stable economic development, the demand for power generated by the downstream coal fired power plant remains high in 2023, although the growth rate was limited. According to the National Bureau of Statistics of China, the power generation of China's sizable nationwide industrial enterprises in 2023 amounted to approximately 8.9 trillion kWh, representing a year-on-year increase of 5.2% on a comparable basis.

In 2023, domestic coal prices overall showed a trend of "downward pressure followed by a slight fluctuation", with the average coal prices experiencing a general decrease. Affected by the decrease in coal price, the general operating results of the industry recorded a year-on-year decrease. According to the National Bureau of Statistics of China, in 2023, the principal business income of largescale enterprises from the coal mining and coal washing industries in China amounted to approximately RMB3,495.87 billion, representing a year-on-year decrease of 13.1% on a comparable basis, while the total profit amounted to approximately RMB762.89 billion, representing a year-on-year decrease of 25.3% on a comparable basis.

In conclusion, in 2023, under the influence of policies in the coal industry, the supply side was inclined towards relaxation, leading to a drop in the average coal prices, and the overall performance of coal enterprises experienced a certain degree of retracement.

BUSINESS REVIEW

As a leading integrated coal enterprise in China, the Group's business activities operate through the whole coal industry chain, covering coal production, washing, loading, transportation and trading.

In 2023, under the influence of several factors, the average coal market price experienced a downward pressure. Meanwhile, the coal mining works of Dafanpu Coal Mine of the Group in the first half of the year faced faults, fracture zones, increase in pressure in roof plate and a slow progression of mining, which resulted in a significant decrease in the production volume of coal in the first half of the year, and in turn resulted in a significant decrease in the sales volume of the coal of the Group during the same period. In response, the Group adopted effective measures in a proactive manner in the mining aspect, the production and operation have gradually resumed normal in May 2023. In the second half of the year, the Group focused on coal production and sales, successfully achieving the annual sales volume and revenue targets. For the year ended 31 December 2023, the Group recorded a total revenue of approximately RMB4,745.1 million, representing a year-on-year decrease of 22.9% as compared to the corresponding period last year; the sales volume of the Group's 5,000 kcal coal products decreased by approximately 10.9% as compared with last year.

Even in face of the pressure from the external markets and our own extraction conditions, the Group has always persisted in efforts to maximize final benefits. In 2023, the Group studied and estimated the market trends in a scientific way, flexibly deployed sales strategy based on the market conditions and the actual production of the Group, and grasped the opportunity to make delivery when the coal price was at a relatively high level. In addition, the Group initially tried a competitive bidding sales method, selling based on the best offers from customers. In 2023, the average selling price per tonne of the Group's 5,000 kcal low-sulfur environmentally friendly thermal coal amounted to approximately RMB802.0, representing a year-on-year decrease of approximately 20.0%, higher than the prevailing market price, with receivables collection ratio reaching 100.0%.

In 2023, the Group continued to implement refined management, formulated and improved various systems in various operational aspects, and strived to control various management fees and costs, while continuing to enhance intelligent construction, reduce costs and increase efficiency, which effectively mitigated the effect of the decline of sales price on gross profit margin. For the year ended 31 December 2023, the Group achieved a gross profit margin of approximately 59.1%, which was of an industry-leading level.

Based on the above business strategies, the Group has maintained a steady development, bringing a relatively considerable profit returns to shareholders. For the year ended 31 December 2023, the Group's consolidated net profit amounted to approximately RMB2,072.7 million, representing a year-on-year decrease of 22.0%. The Group's EBITDA amounted to approximately RMB2,681.6 million, representing a year-on-year decrease of 29.8%.

The Group has always put safe production in top priority. The Group's Dafanpu Coal Mine in Inner Mongolia has been rated as "Coal Industry Premium Safe and Efficient Mine" by the China National Coal Association since 2014 and had maintained the honour of "Class A Coal Mine" for eight consecutive years since 2014. In 2023, Dafanpu Coal Mine successfully passed the acceptance of "National Class 1 Safe Production Standardized Mine" and "Intelligent Mining Process".

The Group upholds the principles of green and sustainable development concepts. In 2023, the Dafanpu Coal Mine continued to maintain the national green mine honor, which fully reflected the comprehensive strengths of the Group on sustainable development of the coal industry. In recent years, the Group has successfully established an ecological industrial chain integrating agricultural product planting and livestock breeding in the mine reclamation area. In addition, the Group commenced the business of production, operation and sales of cigar and tobacco in Cambodia by acquiring 73% equity interests in Star Idea Enterprises Limited ("**Star Idea**") in October 2023. On the basis of the steady operation of the principal business of coal, the Group will carry out the ancillary business of agriculture, animal husbandry and tobacco to seek more profit returns for shareholders.

The Group is diversifying its business by utilizing surplus funds in order to maximize returns for shareholders. As of 31 December 2023, there are several transactions in progress, and the Group is proactively monitoring the progress and pushing forward the transactions with feasible initiatives to conclude these transactions.

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 and 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 condition 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 always 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 2023, the Group's Dafanpu Coal Mine had no serious personal injury accidents. Work that minimizes the risks in respect of production safety are detailed in the Environmental, Social and Governance Report set out on pages 28 to 57 of this annual report.

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 were as follows:

Dafanpu Coal Mine:

Coal Resources as of 31 December 2023

Coal Seam	Measured (Million tonnes)	Indicated (Million tonnes)	Inferred (Million tonnes)	Total Coal Resources (Million tonnes)
5	9.73	14.42	0.56	24.71
6^{u}	9.64	19.20	0.47	29.31
6	131.32	159.80	0.34	291.46
8	—	—	4.05	4.05
9	—	5.13	12.91	18.04
Total	150.69	198.55	18.33	367.57

Coal Reserves as of 31 December 2023

Coal Seam	Proven Coal Reserves (Million tonnes)	Probable Coal Reserves (Million tonnes)	Total Coal Reserves (Million tonnes)
6^{u}	5.53	9.45	14.98
6	73.64	76.99	150.63
Total	79.17	86.44	165.61

Management Discussion and Analysis

Yong'an Coal Mine:

Coal Resources as of 31 December 2023

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 2023

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

Weiyi Coal Mine:

Coal Resources as of 31 December 2023

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 2023

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 2023 amounted to approximately RMB1,162.9 million which were mainly related to the acquisition, purchase of machinery and equipment and construction of the Yong'an Coal Mine, Weiyi Coal Mine and other projects.

The Group incurred capital expenditures of approximately RMB820.3 million for the year ended 31 December 2023, which were mainly related to the acquisition, purchase of machinery and equipment and construction of the Yong'an Coal Mine, Weiyi Coal Mine and other projects. These capital expenditures were financed by a combination of interest-bearing bank loans and internal resources.

The breakdown of the Group's expenses in relation to its mining activities for the year ended 31 December 2023 is summarised as follows:

	For the year ended 31 December 2023 RMB'000
Cost items	
Mining costs	**464,568**
Processing costs	**92,427**
Government surcharges	**300,735**
Transportation costs	**1,055,565**
Cost of sales	**1,913,295**
Finance costs	**34,517**
Total	**1,947,812**

FUTURE OUTLOOK

Looking forward to 2024, the global economy is set to face considerable challenges, including persistently high interest rates, escalating geopolitical conflicts, and sluggish international trade. The Global Economic Prospects released by the World Bank in January 2024 forecasts a continued slowdown in global economic growth for the third consecutive year, with a decrease from 2.6% in 2023 to 2.4% in 2024. In 2024, the PRC government will continue to promote strategies aimed at expanding domestic demand and optimizing supply, whilst maintaining a commitment to further opening up. It is expected that China's economy will continue to recover and with a favourable development.

In terms of the coal market, it is anticipated that the domestic supply will continue to be prosperous in 2024, although the growth rate is expected to slow down due to stricter safety regulations and a diminished capacity for increased production. Demand is set to stay at a high level, underpinning relatively high fluctuations in domestic coal prices. Over the medium to long term, the leading role of thermal power generation is unlikely to shift. During the period of the 14th Five-Year Plan, there will be a significant year-on-year increase in new thermal power generating units. As the domestic economy continues to recover and the demand for electricity increases, it is expected that the coal enterprises will achieve promising results.

Looking forward to 2024, the Group will continue to implement the mine development concept of both safety, efficiency and environmental protection, further implement the refined operation strategy, making full use of the advantages from its own low-sulphur, high-quality thermal coal brand products "Kinetic 2", and conforming to the market situation, in order to flexibly adjust the sales pace and strategy, and to improve the Group's operating efficiency effectively. In addition, Weiyi Coal Mine and Yong'an Coal Mine, which are operated by the Group and located in Ningxia Hui Autonomous Region, are currently under construction and are expected to be put into operation successively in the second half of 2024 and reach full capacity in 2026. The Group is able to tap into coking coal business, and further increase the production capacity of coking coal by 2.1 million tons per year, thus break through the limitations from operating a single coal mine with a single coal type, and the coal mine project in Ningxia is expected to be one of the main driving forces of the growth in results in the future.

In terms of other businesses, the Guangtaichang Original Breeding Pig Farm of Inner Mongolia Liangyun Animal Husbandry Development Co., Ltd. ("**Liangyun Animal Husbandry**")(內蒙古量蘊牧業發展有限公司) has been built in 2022, and 650 French original breeding pigs have been introduced from France. In the first phase, a breeding area is planned to be built, including a breeding farm and two fattening farms. Lijiata Fattening Farm (李家塔育肥場) was put into production in August 2023. Huajian Village Qianhao Breeding Farm (鏵尖村前壕擴繁場) is expected to be completed and put into operation in the first half of 2024. Wulan Bulang Fattening Farm (烏蘭不浪育肥場) is expected to be completed and put into operation at the start of 2025. The first phase of the project is expected to reach full capacity by the end of 2025, with 7,200 breeding pigs in stock and 170,000 pigs of various types marketed annually.

Looking forward, the Group will continue to uphold the principle of high-quality development. On the basis of the steady development of the principal coal business, the Company will expand a diversity of ancillary businesses, improve the overall operation efficiency, and to reward its shareholders with outstanding results.

FINANCIAL REVIEW

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	2023 RMB'000	2022 RMB'000
REVENUE	**4,745,069**	6,155,830
Cost of sales	**(1,942,031)**	(2,132,372)
Gross profit	**2,803,038**	4,023,458
Other incomes and losses, net	**(27,000)**	(65,535)
Gains/(losses) on fair value changes of financial assets	**29,278**	(39,860)
Selling expenses	**(16,938)**	(23,264)
Administrative expenses	**(257,146)**	(225,417)
PROFIT FROM OPERATIONS	**2,531,232**	3,669,382
Share of profits of associates	**11,109**	14,538
Finance costs	**(101,440)**	(49,893)
PROFIT BEFORE TAXATION	**2,440,091**	3,634,027
Income tax expense	**(368,178)**	(977,712)
PROFIT FOR THE YEAR	**2,072,723**	2,656,315
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 Mainland China	**42,547**	(12,339)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,115,270**	2,643,976

Management Discussion and Analysis

	2023 RMB'000	2022 RMB'000
Profit for the year attributable to:		
Equity shareholders of the Company	**2,077,831**	2,664,533
Non-controlling interests	**(5,108)**	(8,218)
	2,072,723	2,656,315
Total comprehensive income for the year attributable to:		
Equity shareholders of the Company	**2,121,303**	2,652,194
Non-controlling interests	**(6,033)**	(8,218)
	2,115,270	2,643,976
Basic and diluted earnings per share attributable to equity shareholders of the Company (RMB cents)	**24.65**	31.61

Revenue

Revenue of the Group decreased from RMB6,155.8 million for the year ended 31 December 2022 to RMB4,745.1 million for the year ended 31 December 2023, representing a decrease of approximately 22.9%.

The decrease in the Group's revenue was mainly due to the influence of several factors. The coal market selling price experienced a downward frustration, the average selling price of the Group's 5,000 kcal coal products decreased by approximately 20.0% for the year ended 31 December 2023 as compared with last year. Meanwhile, the coal mining works of Dafanpu Coal Mine of the Group in the first half of the year faced faults, fracture zones, increase in pressure in roof plate and a slow progression of mining, which resulted in a significant decrease in the production volume of Group's coal products in the first half of the year, and in turn resulted in a decrease in the sales volume of the 5,000 kcal products of the Group.

Cost of Sales

For the year ended 31 December 2023, the Group incurred cost of sales of approximately RMB1,942.0 million as compared to the cost of sales amounted to RMB2,132.4 million for the year ended 31 December 2022. The cost of sales of the Group mainly comprised salaries of coal mine workers, costs of supplementary materials, fuel and electricity, depreciation, amortisation, surcharges of mining operations and transportation costs.

Gross Profit and Gross Profit Margin

During the year ended 31 December 2023, the Group recorded a gross profit of RMB2,803.0 million and a gross profit margin of 59.1% as compared to the gross profit of RMB4,023.5 million and the gross profit margin of 65.4% for the year ended 31 December 2022.

The decrease in Group's gross profit margin for the year ended 31 December 2023 was mainly attributable to the decrease in the average selling price of the Group's coal products.

Other Incomes and Losses, Net

The net amount of other incomes and losses of the Group changed from net losses of RMB65.5 million for the year ended 31 December 2022 to net losses of RMB27.0 million for the year ended 31 December 2023. This was mainly attributed to the increase of RMB13.9 million in government grants, RMB21.2 million in gains on disposal of an associate and RMB53.4 million in donation, both decrease of RMB21.5 million in penalty and RMB8.0 million in impairment of goodwill combined with the effect of RMB18.3 million in net gains on disposal of property, plant and equipment and termination of lease contracts in 2023 while losses in 2022.

For the years ended 31 December 2023 and 2022, the Group's net amount of other incomes and losses mainly comprised government grants, net foreign exchange differences, net gains/(losses) on disposal of property, plant and equipment and termination of lease contracts, interest income, donation and penalty.

Selling Expenses

Selling expenses of the Group decreased from approximately RMB23.3 million for the year ended 31 December 2022 to RMB16.9 million for the year ended 31 December 2023, representing a decrease of 27.2% as compared with last year. The Group's selling expenses mainly comprised salaries of sales staff and marketing related expenses. The decrease in the Group's selling expenses was mainly attributable to the decrease in salaries of sales staff.

Administrative Expenses

The Group's administrative expenses increased from RMB225.4 million for the year ended 31 December 2022 to RMB257.1 million for the year ended 31 December 2023, representing an increase of 14.1% as compared with the corresponding period last year. The increase in the Group's administrative expenses was mainly attributable to the increase in staff cost during the reporting period. The Group's administrative expenses mainly comprised salaries and related personnel expenses of the administrative, finance and human resources departments, consultancy fees and other incidental administrative expenses.

Finance Costs

The Group's finance costs increased from RMB49.9 million for the year ended 31 December 2022 to RMB101.4 million for the year ended 31 December 2023. The increase in the Group's finance costs was mainly attributable to the increase in average balance of interest-bearing liabilities during the year.

Income Tax Expense

The major components of income tax expense in the consolidated statement of profit or loss and other comprehensive income are:

	2023 **RMB'000**	2022 RMB'000
Current tax — Mainland China	**379,977**	988,882
Deferred income tax		
Reversal and origination of temporary differences	**(11,799)**	(11,170)
Total tax expense for the year	**368,178**	977,712

The details of the income tax expense are disclosed in Note 11 to the consolidated financial statements.

Profit for the Year

The Group recorded a consolidated net profit attributable to equity shareholders of the Company of RMB2,077.8 million for the year ended 31 December 2023, which decreased substantially from the consolidated net profit attributable to equity shareholders of the Company of RMB2,664.5 million for the year ended 31 December 2022, representing a decrease of 22.0% year-on-year. Net profit margin for the year ended 31 December 2023 was 43.7%, basically approximate to that of the previous year.

Final Dividend

On 25 March 2024, the Board proposed a final dividend of HKD0.05 per share, payable to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 17 May 2024. It is expected that the final dividend will be paid in cash on or before Friday, 28 June 2024. The total amount of the final dividend to be distributed is estimated to be HKD421,500,000. The proposal of the distribution of final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company (the "**AGM**").

Consolidated Statement of Cash Flows

	2023 RMB'000	2022 RMB'000
Net cash flows generated from operating activities	**1,711,806**	3,094,173
Net cash flows used in investing activities	**(903,880)**	(4,275,508)
Net cash flows used in financing activities	**(620,770)**	(649,880)
Net increase/(decrease) in cash and cash equivalents	**187,156**	(1,831,215)
Cash and cash equivalents at 1 January	**551,866**	2,387,239
Effect of foreign exchange rate changes	**(4,879)**	(4,158)
Cash and cash equivalents at the end of year	**734,143**	551,866

Net Cash Generated from Operating Activities

The Group's net cash generated from operating activities for the year ended 31 December 2023 was RMB1,711.8 million, primarily due to profit before taxation of RMB2,440.9 million, adjusted for interest expenses of RMB101.4 million, depreciation of RMB106.1 million, amortization of RMB33.1 million, interest income of RMB19.8 million, share of profits of associates of RMB11.1 million, a decrease both in trade and other receivables of RMB91.5 million and in trade and other payables and contract liabilities of RMB225.3 million, a decrease in restricted deposits of RMB9.2 million, gains on disposal of property, plant and equipment and termination of lease contracts of RMB7.4 million, gains on fair value changes of financial assets of RMB29.3 million and income tax paid of RMB762.5 million.

Net Cash Used in Investing Activities

The Group's net cash used in investing activities for the year ended 31 December 2023 was RMB903.9 million, primarily due to purchases of property, plant and equipment, intangible assets and other non-current assets of RMB490.0 million, prepayment for the proposed acquisitions of RMB147.0 million and net cash outflow of acquisition of subsidiaries of RMB194.1 million.

Net Cash Used in Financing Activities

The Group's net cash used in financing activities for the year ended 31 December 2023 was RMB620.8 million, primarily due to the net increase in the Group's bank loans of RMB419.8 million, dividend payment of RMB775.2 million, interest payments of RMB64.7 million and the net increase in pledged time deposits of RMB200.0 million.

Cash at Bank and on Hand

At the end of the reporting period, the Group's cash at bank and on hand was RMB734.1 million, as compared with RMB551.9 million at 31 December 2022, mainly attributable to an increase in the cash at bank and on hand by RMB187.1 million and the exchange loss of RMB4.9 million.

OTHER FINANCIAL INFORMATION

Liquidity and Financial Resources

As at 31 December 2023, the Group had net current liabilities of RMB414,889,000 and has undertaken several acquisitions with prepayments made amounting to RMB2,449,881,000 as disclosed in Note 19 to 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 RMB1,162,943,000 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 other than 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 2023, the Group's cash at bank and on hand were mainly used for 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's gearing ratio were 7.1% as at 31 December 2023 and 5.0% as at 31 December 2022, 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 2023, the Group's cash at bank and on hand, amounting to RMB734.1 million, were denominated in RMB (53.19%), Hong Kong dollars (46.26%), U.S. dollars (0.54%) and Cambodian Riel (0.01%).

As at 31 December 2023 and 31 December 2022, the Group's secured bank loans were as follows:

	At at 31 December	
	2023	2022
	RMB'000	RMB'000
Current	**1,033,000**	300,000
Non-Current	**269,800**	583,000
	1,302,800	883,000

As at 31 December 2023, the Group's bank loans amounting to RMB400.0 million was secured by the Group's pledged deposits amounting to RMB400.0 million.

As at 31 December 2023, the Group's bank loan amounting to RMB350.0 million (31 December 2022: RMB850.0 million) was jointly guaranteed by Mr. Zhang Li and Mr. Zhang Liang, Johnson (substantial shareholders of the Company) and secured by the Group's pledged deposits amounting to RMB200.0 million and the mining right of Dafanpu coal mine held by Inner Mongolia Zhunge'er Kinetic Coal Limited ("**Kinetic Coal**").

As at 31 December 2023, the Group's bank loans amounting to RMB552.8 million (As at 31 December 2022: RMB33.0 million) was secured by the mining right of Dafanpu coal mine held by Kinetic Coal or guaranteed by Kinetic Coal and/or Mr. Ju Wenzhong, a director of the Company.

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 short-term debt obligations with a floating interest rate. As at 31 December 2023, the Group did not hold short-term 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.

Capital Expenditures

The Group incurred capital expenditures of approximately RMB820.3 million for the year ended 31 December 2023, which were mainly related to the acquisition, purchase of machinery and equipment and construction of the Yong'an Coal Mine, Weiyi Coal Mine and other projects. These capital expenditures were financed by a combination of interest-bearing bank loans and internal resources.

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.

Capital Commitments

The Group's capital commitments as at 31 December 2023 amounted to approximately RMB1,162.9 million which were mainly related to the acquisition, purchase of machinery and equipment and construction of the Yong'an Coal Mine, Weiyi Coal Mine and other projects.

Other Commitments

According to the Group's production plan in the coming few years, the underground extraction activities will go into corresponding agricultural land area currently occupied by various domestic households. As such, during the reporting period, management of the Group have started to liaise with those affected households for relocation request and provide monetary compensation. As of 31 December 2023, the Group estimated the aggregate future compensation payable for such purpose to be approximately RMB17.5 million and corresponding payments are still in negotiation.

Charge on Assets

As at 31 December 2023, the total balance of the Group's bank loans was RMB1,302.8 million, of which RMB750.0 million was secured by the Group's pledged deposits amounting to RMB600.0 million, and of which RMB850.0 million was secured by the mining right of Dafanpu Coal Mine held by Kinetic Coal.

Contingent Liabilities

As at 31 December 2023, the Group had no material contingent liability.

Significant Investments, Acquisitions and Disposals

On 24 December 2021, the Group entered into an acquisition agreement with Guizhou Liliang Energy Co., Ltd. ("**Guizhou Liliang**"), an entity owned by Mr. Zhang Li (a substantial shareholder of the Company), to acquire its 75% equity interests in Liupanshui Changlin Real Estate Development Co., Ltd. ("**Changlin**") which is expected to own the mining rights of a coal mine in Guizhou 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 are secured by 100% equity interests of Guizhou Liliang. This transaction, together with the acquisition of Wuhai Fuliang Real Estate Development Co., Ltd ("**Wuhai Fuliang**") which was completed in 2022, is a connected and major transaction of the Group on an aggregate basis. The transaction with Guizhou Liliang is subject to the shareholders' approval.

On 29 April and 12 July 2022, the Group entered into a property purchase agreement and a supplemental agreement with subsidiaries of Guangzhou Seedland Real Estate Development Co., Ltd. ("**Seedland**"), including Qingdao Shilu Ocean Big Data Investment Development Co., Ltd., Zunyi Field Real Estate Development Co., Ltd., Jingmen Shiqiang Real Estate Co., Ltd., Wuxi Shidi Real Estate Co., Ltd. ("**Wuxi Shidi**"), Zhongshan Shidi Real Estate Co., Ltd. and Wuhan Pingan Zhongxin Real Estate Co., Ltd., (collectively, the "**Sellers**"), all of which are controlled by Mr. Zhang Liang, Johnson (a substantial shareholder of the Company), to acquire certain properties with a total consideration of RMB809,480,000. According to the agreements, in 2022, the Group prepaid RMB670,000,000 to Guangzhou Chaiju Architectural Design Consulting Co., Ltd. ("**Guangzhou Chaiju**") and RMB26,000,000 to Zhuhai Hengqin Tianshi Enterprise Management Consulting Co., Ltd. ("**Zhuhai Hengqin**"); and in 2023 the Group further prepaid RMB107,000,000 to Zhuhai Hengqin. The transaction is a connected transaction of the Group which was duly approved by the independent shareholders of the Company on the extraordinary general meeting of the Company held on 25 October 2022.

On 1 December 2023, the Group entered into the second supplemental agreement ("**Second Supplemental Agreement**") with the Sellers and Taiyuan Hetai Shengrui Real Estate Co., Limited. ("**Taiyuan Hetai**", a wholly owned of Wuxi Shidi), pursuant to which (i) the target properties located in Jingmen, Wuxi, Wuhan ("**Terminated Properties**") would no longer be sold to the Group, and (ii) the Group entered into a share transfer agreement with Wuxi Shidi to acquire 100% equity interests in Taiyuan Hetai ("**Target Shares**") with a consideration of RMB220,000,000. In addition, given that the Target Shares are subject to a pledge provided as security in favour of Huarong Rongde Asset Management Co. Ltd ("**Huarong Rongde**") for a debt which was used for Ziteng project of Taiyuan Hetai ("**Debt**"), the Group would become one of the obligators to settle the Debt with Huarong Rongde at a cost of no more than RMB380,000,000 so that Huarong Rongde would discharge the pledge over the Target Shares. According to the Second Supplemental Agreement, the Group prepaid RMB40,000,000 to Huarong Rongde on behalf of Taiyuan Hetai in 2023.

On 7 February 2024, the Group entered into a supplemental agreement to the Second Supplemental Agreement with the Sellers and Taiyuan Hetai, pursuant to which (i) if the acquisition will not be completed before 30 September 2024, the Group shall be entitled to terminate the Second Supplemental Agreement; and (ii) if the actual amount of the Debt owed by Taiyuan Hetai upon the completion of the transfer of the Target Shares exceeds the amount of debt factored in the valuation of Taiyuan Hetai as at 30 November 2023, the Sellers shall compensate the Group for the excess amount (the "**Excess Debt Amount**") by (a) reducing the equity consideration by the Excess Debt Amount on a dollar-to-dollar basis; and (b) providing additional properties with a total value not less than the Excess Debt Amount to the Group. The transaction is a connected transaction of the Group which was duly approved by the independent shareholders of the Company on the extraordinary general meeting of the Company held on 13 March 2024.

On 30 May 2022, the Group entered into a property purchase framework agreement with Hainan Hangxiao Real Estate Development Co., Ltd. ("**Hainan Hangxiao**"), an entity controlled by Guangzhou R&F Properties Co., Ltd of which Mr. Zhang Li (a substantial shareholder of the Company) is one of major shareholders, to acquire certain properties with a total consideration of RMB1,000,939,000. According to the property purchase framework agreement, the Group prepaid RMB564,625,000 to Hainan Hangxiao. The recoverability of the prepayment is secured by rights to 50% of sales proceeds from other properties in the same development project owned by Hainan Hangxiao according to a supplemental agreement signed in March 2023. The transaction was still in progress by the end of year 2023, while the Group had been actively working which the seller to push forward the transaction with feasible initiatives and therefore concluded the transaction is still in favor of the Group's business plan.

On 30 December 2022, the Group entered into an acquisition and subscription agreement ("**Acquisition and Subscription Agreement**") with Mr. Zhang Li (a substantial shareholder of the Company) and Star Idea to (i) acquire 36,500 existing shares of Star Idea, representing approximately 73% of the equity interest in Star Idea with a consideration of USD62,757,010 (equivalent to RMB440,974,000); and (ii) subscribe for an additional 16,667 newly issued shares of Star Idea ("**Subscription**") with a consideration of USD28,656,169 ("**Subscription Price**"). It was agreed that the outstanding loan principal and accrued interest under the loan agreement dated 4 November 2022 between the Company and Star Idea ("**Loan Agreement**") shall be treated as part of the Subscription Price payable by the Company in connection with the Subscription. On 29 March 2023, the Company, Mr. Zhang Li (a substantial shareholder of the Company) and Star Idea entered into a supplemental agreement, pursuant to which, among others, each of the parties agreed to (i) remove all references to the Subscription and all arrangements directly related thereto under the Acquisition and Subscription Agreement; (ii) add a new clause in relation to performance undertaking in favor of the Company; and (iii) reverse the termination of the Loan Agreement, which termination was originally intended to take effect upon closing of the Acquisition and Subscription Agreement. Star Idea is an investment holding company incorporated in the British Virgin Islands, which is controlled by Mr. Zhang Li (a substantial shareholder of the Company). As a wholly owned subsidiary of Star Idea, Power Cigar Tobacco Co., Ltd ("**Power Cigar Tobacco**") is a company incorporated in the Kingdom of Cambodia with limited liability, which is principally engaged in manufacturing and wholesale of tobacco products, mainly cigarettes and hand-made cigars in Cambodia and Southeast Asia. The acquisition is a connected transaction of the Group, which was duly approved by the independent shareholders of the Company on the extraordinary general meeting of the Company held on 28 July 2023 and was completed on 9 October 2023.

For more details of the above acquisitions, please refer to Note 19 and Note 40 to the consolidated financial statements of the Group.

Save as disclosed above, other than (i) the acquisition of 75% equity interests in Changlin; (ii) the acquisition of properties from subsidiaries of Seedland; (iii) the acquisition of properties from Hainan Hangxiao, which all have not yet been completed as at the date of this report, during the year ended 31 December 2023, the Group had no significant investments, and no material acquisitions or disposals of subsidiaries, associates or joint ventures. 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 which may be affected by the government macro-control policy and volatility in coal market price. The directors are of the opinion that the Group will carefully monitor its liquidity position and assuming that the Group is able to obtain borrowings from bank or other financial institutions when needed to meet its growth of the business.

Events after the Reporting Period

The details of the events after the reporting period are disclosed in Note 41 to the consolidated financial statements. Apart form that, the Group had no significant non-adjusting events subsequent to 31 December 2023.

Financial Instruments

Save as the subscription of trust wealth management investments and trading securities as disclosed in Note 21 and Note 38 to the consolidated financial statements, the Group did not have any hedging contracts or financial derivatives for the year ended 31 December 2023.

Operating 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. As at 31 December 2023, the Group had entered into agreements with counterparties to acquire certain properties and further extended its business to other business lines other than coaling mining. The reportable segments of the Group are coal mining segment and other segment (mainly including properties and tobacco operations) that are in line with the business plans and information provided to the CODM of the Group.

The revenue generated from other segment is insignificant to the Group. As such, the results of other segment is not measured separately.

During the year, the Group has completed acquisition of subsidiaries for operations in other segment. The information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation for the year ended 31 December 2023 is the total amount of related assets and liabilities of reportable segments.

The details of the operating segments are disclosed in Note 4 to the consolidated financial statements.

Human Resources and Emolument Policy

As at 31 December 2023, the Group had a total of approximately 1,871 employees in the Mainland China, Hong Kong and Cambodia. For the year ended 31 December 2023, the total staff costs, including the directors' emoluments, amounted to RMB354.1 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 and Hong Kong. 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 a share award scheme, which is funded by existing shares of the Company. On 22 May 2023, the Company also adopted a new share option scheme and share award scheme (which only grant of awards involving new shares may be made). Appropriate training programs are also provided to employees in order to ensure continuous staff training and development of employees.

Remuneration Policy of Directors and Senior Management

The Group's Directors and senior management receive compensation in the form of salaries, directors' fees, and discretionary bonuses related to the performance of the Group. The Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services to the Group or executing their functions in relation to the Group's operations. The Group's remuneration committee regularly reviews and determines the remuneration and compensation package of the Group's Directors and senior management, by reference to, among other things, the market level of salaries paid by comparable companies, the respective responsibilities of the Directors and the performance of the Group.

Environmental, Social and Governance Report

2023 REVIEW OF KINETIC DEVELOPMENT GROUP

The Group has been publishing the Environmental, Social and Governance ("**ESG**") report since 2016. This is the eighth ESG report published by us, which was approved by the Board and set out in the Group's annual report. Environmental, social and governance covers a wide range of areas and poses significant impacts to both the long-term business of a company and the overall development of the society. Good environmental, social and governance performance is the essential and important factor to 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 included Star Idea, Power Cigar Tobacco, Power Prosper International Trading Limited (力鑫國際貿易有限公司) and Liyun (Ningbo) Electricity and Fuel Co., Ltd (力蘊 (寧波) 電力燃料有限公司) which were incorporated into the Group through establishment or acquisition during the year. This report focuses on the operation of the Group in areas such as responsible operations, production safety, and environmental protection during the period from 1 January 2023 to 31 December 2023.

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

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 determining the Group's ESG-related risks and ensuring that 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. The ESG working group has an enforcement team which is responsible for daily ESG management and has gradually built 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, regards the management of and improvement on important issues as its key ESG tasks, and incorporates them 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, covering major ESG performance indicators such as carbon emissions, pollutant emissions, energy consumption and water resources management, and regularly reviews the progress of achieving the targets.

This report discloses in detail the progress and effectiveness of the Group's ESG work in 2023. The Board and all Directors guarantee that there are no false representations, misleading statements or material omissions in this report, and 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 attentions 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 represented by the Group. Details are reported in chapter 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 data presented in this report are 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.

1.3 Communication with stakeholders

The Group attaches great importance to the communication with stakeholders, by disseminating the Group's ESG concepts and practices through various channels, understanding the concerns of stakeholders and taking action to meet their reasonable expectations and demands.

Stakeholders	Expectations and Concerns	Communication and Response
Government and regulatory agencies	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	Submission of documents Advice and suggestions Special reports Inspection and supervision Work reports Submission of reports Research inspection
Shareholders	Revenue returns Compliance operations	Company announcements Information disclosure Special reports Field trips
Customers and partners	Performing contractual obligations in accordance with laws Business integrity High-quality products and services Promotion of industry development	Business communication Customer feedback Communication and discussion Negotiation and cooperation
Staff	Protection of rights Occupational health Salaries and benefits Career development	Collective bargaining Platform for democratic communication Staff activities
Society and the public	Improvement in the community environment Participation in public welfare activities Open and transparent information	Company website Company announcements, interviews and communication

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 interest to stakeholders in light of the requirements of the *Environmental, Social and Governance Reporting Guide* of The Hong Kong Stock Exchange. The Group has also used anonymous questionnaires to determine the significance of each ESG issue and finally confirmed the extent and the boundaries of issue disclosure to ensure a more accurate and comprehensive disclosure of ESG information.

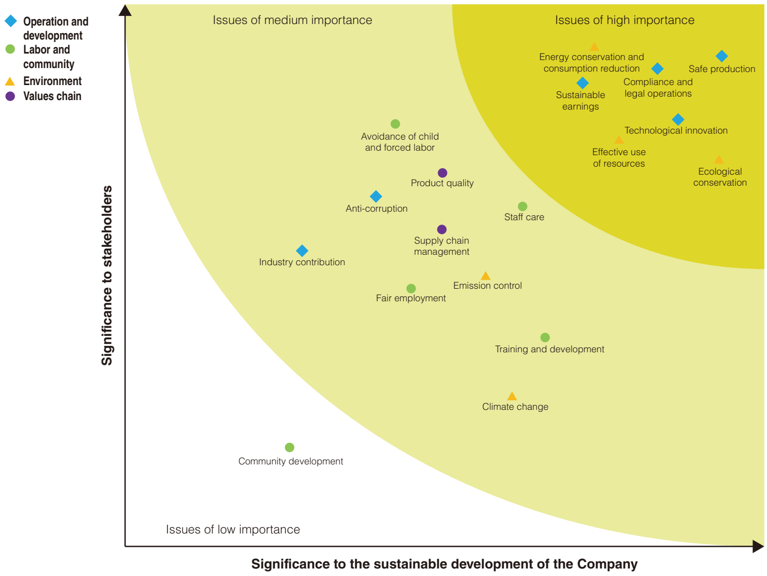
Process for identifying ESG material issues

Identification	Step 1: Collect relevant issues	Eighteen ESG issues were collected. These issues were obtained through extensive data source analysis, including the *Environmental, Social and Governance Reporting Guide* of The Hong Kong Stock Exchange, *Sustainability Reporting Standards* 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	Six stakeholder groups (government and regulatory agencies, shareholders, customers, partners, employees and community representatives) were invited to answer questionnaires and rate the significance of each issue from their perspectives.
	Step 3: Analyze the impact on operations	Opinions from the Company's senior management personnel were solicited 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 the second and the third steps, the issues were prioritized by "stakeholder significance" and "company sustainability significance" and then the ESG material issues matrix and list were obtained. The prioritization results will serve as an important reference for future strategy development, target setting and continuous information disclosure.

Environmental, Social and Governance Report

In 2023, the Group's material issues were as follows:

2023 ESG material issues matrix



The list of ESG material issues in 2023

Importance level	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

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 research and development investment to continuously promote technological innovation. In addition, the Group improves the whole management process for coal quality to provide high-quality products and excellent customer service. The Group also attaches great importance to supply chain management, so as to achieve mutual benefit 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* (Chapter 201, Laws of Hong Kong), the Group strives to eradicate all corrupt practices and to adhere to the principle of equal emphasis on education, supervision, prevention and control". By formulating the *Responsibility Investigation Measures*, the Group has strengthened its standardized management, improved the accountability system and deployed the responsibility investigation process to enhance its employee's sense of responsibility. In 2023, in order to further ensure the implementation of the *Red Line Management Regulations*, the Group carried out 18 publicity and implementation of the *Red Line Management Regulations* in various departments and subsidiaries, and also held a warning symposium for new employees to encourage them to work with integrity and abide by rules and disciplines.

To create a fair and equitable management environment, the Group has set up a complaint collection box, and offered a report hotline and email address to receive feedback from all its employees. The Group assigns a designated person to collect and sort out the reported information regularly and maintains strict confidentiality on the identities of whistle-blowers and initiates an investigation procedure on the alleged violation and ensures a high degree of accountability according to the actual situation.

In 2023, the Group organized 2 trainings on integrity warning education, personnel in professional and technical or higher positions (including the Directors and senior management) of Kinetic Development Group Limited, Kinetic Coal, Kinetic (Qinhuangdao) Energy Co., Ltd ("**Kinetic Qinhuangdao**"), Inner Mongolia Liangyun Agriculture Development Co., Limited and Liangyun Animal Husbandry participated in the training. Through the interpretation of laws and regulations and the sharing of practical cases, the Group's employees are reminded to abide by their duties, strictly observe professional ethics, and be careful not to touch the Group's red lines. Through training, the Group has further built up red line awareness and bottom line thinking, which will inject new vitality into its healthy and orderly development. In 2023, the Group has not had any corruption litigations.

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 2022, Kinetic Coal was identified and publicized as a national "High and New Technology Enterprise". It has obtained 1 invention patent and 9 utility model patents.

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. A technology team, a publicity team, a liaison team and a research and development team have been set up under our science and technology innovation studio, consisting of technical backbones and management personnel from ten departments. In 2023, the innovation studio declared 49 projects, won 40 awards, and created RMB4.90 million direct economic value, among which, the "Soil Remediation and Viticulture in Coal Mine Subsidence Area" project and the "Intercropping of Prunus Humilis and Alfalfa in Mine Ecological Restoration" project received a RMB3.5 million reward from the Zhunge'er government; the X-ray machine-selected kaolinite project and the subsidence area soil remediation and cultivation of drought-resistant grape variety and product processing project have entered the finals of the first Zhunge'er Practice and Innovation Competition. Through continuous investment in technological innovation and research and development of technological innovation projects, the Group improves the production environment with technology, improves the efficiency of energy conservation and ensures the safety production for employees.

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 the innovative research of the fully mechanized top-coal caving mining method for the full-seam coal at 61103 working faces. Such technological innovation avoided dangerous factors against the mines caused by hazards, such as water, fire, gas, and roof plates, when using strata mining method to mine in ultra-thick coal seams. It brought down 50% of the workload for roadway preparation, reduced the number of times to move the working faces, saved water and electricity required for extraction, reduced the surface subsidence caused by an extraction, avoided secondary damage to the surface environment, and improved the greening efficiency of the reclamation area.

During this year, we have been continuously in the process of technological innovation and improvement, and strictly followed the reporting standards of innovative projects for auditing and screening. In the process, we have achieved the upgrades and renovations of various equipment, such as intelligent excavation working face, intelligent fully mechanized mining working face, AI intelligent speed regulation of main coal flow, robot inspection, 4G+5G integrated communication and intelligent AI violation capture, which effectively reduced the manpower and cost control. It solves the occupational health hazards and life safety problems brought by poor underground operating environment, high labor intensity and long operating hours, decreases various safety accidents caused by unsafe human behaviors, and mitigates the injuries when accidents occur.

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 by the Group when coal was extracted from mines, transported to shipping stations and ports and loaded onto ships remained stable throughout the year. There was no product sold or delivered return 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 a coal processing plant in the mining area with an annual raw coal processing capacity of over 6.5 million tonnes. Through high-standard raw coal, dedusting, washing, medium, coal slurry water treatment and product storage and transportation systems, the Group ensures 100% product quality pass rate. The Group has formulated the *Coal Quality Management System for Coal Processing Plants* and established a coal quality management leading group 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. For each shift, coal quality inspectors are appointed to inspect the main control points in the production system. Problems found will be promptly followed up and handled 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 its automated monitoring and management.

The Group strongly supports the country's efforts in the comprehensive control of air pollutants and strives 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 also 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 environmental 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.

2.4 Enhancement of service quality

Product quality is the cornerstone to reflect the corporate brand and the core to enhance the brand's operating value. The Group insist 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 good 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; pays regular return visits to customers to understand the problems that they have in purchasing and using the Group's products and to obtain their advices. 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 partnership duration with us, and to adjust the customer ranking as cooperation deepens. At the same time, the Group adjusts the assessment criteria based on the continuous development and changes of market environment and requirements, and strengthens its cooperation with quality customers to enhance its ability to prevent and control market risks. In addition, with a focus on customer privacy protection, the Group strictly regulates the 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.

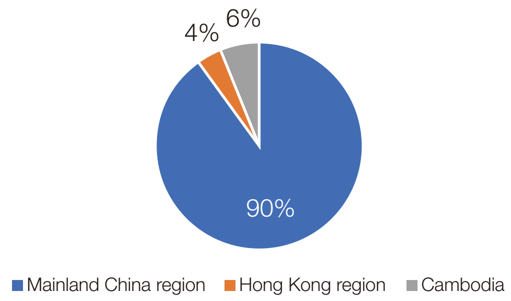
2.5 Supply chain management

The Group attaches great importance to supplier management, and has formulated the *Supplier Management Measure* and set up entry standards for qualified suppliers. The Group also adjusts the assessment criteria based on the continuous development and changes of market environment and requirements, and thoroughly screens and evaluates suppliers to ensure that the materials purchased feature good quality, reasonable price 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 standards 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, research and development capability, quality assurance system and after-sales service system. Provided that the comprehensive score of the suppliers meets the technical requirements, the Group will give priority to suppliers with more environmentally friendly products.

The Group rates its suppliers. Suppliers are evaluated based on the quality, delivery date, price, service, etc. of their products every six months; and they are graded after an overall evaluation every year. For suppliers with excellent rating, the Group offers priority of payment as an incentive and more transaction opportunities; for suppliers with poor rating, the Group provides advice to them and helps them improve, so as to drive industry development together with suppliers. In 2023, the Group had suppliers across Mainland China, Hong Kong and Cambodia, and made transactions with a total of 526 suppliers during 2023.

Suppliers by geographical regions



3. SAFE PRODUCTION

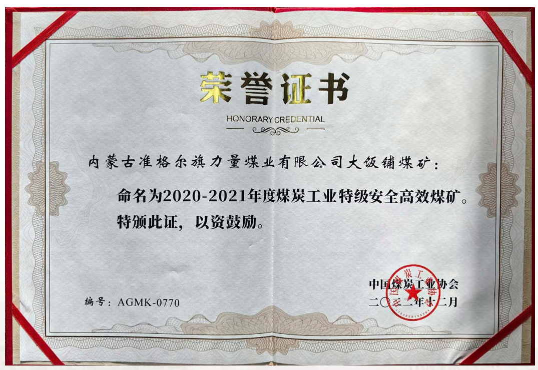
As a coal mining enterprise, the Group always places safety as its top priority. The Group strictly complies with relevant laws and regulations such as the *Production Safety Law of the People's Republic of China*, the *Fire Control Law of the People's Republic of China*, the *Regulations on the Basic Conditions for the Safe Production of Coal Mines* and the *Prevention and Control of Occupational Diseases Law of the People's Republic of China*. 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. It conducts hierarchical coal mine risk control and hidden danger identification and treatment. It also strengthens on-site safety management as well as safety training to ensure occupational safety and health. In 2023, the Group invested RMB42.23 million in production safety and occupational health.

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 coal mine, which are responsible for the implementation and supervision of health and safety work, forming a multi-level health and safety management system and 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 uses a hierarchical control of safety risks and identifies and controls hidden dangers. In addition, this system emphasizes electromechanical and ground safety, ensures safety through lean management and forms a safety culture, addressing all staff and aspects as well as the whole process.

In order to use systems to standardize management and fulfill safety management responsibilities, the Group has formulated a number of systems such as the *Accountability Measures*. Also, the Group formulated comprehensive safe production management systems in 2023 which are strictly implemented during the production process so that all work can be kept on track.

Aiming at becoming the representative and benchmark of advanced coal production, the Group adheres to new development ideas, constantly consolidates safety foundation, makes every effort to improve technology, process and equipment and optimizes design to achieve intensive, safe, efficient and green mining. The Group's Dafanpu Coal Mine had been rated as "Class A Coal Mine" in Inner Mongolia's Zhunge'er Banner for eight consecutive years since 2014, and has been recognized as the "Premium Safe and Efficient Mine" by China National Coal Association (中國煤炭工業協會) consecutively since 2014. It has been rated as a "First-Class Safety Production Standardized Coal Mine" by the State Administration of Work Safety for many consecutive years.



3.2 On-site safety management

The Group's on-site safety management is reflected in the 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 part-time first-aid teams to enhance safety protection and its emergency response capability.

Checklist of "one ventilation and three preventions"

"One Ventilation"	One Ventilation: All ventilation facilities in the mines (adjustable wind doors, adjustable wind windows, windshield and permanent enclosures) are inspected once a week and various records and statements are improved to ensure the stability and reliability of the mine ventilation system.
"Three Preventions"	Gas prevention: For each shift, three dedicated gas inspectors are arranged to conduct patrol inspection throughout the mines. The gas inspectors must strictly implement the on-site handover system and the reporting system to prohibit gas accumulation. Problems discovered during the current shift should be reported and handled in time to ensure good gas control. 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. The dust dispersion and the free silica dioxide content in the dust is measured once every six months. The roadways within the department's jurisdiction are sprinkled for dust removal every month according to the roadway rinsing cycle plan. Fire prevention: Designated personnel will be arranged every week to conduct a inspection on the permanent closure of the mine 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.

In 2023, the Group continued to strengthen the safety risk hierarchical control as well as hidden danger identification and resolution, organized 93 self-inspections and daily inspections in the mines and identified 990 hidden dangers, ensuring the safe and efficient development of the Group. The Group adopted a solution, which targets on five areas of implementation requirements "measures, responsibilities, funds, time limits and emergency plans", to eliminate all kinds of hidden dangers. The resolution rate of hidden dangers is 100%. In addition, the Group further improved its management of 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 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. In the past three years, there were no major accident or work-related injuries and deaths in the Group. In 2023, a total of 39 lost days due to work injury were recorded.

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 trainings 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 1,092 safety trainings throughout the year, covering 1,281 participants and lasting more than 1,100 hours. The training topics mainly involved general management training, talent plan training, technical personnel assessment, practical training, division of labor training, department employee safety training, skill rating, professional skills competition, 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 duty. To enhance the safety awareness of employees, the Group organizes training for employees every year, holds regular work safety meetings, issues safety reminders before work every day, so that employees can keep in mind the safety risks and precautions of their posts. In 2023, 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, 27 general management trainings, 10 trainings for talents planning personnel, 19 specific work process trainings, skill rating and technical competition for seven types of work (229 person-times), and organized participation in two municipal and banner-level vocational skills competitions. The departments organized 52 batches of trainings for employees (853 sessions) and 144 hands-on practical skills training sessions throughout the year, and conducted operation process test to 2,866 people. As of 2023, 21 senior workers and 65 intermediate workers have been selected. The Group also won three awards of the Jungar Banner Technical Competition Excellence Award and two awards of Ordos City Technology Competition Excellence Awards.

With a view to ensuring the specificity of safety training, engineering technicians and management personnel carried out special trainings focusing on topics such as "*Special Training on 'Three Violations'*", "*Installation and Maintenance of Belt Conveyor*", "*Prevention and Control of Coal Mine Dust*", "*Six Major Defects of Welding*", "*Monitoring on Mine Pressure*", "*Basic Knowledge of Hydraulic Support*", "*Roadway Tunneling Technology*", "*Safety and Occupational Hazards Management in Coal Processing Plant*", "*Management System of Safety Production Standardization*", "*Special Training on Safety Awareness Enhancement*", "*One Ventilation and Three Preventions for the Coal Mine*", "*Construction and Acceptance of Shaft Engineering*", "*Coal Mine Geology — Fault Related Concepts and Classification of Their Geometric Relationships with Related Structures*". The training for production team focused on *Habitual "Three Violations" Management, Position Operation Process, Position Safety Production Responsibility, Safety Operation Procedures, and Self-help, Mutual-aid and Emergency Rescue, Mining Machinery Operation, Operation of Excavators, Operation of Electrogas Welding, Operation of Anchor Machines* and other topics to carry out safety training.

The Group carried out the Safe Production Month campaign with the theme of "Everyone pays attention to safety and knows how to deal with emergencies" throughout the mine in 2023 which included the kick-off ceremony and pledge ceremony of the Safe Production Month, monthly accidents and hidden danger investigation activities, seminars on safety knowledge (the new *Production Safety Law* and the new *Coal Mining Safety Regulations*, the seminar on unsafe behaviors, hazardous and educational trainings for employees, safety consultation days and safety knowledge quizzes, emergency drill activities, the 9th "Safety and Health Cup (安康盃)" 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 because the health and safety of all employees is critical 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. In addition, the Group regularly organizes employees to take physical examinations to enhance its occupational health monitoring and management. At the same time, the Group also pays special attention to the health, safety and environmental protection management of contractors, and requires contractors to establish a health, safety and environmental protection management system and strictly implement industry standards.

In 2023, the Group completed an assessment of the current status of occupational disease hazards in the workplace every three years in accordance with the provisions of the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* and submitted the assessment reports and relevant data to occupational diseases and hazardous projects reporting system to complete the annual return in 2023. The Group conducted a promotion week on the *Law on Prevention and Control of Occupational Diseases* to train and educate employees about the law and the knowledge of occupational disease prevention and treatment to improve all employees' self-protection awareness and ability. In 2023, the Group completed the renewal of 563 occupational health records and improved the records retrieval procedures for resigned staff. The *Work Plan and Implementation Plan for the Occupational Hazard Prevention in 2024* have been formulated to regulate workers' personal protective measures, while the occupational health examination rate reached 100%.

4. GREEN ENVIRONMENTAL PROTECTION

The Group has been following a green development path of economical efficiency, environmentally friendly and mining harmony, strictly abiding by relevant laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, the *Air Pollution Prevention and Control Law of the People's Republic of China*, the *Clean Production Promotion Law of the People's Republic of China* and the *Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution*. Resources conservation and environmental protection are carried out continuously throughout the design, construction and production processes with the green principles adopted. The Group furthered environmental protection to the next level combining the green mine construction.

In 2019, the Group's Dafanpu Coal Mine successfully passed the comprehensive green mine selection and became the first batch of coal mines being included in the Green Mines Selection List 2019. In 2023, on-site green mine meetings in Zhungar Banner and Ordos City were held in our mine. As the only typical demonstration site for underground coal mines in Zhungar Banner, our green mine had been visited and observed by many persons-in-charge of various administrative departments and all mines in Zhungar Banner and Ordos City for several times, which fully affirmed the green construction of our mine.

4.1 Saving energy and conserving resources

As a coal production enterprise, the Group has been paying attention to energy consumption in production. The Group strictly abides by the *Energy Saving Law of the People's Republic of China*. As a coal production enterprise, the Group continues to pay attention to the energy consumption in production. In order to conscientiously implement and promote major decisions and arrangements for energy saving and emission reduction, the Group has responded to the basic national policy of energy saving and emission reduction in accordance with the *Energy Saving Law of the People's Republic of China, the Energy Saving and Emission Reduction Work Plan of the 14th Five-Year Plan* and other relevant laws and policies, so as to further improve energy saving and emission reduction, green and low-carbon policy mechanisms, promote the improvement of energy utilization, strengthen internal electricity management and full employee control, establish a conservation-oriented enterprise, and facilitate the green and sustainable development.

In 2023, the Group reformulated the *2023 Electricity Saving Management Measures,* set up the electricity saving team and office, statistically analyzed energy consumption status, developed and executed energy and electricity consumption indicators. Through technological transformation and reform, the Group adopted more energy-efficient machinery and equipment, reduced energy consumption and strengthened equipment utilization management. Under the premise of securing safe production, the Group optimized the production and maintenance time and reduced idle running and electricity consumption. In May 2021, the Group obtained the Energy Management System Certification and successfully passed the second supervision and audit in July 2023. In 2023, through various new frequency conversion equipment, mainly including frequency conversion local ventilators used by the comprehensive excavation team, frequency conversion permanent magnet drums used in the south wing transportation alley, frequency conversion emulsion pumps used in the 62201 working surface, frequency conversion stepless rope winches used in the 1508 working surface and 2×500kw variable frequency motor used in upgraded main ventilator engines, the Group saved 3,736,776 kWh of electricity. In 2023, the Group's comprehensive energy consumption was 12,900 tonnes of standard coal, and the comprehensive energy consumption per RMB10,000 of output was 0.081 tonnes of standard coal; water consumption was 532,000 tonnes, and water consumption per RMB10,000 of output was 3.8 tonnes. In 2024, the energy consumption goal is to reduce coal consumption to 12,000 tonnes of standard coal and water consumption to 528,000 tonnes. The Group intends to achieve the goal by inspecting the boilers, improving thermal efficiency, rationalizing water usage, and eliminating running, bubbling, dripping and leaking water.

Energy consumption of the Group

Index	Unit	2023	2022
Total electricity consumption	10,000 kWh	**7,410**	7,098
Outsourcing industrial steam	10,000 tonnes	**—**	15,760
Coal burned	tonne	**12,900**	11,000
Gasoline	liter	**45,820**	49,308
Diesel fuel	liter	**1,228,571**	782,788

4.2 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 the 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 environmental protection impact and management measures and reduces the generation and disposal of waste by technological measures, recycling and other methods.

In 2023, Dafanpu Coal Mine engaged a third-party testing agency to conduct monthly testing on emissions from the mine boiler room, for a total of 12 times; the three regional testing points for disorganized emissions in the plant area were tested once a quarter, for a total of four times for particulate matter; the noise monitoring of the plant area was conducted once a quarter, for a total of four times; in 2023, the waste gas from coal slime drying furnaces was tested once a quarter; the boiler desulfurization wastewater was tested once a quarter. The testing results showed that the relevant indicators were in compliance with the standards. In addition, domestic wastewater was treated and thereafter reused to the coal washing plant, realizing zero discharge of wastewater. In 2023, the Group's direct (scope 1) greenhouse gases emission was 9,890 tonnes, and direct (scope 1) greenhouse gases emission per RMB10,000 of output was 0.051 tonne; energy indirect (scope 2) greenhouse gases emission was 63,600 tonnes, and energy indirect (scope 2) greenhouse gases emission per RMB10,000 of output was 0.30 tonne in 2024, the Group will, in accordance with climate change and production needs, further reduce greenhouse gases emissions by reducing coal consumption in a timely manner and increasing the number of trees planted in reclamation areas.

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. Wastewater produced by the Group was categorized into coal mine wastewater and domestic sewage. After the coal mine water is treated and meets the related standards, it is used in production, watering and dust reduction, and provided to boilers and bathrooms through newly built water purification facilities. When the domestic sewage meets the standard requirements after treatment, it is directed to the circulating water pool of coal processing plants through the pressurizing pump. Annual consumption of water recycled was approximately 106,300 cubic meters. The treated mine water will be stored in water pools in the mining areas and used for reclamation and management of subsidence areas.

In 2023, 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 produced in the production of the Group mainly include coal gangue produced in the mining process, boiler ash produced by boilers, slime, and food waste from the canteen; hazardous wastes are waste mineral oil and waste oil barrels produced in the maintenance of machinery. The Group strictly abides by the *Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution*, processing the wastes in accordance with national standards to avoid pollution. The Group transports the coal gangue, boiler ash and slime to the gangue landfill to bury in layers with soil. Domestic waste is collected and taken up by qualified waste processing companies.

As for hazardous wastes, the Group built a standardized hazardous coal mine materials repository according to the requirements on hazardous materials by Environment Protection Agency and passed the acceptance check of the Environmental Protection Agency. Daily waste oil is generally stored in the hazardous repository and taken up by a qualified third party under the supervision of environmental protection authority when reaching certain amount. Waste oil barrels are collected for reuse by suppliers for free.

In 2024, the Group targets to increase the recycling rate of hazardous wastes by 5% compared with 2023.

In 2024, the goal of solid waste discharge is to reduce boiler ash to 1,000 tonnes, slime to 200 tonnes and gangue is expected to be 750,000 tonnes. To achieve the goal, the Group will timely adjust the operation of the boilers based on the changes in weather to reduce the coal consumption by boilers. The coal-burning height of the boiler is adjusted according to the coal quality to ensure sufficient burning, thereby reducing the generation of boiler ash and slime; strengthen coal caving management in mining face to reduce gangue generations; strengthen washing management to eliminate coal collapse and reduce waste gangue emissions; improve the overall gangue utilization rate of gangue and reduce gangue emissions by manual selecting of kaolinite and developing gangue bricks. Solid waste production of the Group was as follows:

Index		Unit	2023	2022
Hazardous wastes	waste mineral oil (machine oil, lubricating oil, etc.)	tonne	**15.2115**	8.1
Hazardous wastes	waste oil barrels	tonne	**3.0199**	
Non-hazardous wastes	sludge in water treatment	tonne	**164**	8.7
	other production wastes (mainly coal gangue)	10,000 tonnes	**75.0115**	59.11
	boiler ash	tonne	**1,322.55**	1,020
	slime	tonne	**276.5**	217
	food waste	tonne	**35.4**	34.5
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 2023, the Group continued to implement the *Repairing the Old and Using the Waste Policies*, strictly controlled the consumption of materials, strengthened the management of "repairing the old and using the waste" and fully explored the residual value of waste materials and waste equipment. In 2023, the Group's production value through repairing the old and using the waste was approximately RMB1.99 million, which effectively reduced production costs and guided employees to form environmental awareness of saving materials and reducing emissions.

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, and which was discharged after related standards are met. The Group employed third-party detection agency to detect the flue gas and dust particles every quarter, and handed related report to environmental protection authority for review. In 2023, exhaust gas emission from boilers was 233.1275 million standard cubic meters, of which, sulphur dioxide (SO2) was 11.77 tonnes, and nitrogen oxide (NOx) was 33.26 tonnes. In 2024, the goal of exhaust gas emissions is to maintain the level of 2023 and it is expected that the emission will not be increased significantly.

In 2023, there was no incident of non-compliance with relevant laws and regulations and relevant policies that have a significant impact on the Group in relation to emissions.

4.3 Ecological protection

The Group insists on the goal of building "safe, environmentally friendly, green, energy saving, and efficient" modern mines, sticking to comprehensive exploration and use of mineral resources, being responsible for environmental protection, ecological restoration, and building green mines. The Group strictly abides by the *Law of the People's Republic of China on Water and Soil Conservation*, the *Land Management Law of the People's Republic of China*, and the *Regulations on Land Reclamation*, to prevent water loss and soil erosion and protect land resources. The Group has taken the necessary environmental protection measures, earnestly performed the responsibility for the restoration of the environment of mines, prepared and implemented the plans for the environmental protection and restoration of mines, and the geological and environmental recovery of mines was good. In recent years, no geological or environmental disaster has occurred.

To carry out mining activities, the Group needs to occupy part of the land, but after the mining is completed, the Group will restore the land and vegetation through land reclamation and revegetation measures. The Group attaches great importance on ecological construction, consistently maintaining the greening of the district. In 2023, the Group continued to strictly abide by environmental protection requirements and planted nearly 7,969 trees, 7,665 shrubs and 347,250 ground covers in the reclamation area, and planted approximately 18,322 pine trees, nearly 214,500 landscape trees and sowed approximately 3,000 acres of grass seeds in waste drainage and subsidence areas, contributing to the treatment of the subsidence area of mines and ecological restoration. Green surface planting rate of such mining area reached 99%. As of the end of the reporting period, the Group has planted 108,945 trees and 173,000 shrubs, covering 43,187 square meters of land. Meanwhile, according to the Reclamation-Ecological Agriculture development model, the Group continuously carried out the construction of apple farm and vineyard, with 600 acres of apple farm and 500 acres of vineyard being planted in aggregate as of the end of the reporting period.

In recent years, the Group set the goal of building green mines, firmly executed the work of geological environment restoration and green mine construction, strengthened the results of ecological environment protection and achieved great economic, social and ecological effects — ensuring supply of coal resources, leading local economic development, building the ecological defence on the north border of China, so as to execute social responsibilities of private enterprises with actual actions. On 25 December 2019, Dafanpu Coal Mine officially passed the election for green mines in China and was included in the list of green mines in China in 2019.

Yong'an Coal Mine and Weiyi Coal Mine under Ningxia Kinetic Mining Co., Ltd. (寧夏力量礦業有限公司) strictly abide by the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on Soil and Water Conservation*, the *Land Management Law of the People's Republic of China*, the *Implementation Measures of the Regulations 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 commenced the business of production, operation and sales of cigar and tobacco in Cambodia by acquiring 73% equity interests in Star Idea Enterprises Limited in October 2023. 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 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, 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 pulse jet 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 sewage treatment equipment to simultaneously treat sewage, which was discharged after passing the inspection of the local environmental protection department.

4.4 Climate change

Environmental risks are closely related to climate change. As a major challenge to the sustainable development of human society, climate change is increasingly concerned by the international community. According to the assessment results of material issues and taking into account the business features of the Group, although the impact of climate change on the Group is relatively small, the Group still proposes emergency response plans for extreme weather, such as windstorm, snowstorm and rainstorm, and the emergency response work involved. At the same time, the Group optimizes production technology and improves the emission treatment level to reduce direct and indirect greenhouse gas emissions, which facilitate its efforts in response to climate change.

5. HARMONIOUS DEVELOPMENT

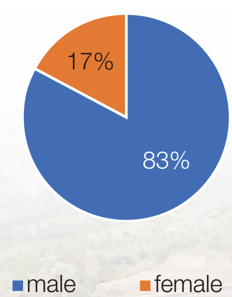
The Group adheres to the people-oriented philosophy, creating equal and harmonious employment environment in the Company, putting great importance on their skill and career development, communicating equally with employees, caring for their work life balance, striving to build a friendly and harmonious work atmosphere, and making the Company like a home. Outside the Group, it actively pays attention to the Company's influence to the community and promotes local development.

5.1 Ensuring employee rights

The Group has complied 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 *Implementing Regulations of the Labor Contract Law of the People's Republic of China*. The Group has actively implemented the Personnel Management System, signed labor contracts with employees according to the law, and adhered to the principles of "transparency, fairness, equal competition, meritocracy and free will", and eliminated any kind of discriminations involving gender, nationality, religion, age and so on regarding matters such as recruitment, training and promotion. During the reporting period, the Group did not receive any complaints about unfair employment.

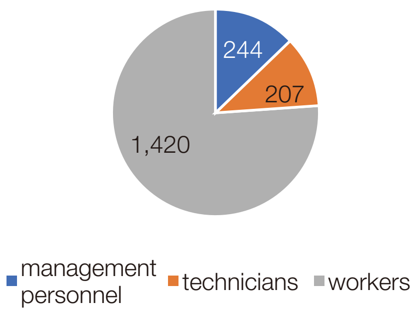
The Group respects the rights and dignity of its employees, strictly complies with the work hours limit and holiday arrangements stipulated by laws, implements an eight-hour working system for administrative and office staff, and implements work-on-shift and rest day rotation system for each mining production department based on actual situations. 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 stringently forbids any kind of forced labor or slave labor, and avoids child labor (workers aged below 16) or prevents employees aged from 16 to 18 from being assigned to job positions that pose threats to their health and safety. Due to the Group's business nature and working environment, the proportion of male employees of the Group is higher than that of female employees. The Group stringently adheres to the principle of equal employment and prohibits any sexual discrimination.

Proportion of employees by gender

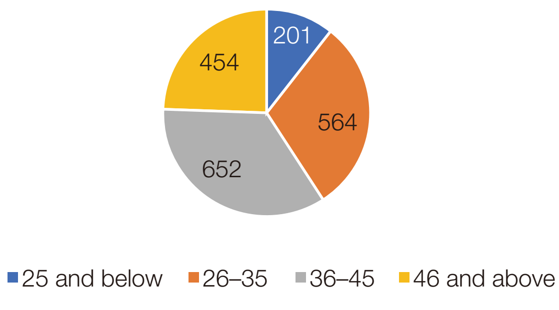


As at 31 December 2023, there were a total of 1,871 employees, and the employee labor contract signing rate reached 100%. There were 1,658 current employees working in mainland China, with 6 working in Hong Kong and 207 working in Cambodia. In 2023, the turnover rate of full-time employees in mainland China was 35.28%, with a total of 585 people. The turnover rate of full-time employees in Hong Kong was 33.33%, with a total of 2 people, and the turnover rate of full-time employees in Cambodia was 59.42%, with a total of 123 employees. The turnover rate of male employees was 44.6%, with a total of 633 employees, and the turnover rate of female employees was 26.6%, with a total of 77 employees. The turnover rate of employees under 25 years old was 59.7%, with a total of 92 employees; the turnover rate of employees between 26 and 35 years old was 45.7%, with a total of 252 employees; the turnover rate of employees between 36 and 45 years old was 43.4%, with a total of 274 employees; and the turnover rate of employees over 46 years was 24.8%, with a total of 92 employees. The proportion of employees by different caliber is as follows:

Proportion of employees by type



Proportion of employees by age group



The Group's remuneration policy is based on the principle of fairness to ensure that the remuneration level is not lower than the lowest remuneration requirement in the local region, and will also provide 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. In order to ensure the sustainable development of the Group, various channels are established 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*. The Group regulated leaves, housing preference, social security and other benefits of employees, and maximized the stimulation effect of salary and benefits to enhance employees' initiative.

The Group has strengthened democratic management, encouraging employees to participate in its operation and management, ensuring their right to know, to participate and to supervise.

1. In 2023, the Group held three meetings of the second session of employee representatives and collected 21 proposals. The Group held 4 democratic life meetings, solved 43 employee problems and signed collective contracts and collective contracts on wage negotiation.

2. The Industry Trade Union Federation of Kinetic Coal was rated as a municipal pilot unit by the Ordos Federation of Trade Unions in improving the quality of life of employees, and was granted a reward of RMB30,000.

3. Kinetic Coal was rated as the second batch of pilot units for industrial worker construction reform by Ordos City.

In 2023, 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 Promoting 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 trainings 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 complies with the *Coal Mine Safety Rules* (Order No. 92 of State Administration of Work Safety), which stipulates that workers must serve four months of internship in the mines, and a mentoring agreement shall be signed during the internship. Mentors should lead mentees to master the production skills in specific roles within provided terms to fully play the roles of "passing on, helping, and leading" of senior employees, and to help new employees to adapt to their roles as soon as possible, and to enhance their comprehensive qualities and form a good learning atmosphere.

Employee trainings

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. During the year, 69 trainings were organized for professional technicians and management personnel, and 853 departmental trainings had been provided. Employees were 100% trained with good satisfaction rate. In 2023, the Group's technicians and management personnel had received over 60 hours of training in average, and the coal miners had received over 50 hours of training in average. The average training hours for both male and female employees exceeded 50 hours.

In 2023, the Group mainly conducted video lectures, in-house trainer trainings, senior management classes and outdoor trainings to carry our different types of training:

1. 19 videos and in-house trainer lectures, such as *Four Steps of Scientific Division of Teamwork, Leadership Charisma, Innovation and Development, Corporate Culture and Business Processes, Common Legal Risks and Prevention of Labor and Employment, Project Time Management, Two Key Tips for Improving Managers' Self-Execution Capability, Improving Managers' Emergency Response Capability, Ten Transformation Lessons for New Managers, Commercial Bribery-Integrity Warning Education Special Training* (2 times), *Analysis of the "12.3" Extremely Major Gas Explosion Accident in Baoma Mine, Legal Knowledge Training, How to Be a Competent Team Leader, Excavation and Water Exploration Technology, Mining Technology-Mine Ventilation Resistance, Coal Mine Hydrogeology, Structured Report* and *Rapid Process Sorting and Optimization*;

2. 4 senior management classes, such as *Team Building, Communication Skills, Analysis of Animal Husbandry Industry* and *Pig Life and Breeding Costs*;

3. 3 famous teacher lectures, such as *Safety Reflection, Business Etiquette Training* and *Welding Technology*;

4. More than 20 training classes by type of work, such as *Inspection and Maintenance of Coal Shearers, Inspection and Maintenance of Belt Conveyors, Operating Specifications for Coal Shearers, Operating Specifications for Tunneling Machines, Maintenance of Reducers, Fundamentals of Support Operation, Fundamentals of Coal Mine Electrical Works* (3 times), *Fundamentals of Ground Electrical Works, Fundamentals of Coal Mine Support, Fundamentals of Coal Laying Technology* (3 times), *Fundamentals of Maintenance Engineering* (3 times), *Fundamentals of Anchor Bolt Support, Fundamentals of Coal Mine Machinery Maintenance* and *Fundamentals of Coal Mine Machinery Maintenance*;

In addition, the Group conducts annual satisfaction questionnaires and surveys on training needs, compiles training conclusion, and designs training courses with internal lecturers to enhance the training quality and to meet employees' needs of career development. The Group also holds various professional trainings for different work types in various fields from time to time, such as *One Dredging and Three Preventions for Mines, Flood Prevention through Cadastral Surveying, Coal Mine Measurement Technology, Coal Mine Power Supply Technology* and *Welding Technology*, to build a platform for communication and collaboration, promote mutual learning between departments, and to enhance comprehensive quality and work efficiency of all employees.

Performance evaluation

In 2023, the Group further improved the performance appraisal system, including signing 19 departmental work target responsibility statements, completing more than 1,500 personal monthly task books, the annual debriefing and the 360 mutual evaluation of 20 departments. The actual assessment had provided objective basis for the Group's evaluation and personnel appointment and dismissal. The Group has successfully completed the probation evaluation for 6 management personnel positions, 5 professional and technical positions and 212 worker positions. In addition, to further strengthen talent building, the Group supports and recommends technicians to apply for national vocational qualifications, and continue 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.

5.3 Caring for employees

The Group sticks to the principle of "Good and Practical Deeds for Employees", paying attention to various living needs of employees and creating family culture with actions. The Group customizes multiple working suits and safety necessities according to the requirements by the employees, and provides free shuttle buses between the company and downtown for employees to facilitate their commuting, builds economical canteen for employees and provides meal subsidies to ensure balanced meals and their nutrition. In 2023, the Group continued to implement the rule of "free lunch for workers in the mines" to ensure they can have hot 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 summers, to create a warm "home" for employees from all aspects.

In 2020, the Group improved the living conditions of the staff home located in Dafanpu Coal Mine. It has a gross floor area of over 7,000 square meters and a total of 8 storeys, which are divided into two parts, namely the indoor sports hall area and the staff dormitory area. The indoor stadium area has an area of 1,820 square meters with various sports and entertainment facilities in the hall and is open to employees free of charge. There are 81 dormitory rooms in the dormitory area, all of which are equipped with standard toilets, and couple rooms, visiting rooms, single rooms and double rooms are set up in the dormitory area. The couple room is specially designed for outstanding couple workers who both work in the mine, while the visiting room is designed for workers who are away from their homes, so that their relatives could come and visit the mine. The gymnasium continues to be open to employees free of charge, and at the same time, a yoga room has been added to enrich the spare time of the female workers of the coal mine. In 2021, the staff kitchen and convenience service center have been opened to provide more convenient services for employees.

The Group makes great efforts to build active corporate culture and strengthens employees' sense of belonging to the Company. The Group organizes various cultural and sports activities. In 2023, the Group organized a variety of activities, including the 2022 Year-end Award Ceremony, solving riddles on the Lantern Festival, coal mine voluntary tree planting activity by leaders of the Group (2023 was the 11th year of voluntary tree planting, with a total of over 100,000 trees planted), Qinhuangdao Hiking activity, Mount Wutai blessing activity, Party Founding Day themed activities on July 1st, staff sports competition, fun sports games cum tug of war, collection of strange stones and home-made gifts for the Mid-Autumn Festival to care their family members, voluntary grape picking, staff birthday benefits, yoga training course and employee technical skills competition to enrich the spare time of employees.

Tree planting activity

5.4 Supporting community development

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

The Group pays attention to community communication and actively promotes the relationships between the villages and the Company. In 2023, 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 and signed the *Cleaning and Disposal of Waste Drainage Site and Earth Moving* 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 with a contribution of RMB1.92 million, which effectively reduced the costs of soil acquisition and increased the income of the village committee. In order to establish a good relationship with the village committee of Sanbaoyaozi Village, the Company had sponsored RMB40,000 for the "Cultural Temple Fair" in Sanbaoyaozi Village, Xuejiawan Town. In order to establish a good relationship with the village committee of Majiata Village, the Company had sponsored RMB5,000 for the "Cultural Temple Fair" in Majiata Village, Xuejiawan Town. The Group entered into the Maintenance Fee of the New Large City Channels with the village committee of Sanbaoyaozi Village, Xuejiawan Town, Zhunge'er Banner, Inner Mongolia to support the village's collective economy with an amount of RMB100,000. The Group invested RMB134,469 to complete the maintenance project of the Hashilagou Bridge on the New Dacheng Line in Sanbaoyaozi Village, helping local villagers solve potential travel safety hazards. The Group entered into the Machinery Lease Contract with the village committee of Majiata Village, Xuejiawan Town, Zhunge'er Banner, Inner Mongolia to support the village's collective economy with an amount of RMB150,000, which increased the income of the village committee.

In 2023, to further build an excellent and responsible corporate image, the Group has continued to provide free heart-warming coal to local people. The Group cooperated with the Women's Federation of Zhunge'er Banner to carry out the "Consultation to Hundreds of Women and Children" care action and once again organized visits nursing homes to send warmth and promote consumption assistance of approximately RMB330,000. The Group actively supports the development of local economy, employing local workers to promote local employment. In 2023, Kinetic (Qinhuangdao) Energy Co., Limited was awarded the title of "Star Enterprise (明星企業)" in Beidaihe, Qinhuangdao for eight consecutive years. On 27 June 2023, it obtained the quality management system certification which covers the sales of coal. Its quality management system complies with national (GB/T19001) and international (ISO9001) standards. In 2023, the Group made a total tax payment of approximately RMB1,604,907,388.20, in which Kinetic Coal made a total tax payment of approximately RMB945,805,850.40. As of the end of the reporting period, the Group has hired a total of 214 employees whose household registered locally in Ordos, thus local employees accounted for 22.9% of total employees of Kinetic Coal.

HKEX ESG REPORTING GUIDE CONTENT INDEX

ESG Reporting Guide		Reporting Content
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A1.1	The types of emissions and respective emission data.	4.2
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emission in total (in tonnes) and, where appropriate, density (e.g. per unit of production volume, per facility).	4.1
A1.3	Total hazardous wastes produced (in tonnes) and, where appropriate, density (e.g. per unit of production volume, per facility).	4.2
A1.4	Total non-hazardous wastes produced (in tonnes) and, where appropriate, density (e.g. per unit of production volume, per facility).	4.2
A1.5	Description of emissions target(s) set and steps taken to achieve them.	4.2
A1.6	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
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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
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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

ESG Reporting Guide		Reporting Content
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
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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
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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
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B3.2	The average training hours completed per employee by gender and employee category.	5.2

ESG Reporting Guide		Reporting Content
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Operating Practice		
Aspect B5: Supply Chain Management		
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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
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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
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ESG Reporting Guide		Reporting Content
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
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Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ju Wenzhong (具文忠), aged 55, is currently the Chairman of the Board and an executive director of the Group. Mr. Ju joined the Group in September 2010, and has been an executive director and the Chief Executive Officer of the Company since 28 May 2020. He has been re-designated as the Chairman of the Board since 16 June 2022. Mr. Ju is fully responsible for leading the production and sales of the Group. He serves in important 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, Mr. Ju served as a senior management and director in several companies. He served as the deputy general manager and media sales director of Guangdong One Generation Advertising Co., Ltd. (廣東壹時代廣告有限公司) from January 2000 to December 2002, and was mainly responsible for media sales in Shenzhen and Guangzhou, China. In addition, Mr. Ju served as the general manager of Guangzhou Frasar Advertising Co., Ltd. (廣州菲沙廣告有限公司) during the period from January 2003 to September 2006. He was the general manager and executive director of Guangzhou Universal Networks Co., Ltd. (廣州普及網絡有限公司) from October 2006 to August 2010.

Mr. Li Bo (李波), aged 42, is currently an executive director and the Chief Executive Officer of the Group and the chairman of Kinetic Coal, and is mainly responsible for the comprehensive planning and the management of the overall operations of the Group's Dafanpu Coal Mine. After joining our Group in October 2006, he held a number of roles as manager and various 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. Mr. Li 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 38, has been an executive director of the Company since 16 June 2022 and is the chairman of Ningxia Kinetic Mining Co., Ltd. (寧夏力量礦業有限公司), primarily 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, Mr. Ji has held 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 75, 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 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).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Liu Peilian (劉佩蓮), aged 70, 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. Ms. Liu 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 68, 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 73, has been an independent executive director of the Company since 30 May 2022. Mr. Chen was a director of Hainan Fuli Tropical Agriculture Development Limited (海南富力熱帶農業發展有限公司). He has extensive experience in the construction and engineering sector. Mr. Chen graduated from the University of Donghua with a diploma of Textile Engineering in 1977. Mr. Chen is also a holder of a safety production assessment certificate (level-A certificate). Mr. Chen is the deputy general manager of Guangzhou Tianli Construction Co., Ltd., a subsidiary of Guangzhou R&F Properties Co., Ltd. (stock code: 2777) which is listed on the Stock Exchange).

Directors and Senior Management

SENIOR MANAGEMENT

Ms. Wang Lanlan (王蘭蘭), aged 42, is the vice president and chief financial officer of the Group, fully responsible for the financial management of the Group and is also the president of Kinetic (Asia) Limited.

Ms. Wang has over 10 years of experience in corporate finance, listing and asset appraisal. Prior to joining the Group in March 2019, Ms. Wang 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) from December 2017 to March 2019 before joining the Group.

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

Mr. Zhang Xianli (張憲利), aged 42, is the chairman of Kinetic Qinhuangdao and 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. Li Yuncheng (李運成), aged 57, is the general manager of Kinetic Coal, and is responsible for the comprehensive planning and management for the overall operation of the Group's Dafanpu Coal Mine. He graduated from Shanxi Mining Institute (山西礦業學院) in China in 1989 with a bachelor degree in mining construction engineering.

Mr. Li has over 30 years of work experience in coal mining in China. Prior to joining the Group in 2013, Mr. Li assumed positions such as head of control room and deputy head of mine in state-owned coal mining enterprises in China.

Mr. Chen Biao (陳彪), aged 37, is the general manager of Kinetic Qinhuangdao and 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.

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

SENIOR MANAGEMENT (cont'd)

Mr. Dou Faquan (竇發權), aged 53, serves as the chief engineer of the Group and the chief engineer of Kinetic Coal since March 2024, responsible for the technical affairs of the Group.

Mr. Dou joined the Group in 2012, and acted as the head of Dafanpu Coal Mine of Kinetic Coal from November 2014 to January 2016, responsible for the safety management of Dafanpu Coal Mine. From February 2016 to February 2024, he was the deputy general manager of Kinetic Coal, responsible for the safety and technical management of the company.

Mr. Dou has nearly 30 years of work experience in China's coal mining industry. Prior to joing the Group, Mr. Dou had held positions such as head of coal mining district, control room director and chief engineer in China's state-owned coal enterprises, successively participating in the infrastructure construction and joint trial operation of various mines. He graduated from Shandong Institute of Mining (山東礦業學院) in 1995 with a bachelor of engineering degree in mining engineering.

Mr. Dong Shiyu (董世裕), aged 51, serves as the general manager of Ningxia Kinetic Mining Co., Ltd., and is responsible for the safety management, production, and construction of Yong'an Coal Mine, Weiyi Coal Mine and the coal washing plant of Yong'an Coal Mine (永安煤礦洗煤廠) of the Group in Ningxia. He graduated from Xi'an Mining College (西安礦業學院) in 1996 with a bachelor degree of engineering in mining engineering.

Mr. Dong has nearly 30 years of work experience in China's coal mining industry. Before joining the Group in 2017, he had held positions such as a mining technician, deputy head of the production department, and the project manager of a design institute in China's state-owned coal enterprises, successively participating in the infrastructure construction and production of various mines.

Mr. Li Yinlou (李印樓), aged 54, joined the Group in 2013, is the deputy general manager of Kinetic Coal and head of mine of Dafanpu Coal Mine, and is responsible for the daily safety production management of Dafanpu Coal Mine. He graduated from China University of Mining and Technology (中國礦業大學) in 1992.

Mr. Li has almost 30 years of work experience in China's coal mining industry. After graduation to 2012, he worked as an electrical and mechanical manager in a coal power company under the China Coal Group (中煤集團).

Mr. Li Qinsheng (李秦生), aged 38, is the chief engineer and executive deputy mine manager of the Group's 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. Mr. Li has over 15 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.

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 2023.

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, can be found in the Management Discussion and Analysis set out on pages 6 to 27 of this annual report and forms part of this directors' report. Save as disclosed in section headed "Management Discussion and Analysis", there were no significant changes in the nature of the Group's principal activities for the year ended 31 December 2023. Save as disclosed in the paragraph ended "Events after the Reporting Period" of the section headed "Management Discussion and Analysis", the Group did not have any important events that affected the Company since the end of the reporting period.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2023 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 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 102 to 103 of this annual report.

On 25 March 2024, the Board proposed a final dividend of HKD0.05 per share, payable to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 17 May 2024. It is expected that the final dividend will be paid in cash on or before Friday, 28 June 2024. The total amount of the dividend to be distributed is estimated to be HKD421,500,000. The proposal for the distribution of final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company.

RESERVES

Movements in the reserves of the Group and the Company during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity on page 106 and in Note 34 and Note 42 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2023, the Company's reserves available for distribution to equity shareholders in accordance with its articles of association amounted to approximately RMB702,788,000 (As at 31 December 2022: RMB708,766,000).

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 2023 are set out in Note 27 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 32 to the consolidated financial statements. During the year ended 31 December 2023, 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 2023 attributable to the Group's major customers and suppliers are as follows:

Sales	
— the largest customer	14.7%
— five largest customers in aggregate	43.9%
Purchases	
— the largest supplier	8.2%
— five largest suppliers in aggregate	30.1%

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 share capital, 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 are set out on page 176 of this annual report.

Directors' Report

DIRECTORS

The Directors for the year ended 31 December 2023 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, Mr. Chen Liangnuan and Ms. Xue Hui shall retire by rotation at the AGM 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 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 of the independent non-executive Directors 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 annual report, no other transaction, arrangement or contract of significance 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 2023 or at any time during the year.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Significant Investments, Acquisitions and Disposals", during the year ended 31 December 2023 or at any time during the year, there was neither contract of significance between the Company or any of its subsidiaries and the controlling shareholder or any of its subsidiaries, nor 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

A summary of the related party transactions entered into by the Group during the year ended 31 December 2023 is contained in Note 37 to the consolidated financial statements. As disclosed in Note 27 to the consolidated financial statements, Mr. Zhang Li, Mr. Zhang Liang, Johnson (substantial shareholders of the Company) and Mr. Ju Wenzhong gave financial guarantees to several banks for certain banking facilities of the Group. These transactions fall under the definition of continuing connected transactions under the Listing Rules but are exempt from reporting, announcement, annual review, independent shareholders' approval and all requirements under Chapter 14A of the Listing Rules. The independent non-executive Directors have reviewed the fully-exempted continuing connected transactions disclosed above and confirm that such transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the agreements in relation to such transactions are fair and reasonable or better, and are in the interests of the Group's shareholders as a whole.

On 22 June 2020, the Group entered into a loan agreement with Guizhou Liliang in the principal amount of RMB57,000,000, for a term of 2 years. The interest rate is 2% above the 1-year loan market quoted interest rate announced by the National Interbank Funding Center ("**NIFC**"), and the interest shall be paid annually. On 23 December 2022, the Group entered into a supplementary agreement with Guizhou Liliang, pursuant to which, the due date of the loan was extended to 31 December 2023, with the interest rate raised to 2.5% above the 1-year loan market quoted interest rate announced by the NIFC. On 9 February 2024, the Group entered into a supplementary agreement with Guizhou Liliang, pursuant to which, the due date of the loan was extended to 31 December 2025, with the interest rate raised to 3.5% above the 1-year loan market quoted interest rate announced by the NIFC. The principal amount of the loan together with all the outstanding interest payables thereon shall be fully repaid on the due date.

Directors' Report

On 24 December 2021, the Group entered into an acquisition agreement with Guizhou Liliang, an entity owned by Mr. Zhang Li (a substantial shareholder of the Company), to acquire its 75% equity interests in Changlin which is expected to own the mining rights of a coal mine in Guizhou 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 are secured by 100% equity interests of Guizhou Liliang. This transaction, together with the Acquisition of Wuhai Fuliang which was completed in 2022, is a connected and major transaction of the Group on an aggregate basis. The transaction with Guizhou Liliang is subject to the shareholders' approval.

On 29 April and 12 July 2022, the Group entered into a property purchase agreement and a supplemental agreement with subsidiaries of Seedland, the Sellers, all of which are controlled by Mr. Zhang Liang, Johnson (a substantial shareholder of the Company), to acquire certain properties with a total consideration of RMB809,480,000. According to the agreements, in 2022, the Group prepaid RMB670,000,000 to Guangzhou Chaiju and RMB26,000,000 to Zhuhai Hengqin; and in 2023 the Group further prepaid RMB107,000,000 to Zhuhai Hengqin. The transaction is a connected transaction of the Group which was duly approved by the independent shareholders of the Company on the extraordinary general meeting of the Company held on 25 October 2022.

On 1 December 2023, the Group entered into the Second Supplemental Agreement with the Sellers and Taiyuan Hetai (a wholly owned subsidiary of Wuxi Shidi), pursuant to which (i) the Terminated Properties would no longer be sold to the Group, and (ii) the Group entered into a share transfer agreement with Wuxi Shidi to acquire the Target Shares with a consideration of RMB220,000,000. In addition, given that the Target Shares are subject to a pledge provided as security in favour of Huarong Rongde for the Debt, the Group would become one of the obligators to settle the Debt with Huarong Rongde at a cost of no more than RMB380,000,000 so that Huarong Rongde would discharge the pledge over the Target Shares. According to the Second Supplemental Agreement, the Group prepaid RMB40,000,000 to Huarong Rongde on behalf of Taiyuan Hetai in 2023.

On 7 February 2024, the Group entered into a supplemental agreement to the Second Supplemental Agreement with the Sellers and Taiyuan Hetai, pursuant to which (i) if the acquisition will not be completed before 30 September 2024, the Group shall be entitled to terminate the Second Supplemental Agreement; and (ii) if the actual amount of the Debt owed by Taiyuan Hetai upon the completion of the transfer of the Target Shares exceeds the amount of debt factored in the valuation of Taiyuan Hetai as at 30 November 2023, the Sellers shall compensate the Group for the Excess Debt Amount by (a) reducing the equity consideration by the Excess Debt Amount on a dollar-to-dollar basis; and (b) providing additional properties with a total value not less than the Excess Debt Amount to the Group. The transaction is a connected transaction of the Group which was duly approved by the independent shareholders of the Company on the extraordinary general meeting of the Company held on 13 March 2024.

On 28 June 2022, the Group entered into a loan agreement with Guizhou Liliang in the principal amount of RMB200,000,000 for a term of 2 years. The interest rate is calculated by adding 1.5% on top of the 1-year loan prime rate ("**LPR**") in PRC. The principal amount of the loan together with the interest payables thereon shall be fully repaid on the due date, 27 June 2024. As at 31 December 2023, approximately RMB158,440,000 out of the principal amount has been drawn down.

On 30 December 2022, the Group entered into the Acquisition and Subscription Agreement with Mr. Zhang Li (a substantial shareholder of the Company) and Star Idea to (i) acquire 36,500 existing shares of Star Idea, representing approximately 73% of the equity interest in Star Idea with a consideration of USD62,757,010 (equivalent to RMB440,974,000); and (ii) the Subscription with a consideration of the Subscription Price. It was agreed that the outstanding loan principal and accrued interest under the Loan Agreement shall be treated as part of the Subscription Price payable by the Company in connection with the Subscription. On 29 March 2023, the Company, Mr. Zhang Li (a substantial shareholder of the Company) and Star Idea entered into a supplemental agreement, pursuant to which, among others, each of the parties agreed to (i) remove all references to the Subscription and all arrangements directly related thereto under the Acquisition and Subscription Agreement; (ii) add a new clause in relation to performance undertaking in favor of the Company; and (iii) reverse the termination of the Loan Agreement, which termination was originally intended to take effect upon closing of the Acquisition and Subscription Agreement. Star Idea is an investment holding company incorporated in the British Virgin Islands, which is controlled by Mr. Zhang Li (a substantial Shareholder of the Company). As a wholly owned subsidiary of Star Idea, Power Cigar Tobacco is a company incorporated in the Kingdom of Cambodia with limited liability, which is principally engaged in manufacturing and wholesale of tobacco products, mainly cigarettes and hand-made cigars in Cambodia and Southeast Asia. The acquisition is a connected transaction of the Group, which was duly approved by the independent shareholders of the Company on the extraordinary general meeting of the Company held on 28 July 2023 and was completed on 9 October 2023.

The Company confirmed that the transactions disclosed above constitute connected transactions as defined under Chapter 14A of the Listing Rules and it has complied with the relevant disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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

As at 31 December 2023, 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 (the "**Model Code**") as set out in Appendix C3 of the Listing Rules were as follows:

Long position in the ordinary shares of the Company

Name of Directors	**Capacity/Type of interest**	**Number of ordinary shares**	**Approximate percentage of shareholding** (Note 1)
Mr. Ju Wenzhong	Beneficial Interests	7,297,659	0.09%
Mr. Li Bo	Beneficial interests	2,601,886	0.03%
Ms. Xue Hui	Beneficial Interests	3,860,055	0.05%

Notes:

1. The calculation is based on the total number of issued ordinary shares of 8,430,000,000 shares as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, 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

At no time during the year ended 31 December 2023 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 and at Note 19 of the consolidated financial statements, during the year ended 31 December 2023, 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, CHIEF EXECUTIVE AND FIVE HIGHEST PAID EMPLOYEES

Details of the emoluments of the Directors, chief executive 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 2023.

DEED OF NON-COMPETITION

Each of the Company's controlling shareholders and Mr. Zhang Li have confirmed to the Company of his/its compliance with the non-competition undertakings given to the Company under the Deed of Non-Competition as defined in the Prospectus.

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 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.

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 has 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 a 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;

(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.

SHARE OPTION 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

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 as at the adoption date.

As at 31 December 2023, the Company has not granted any share options under the 2023 Share Option Scheme. 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 843,000,000, representing 10% of the total number of issued 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 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 wards 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, 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) 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.

SHARE OPTION SCHEME (cont'd)

(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.

(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.

SHARE OPTION SCHEME (cont'd)

(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.

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.

SHARE AWARD SCHEMES (cont'd)

2022 Share Award Scheme (cont'd)

(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 as at the date of approval of the adoption of the 2022 Share Award Scheme.

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 in issue as at the adoption date.

As at 31 December 2023, the Company has not granted any awards under the 2022 Share Award Scheme. 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 as at the date of this annual report.

SHARE AWARD SCHEMES (cont'd)

2022 Share Award Scheme (cont'd)

(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, 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.

(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.

SHARE AWARD SCHEMES (cont'd)

2022 Share Award Scheme (cont'd)

(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;

(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.

SHARE AWARD SCHEMES (cont'd)

2023 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

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 as at the adoption date.

As at 31 December 2023, the Company has not granted any awards under the 2023 Share Award Scheme. 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 843,000,000, representing 10% of the total number of issued 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 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, 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 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;

SHARE AWARD SCHEMES (cont'd)

2023 Share Award Scheme (cont'd)

(v) Vesting period (cont'd)

(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.

(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 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.

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 2023 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 executive of the Company, as at 31 December 2023, the persons or corporations (other than the Directors or chief executive 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	Approximate percentage of shareholding (Note 1)
Mr. Zhang Li	Beneficial interests	943,314,000	11.19%
	Interest of spouse (Note 2)	2,800,000	0.03%
Madam Liao Dong Fen	Beneficial Interests	2,800,000	0.03%
	Interest of spouse (Note 3)	943,314,000	11.19%
Mr. Zhang Liang, Johnson	Founder of a discretionary trust who can influence how the trustee exercises his discretion (Note 4)	5,307,450,000	62.96%
TMF (Cayman) Ltd.	Trustee (Note 4)	5,307,450,000	62.96%
The Zhang Family Overseas Limited	Interest in a controlled corporation (Note 4)	5,307,450,000	62.96%
King Lok Holdings Limited	Beneficial interests (Note 4)	5,307,450,000	62.96%

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. The calculation is based on the total number of issued ordinary shares of 8,430,000,000 shares as at 31 December 2023.

2. 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.

3. 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 943,314,000 ordinary shares of the Company held by Mr. Zhang Li.

4. The entire issued share capital of King Lok Holdings Limited, which directly holds 5,307,450,000 ordinary shares in the Company, were 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 2023, 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 2023.

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

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

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes participated by the Group are set out in Note 2.4 and Note 7 to the consolidated financial statements.

CHARITABLE DONATIONS

During the year ended 31 December 2023, the Group donated RMB88.7 million to Zhunge'er Central Hospital, Zhuge'er Health Commission and other hospitals and RMB30.5 million to different local organizations and foundations.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the biographies of the Directors and senior management of the Company are set out on pages 58 to 61 of this annual report.

CHANGES IN DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION

For the year ended 31 December 2023, the Company was not aware of any other change in the information of the Directors or the chief executives of the Company 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 2023 of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix C1 of the Listing Rules. The Board is of the view that the Company is in compliance with the code provisions of the CG Code for the year ended 31 December 2023.

For details of the Corporate Governance Report, please refer to pages 84 to 96 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 2023 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 register of members of the Company will be closed from Thursday, 2 May 2024 to Tuesday, 7 May 2024 (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 AGM. In order to be entitled to attend and vote at the AGM, 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, 30 April 2024.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

The register of members of the Company will be closed from Tuesday, 14 May 2024 to Friday, 17 May 2024 (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 Monday, 13 May 2024.

Directors' Report

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 28 to 57 of this annual report and forms part of this directors' report.

During the reporting period, 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.

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 27 of this 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 28 to 57 of this report. The discussion forms part of this Directors' Report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group continues to commit 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, the SFO, the Listing Rules and other relevant laws and regulations.

For the year ended 31 December 2023, 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 are not aware of any relief from taxation to which the shareholders are entitled by reason of their holding of the Company's listed securities.

AUDITOR

KPMG will retire and will be eligible for re-election at the forthcoming annual general meeting.

The accompanying consolidated financial statements have been audited by KPMG.

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. A meeting of the audit committee was held on 25 March 2024 to meet with the auditor of the Company and review the annual results and the audited consolidated financial statements of the Company for the year ended 31 December 2023.

On behalf of the Board
Ju Wenzhong
Chairman and Executive Director

25 March 2024

Corporate Governance Report

CORPORATE GOVERNANCE CODE

As the Company 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 Company has complied with the code provisions set out in Part 2 of Appendix C1 of the Listing Rules for the year ended 31 December 2023.

The Company 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 Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules 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 2023.

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.

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 2023, 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 2023 and this 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 finance of the Company and the shareholders of the Company, such as but not limited to the 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 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 executive Directors. The day-to-day management, administration and operation of the Group are delegated to executive Directors and an independent senior management team. The senior management team is also responsible for the supervision and execution of the Group's business plans. The Board reviews periodically 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

As at 31 December 2023, 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 (Note 1)

Independent Non-executive Directors

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

Note 1: Ms. Zhang Lin 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.

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 controlling shareholder of the Company.

During the year ended 31 December 2023, the Company has complied with the requirements of the Listing Rules to have at least three independent non-executive Directors representing at least one-third of the Board with at least one of them possessing 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 meeting.

The nomination committee of the Board has been established with effect from the listing date of the Company (i.e. 23 March 2012) 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.

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 resolution of the Board in respect of the relevant contract or arrangement unless so authorised by the Company's articles of association. Ms. Zhang Lin has 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, comment and records within a reasonable time after each meeting. Final versions of such minutes are kept by the company secretary of the Company and are open for inspection by Directors upon reasonable notice.

Directors' Attendance Records

During the year ended 31 December 2023, 25 Board meetings were held at which the Directors reviewed and approved, among other things, interim and annual results of the Company, declaration and payment of a special dividend, change of principal place of business in Hong Kong, and the change of the acquisition scope of the properties from Seedland and the acquisition of 100% equity interests of Taiyuan Hetai.

During the year ended 31 December 2023, the Chairman of the Board held a meeting with the independent non-executive Directors without the presence of other Directors. The attendance record of each Director at the aforementioned Board meetings and at the Company's Annual General Meeting held on 22 May 2023 and the extraordinary general meeting held on 28 July 2023 in relation to the acquisition of the shares of Star Idea is set out below:

	Attendance/Number of Meetings		
	(Board Meetings)	(Annual General Meeting)	(Extraordinary General Meeting)
Executive Directors			
Mr. Ju Wenzhong *(Chairman)*	25/25	1/1	1/1
Mr. Li Bo *(Chief Executive Officer)*	24/25	1/1	1/1
Mr. Ji Kunpeng	24/25	1/1	1/1
Non-Executive Director			
Ms. Zhang Lin	12/25	1/1	0/1
Independent Non-Executive Directors			
Ms. Liu Peilian	25/25	1/1	1/1
Mr. Chen Liangnuan	25/25	1/1	1/1
Ms. Xue Hui	25/25	1/1	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 31 December 2023, the roles of Chairman and Chief Executive Officer of the Company have been carried out by different individuals. The Chairman of the Board of the Company was Mr. Ju Wenzhong and the Chief Executive Officer was Mr. Li Bo.

The Chairman of the Company 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 of the Company 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 was established with effect from the listing date of the Company in compliance with Rule 3.21 of the Listing Rules. It is responsible for ensuring that the Company 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 financial statements of the Company (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 committee), who possesses the appropriate professional qualification or accounting or related financial management expertise, Mr. Chen Liangnuan and Ms. Zhang Lin. The written 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 audit committee held three meetings during the year ended 31 December 2023. 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 2022 and interim results for the six months ended 30 June 2023; and (ii) the effectiveness of the Group's risk management and internal control system and internal audit function.

BOARD COMMITTEES (cont'd)

Audit Committee (cont'd)

The attendance record of each audit committee member at the aforementioned audit committee meetings is set out below:

Name of Audit Committee Member	Attendance/ Number of Meetings
Ms. Liu Peilian *(Chairlady)*	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 executive Directors to discuss issues related to audit and financial reporting with the audit committee members. An audit committee meeting was also held on 25 March 2024 to consider and review, among other things, the Group's annual results and annual report for the year ended 31 December 2023. Ms. Liu Peilian, Mr. Chen Liangnuan and Ms. Zhang Lin attended the meeting.

Remuneration Committee

The remuneration committee of the Board was established with effect from the listing date of the Company 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 committee), Ms. Liu Peilian and Ms. Zhang Lin. The written 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 makes recommendations to the Board on the remuneration packages of a few executive Directors and senior management. The remuneration committee held one meeting during the year ended 31 December 2023. In the meeting, the remuneration committee evaluated the performance of executive Directors, discussed and reviewed, among other things, the remuneration policy of the Directors of the Company and the remuneration of executive Directors.

BOARD COMMITTEES (cont'd)

Remuneration Committee (cont'd)

The attendance record of each remuneration committee member at the aforementioned remuneration committee meeting is set out below:

Name of Remuneration Committee Member	Attendance/ Number of Meeting
Ms. Xue Hui *(Chairlady)*	1/1
Ms. Liu Peilian	1/1
Ms. Zhang Lin	1/1

Nomination Committee

The Board has established a nomination committee with effect from the listing date of the Company, in compliance with the code provisions of the CG Code, 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 committee), Mr. Chen Liangnuan and Ms. Xue Hui. The written 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 nomination committee held one meeting during the year ended 31 December 2023. In the meeting, the nomination committee discussed and reviewed, among other things, (i) resignation and appointment of Directors; (ii) 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 (iii) 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 nomination committee member at the aforementioned nomination committee meeting are set out below:

Name of Nomination Committee Member	Attendance/ Number of Meeting
Mr. Ju Wenzhong *(Chairman)*	1/1
Mr. Chen Liangnuan	1/1
Ms. Xue Hui	1/1

BOARD DIVERSITY

During the year ended 31 December 2023, the Company continued to monitor Board composition with regard to its diversity policy which require 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 ratio in the workforce (including senior management) for the year ended 31 December 2023 is Male: Female = 83%:17%. The Board considers that the current overall workforce is sufficiently diverse and is of the view that the current gender diversity has achieved the objective set by the Company. Going forward, the Board will continue its efforts in ensuring that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and recommended best practices.

For further details of gender ratio together with the relevant data, please refer to the disclosure in the Environmental, Social and Governance report of the Company set out on pages 28 to 57 of this report.

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 2023 amounted to approximately RMB5.93 million.

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. Specific enquiry has been made to Ms. Cheng Lucy ("**Ms. Cheng**"), the company secretary of the Company, and Ms. Cheng have confirmed that she complies with the relevant qualifications, experience and training requirements under the Listing Rules.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged Directors' and Officers' liability insurance for its Directors and senior management during the year ended 31 December 2023. The insurance covers the corresponding costs, charges, expenses and liabilities for any legal action against them arising out of corporate activities.

DIRECTORS' TRAINING

According to the code provision C.1.4 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 code provision C.1.4 of the CG Code for the year ended 31 December 2023 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 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.

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 existing 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.

CONSTITUTIONAL DOCUMENTS

On 30 March 2023, the Board proposed to make certain amendments to the then existing memorandum and articles of the Company (the "**Existing Memorandum and Articles**") and to adopt the proposed second amended and restated memorandum and articles of association of the Company (the "**New Memorandum and Articles**") in order to (i) bring the Existing Memorandum and Articles in line with the relevant requirements of the applicable laws of the Cayman Islands and the Listing Rules, (ii) facilitate the holding of electronic general meetings and (iii) make some other housekeeping improvements.

The proposed amendments and the adoption of the New Memorandum and Articles have been approved by the shareholders of the Company by way of a special resolution at the annual general meeting held on 22 May 2023. Details of the amendments to the Existing Memorandum and Articles are set out in the circular of the Company dated 28 April 2023. The New Memorandum and Articles are also posted on the website of the Company and the Stock Exchange.

Save as disclosed above, there has been no other change to the Company's constitutional documents during the year ended 31 December 2023.

ACCOUNTABILITY

The Directors have included a management discussion and analysis of the Group's performance for the year ended 31 December 2023 under the section headed "Management Discussion and Analysis" 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 provide 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 dividend 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.

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

- the Company's general business conditions;
- the Company's financial results;
- the progress of merger and acquisition and the Company'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 subsidiary companies 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 EIT 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 dividend for a fiscal year will be subject to the shareholders' approval.

RISK MANAGEMENT AND INTERNAL CONTROLS

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 function 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.

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.

RISK MANAGEMENT AND INTERNAL CONTROLS (cont'd)

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 2023 to 30 June 2023 and from 1 July 2023 to 31 December 2023 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 programmes given to our employees and relevant budget of the Company's accounting, internal audit and financial reporting functions to be adequate.

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 Company 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 Company. 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 2023 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 auditor's report on pages 97 to 101 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 Company's senior management, whose biographies are set out on pages 60 to 61 of this annual report, for the year ended 31 December 2023 are set out below:

	Number of Individuals
Remuneration band (in RMB)	
RMBnil – RMB2,000,000	7
RMB2,000,001 – RMB4,000,000	1

Independent Auditor's Report

KPMG

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 102 to 175, which comprise the consolidated statement of financial position as at 31 December 2023, 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 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 capital expenditure for its proposed acquisitions and its mining projects. The Group's ability to fund the expenditure heavily relies on its ability to generate future operating cash inflows and obtain borrowings from banks or other financial institutions which may be affected by government policy and volatility in coal market price. As stated in Note 2.1, these facts or circumstances, along with other matters as set forth in Note 2.1, 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.

KEY AUDIT MATTER (Cont'd)

Revenue recognition

Refer to Note 5 to the consolidated financial statements and the accounting policies on page 127.

The Key Audit Matter	How the matter was addressed in our audit
The Group is principally engaged in the coal mining and trading business, from which the Group has earned relevant revenue amounted to RMB4,733,879,000 for the year ended 31 December 2023. 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. 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.	Our audit procedures to assess the recognition of revenue included the following: • 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 terms of delivery and assessing whether management recognised the related revenue in accordance with the Group's accounting 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 certain 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.

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.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF 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 HKFRSs 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.

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

As part of an audit in accordance with HKSAs, 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.

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

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

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

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 Chu Man Wai.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2023

	Note	**2023 RMB'000**	2022 RMB'000
Revenue	5	**4,745,069**	6,155,830
Cost of sales		**(1,942,031)**	(2,132,372)
Gross profit		**2,803,038**	4,023,458
Other incomes and losses, net	6	**(27,000)**	(65,535)
Gains/(losses) on fair value changes of financial assets	21	**29,278**	(39,860)
Selling expenses		**(16,938)**	(23,264)
Administrative expenses		**(257,146)**	(225,417)
Profit from operations		**2,531,232**	3,669,382
Share of profits of associates		**11,109**	14,538
Finance costs	8	**(101,440)**	(49,893)
Profit before taxation	7	**2,440,901**	3,634,027
Income tax expense	11	**(368,178)**	(977,712)
Profit for the year		**2,072,723**	2,656,315
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 Mainland China		**42,547**	(12,339)
Total comprehensive income for the year		**2,115,270**	2,643,976

The notes on pages 109 to 175 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Profit for the year attributable to:			
Equity shareholders of the Company		**2,077,831**	2,664,533
Non-controlling interests		**(5,108)**	(8,218)
		2,072,723	2,656,315
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**2,121,303**	2,652,194
Non-controlling interests		**(6,033)**	(8,218)
		2,115,270	2,643,976
Basic and diluted earnings per share attributable to equity shareholders of the Company (RMB cents)	13	**24.65**	31.61

The notes on pages 109 to 175 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 12.

Consolidated Statement of Financial Position

31 December 2023

	Note	**2023 RMB'000**	2022 RMB'000
Non-current assets			
Property, plant and equipment	15	**2,483,678**	1,716,365
Right-of-use assets	16	**88,049**	116,873
Intangible assets	17	**3,233,648**	3,210,599
Interest in associates	18	**79,833**	104,085
Goodwill	40	**250,673**	—
Deferred tax assets	30	**26,726**	42,581
Prepayments for proposed acquisitions	19	**2,449,881**	2,546,892
Other non-current assets	20	**168,239**	143,037
Total non-current assets		**8,780,727**	7,880,432
Current assets			
Financial assets at fair value through profit or loss	21	**220,592**	190,899
Inventories	22	**115,274**	110,213
Trade and other receivables	23	**194,053**	220,718
Pledged and restricted deposits	24	**727,784**	475,903
Cash at bank and on hand	24	**734,143**	551,866
Current portion of other non-current assets	20	**165,341**	62,610
Total current assets		**2,157,187**	1,612,209
Current liabilities			
Trade and other payables	25	**1,066,741**	518,906
Contract liabilities	26	**68,351**	196,283
Bank loans	27	**1,033,000**	300,000
Lease liabilities	28	**1,898**	15,898
Income tax payable		**402,086**	784,328
Total current liabilities		**2,572,076**	1,815,415
Net current liabilities		**(414,889)**	(203,206)
Total assets less current liabilities		**8,365,838**	7,677,226

The notes on pages 109 to 175 form part of these financial statements.

Consolidated Statement of Financial Position

31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Bank loans	27	**269,800**	583,000
Lease liabilities	28	**6,989**	79,542
Long-term payables	29	**583,936**	638,992
Deferred tax liabilities	30	**41,841**	52,865
Accrual for reclamation costs	31	**43,073**	6,037
Total non-current liabilities		**945,639**	1,360,436
NET ASSETS		**7,420,199**	6,316,790
EQUITY			
Share capital	32	**54,293**	54,293
Reserves	34	**7,313,557**	6,274,501
Total equity attributable to equity shareholders of the Company		**7,367,850**	6,328,794
Non-controlling interests		**52,349**	(12,004)
TOTAL EQUITY		**7,420,199**	6,316,790

Approved and authorised for issue by the board of directors on 25 March 2024.

Ju Wenzhong
Chairman and Executive Director

Li Bo
Chief Executive Officer and Executive Director

The notes on pages 109 to 175 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Note	Attributable to equity shareholders of the Company							Non-controlling interests RMB '000	Total equity RMB'000
		Share capital RMB'000 (Note 32)	Share premium RMB'000 (Note 33)	Other reserves RMB'000 (Note 34(i))	Statutory reserves RMB'000 (Note 34(ii))	Exchange reserve RMB'000 (Note 34(iii))	Retained profits RMB'000	Total RMB '000		
At 1 January 2023		**54,293**	**483,907**	**141,831**	**2,001,270**	**(1,072)**	**3,648,565**	**6,328,794**	**(12,004)**	**6,316,790**
Profit for the year		–	–	–	–	–	2,077,831	2,077,831	(5,108)	2,072,723
Other comprehensive income		–	–	–	–	43,472	–	43,472	(925)	42,547
Total comprehensive income for the year		–	–	–	–	43,472	2,077,831	2,121,303	(6,033)	2,115,270
Dividend paid	12	–	–	–	–	–	(775,243)	(775,243)	–	(775,243)
Dividend declared	25	–	–	–	–	–	(307,004)	(307,004)	–	(307,004)
Transfer to statutory reserves		–	–	–	173,065	–	(173,065)	–	–	–
Appropriation of maintenance and production funds		–	–	–	224,058	–	(224,058)	–	–	–
Utilisation of maintenance and production funds		–	–	–	(49,678)	–	49,678	–	–	–
Acquisition of subsidiaries	40	–	–	–	–	–	–	–	70,386	70,386
At 31 December 2023		**54,293**	**483,907**	**141,831**	**2,348,715**	**42,400**	**4,296,704**	**7,367,850**	**52,349**	**7,420,199**

	Note	Attributable to equity shareholders of the Company							Non-controlling interests RMB '000	Total equity RMB'000
		Share capital RMB'000 (Note 32)	Share premium RMB'000 (Note 33)	Other reserves RMB'000 (Note 34(i))	Statutory reserves RMB'000 (Note 34(ii))	Exchange reserve RMB'000 (Note 34(iii))	Retained profits RMB'000	Total RMB '000		
At 1 January 2022		54,293	483,907	141,831	1,334,753	11,267	2,549,777	4,575,828	(3,786)	4,572,042
Profit for the year		–	–	–	–	–	2,664,533	2,664,533	(8,218)	2,656,315
Other comprehensive income		–	–	–	–	(12,339)	–	(12,339)	–	(12,339)
Total comprehensive income for the year		–	–	–	–	(12,339)	2,664,533	2,652,194	(8,218)	2,643,976
Dividend paid	12	–	–	–	–	–	(899,228)	(899,228)	–	(899,228)
Transfer to statutory reserves		–	–	–	492,401	–	(492,401)	–	–	–
Appropriation of maintenance and production funds		–	–	–	224,477	–	(224,477)	–	–	–
Utilisation of maintenance and production funds		–	–	–	(50,361)	–	50,361	–	–	–
At 31 December 2022		54,293	483,907	141,831	2,001,270	(1,072)	3,648,565	6,328,794	(12,004)	6,316,790

The notes on pages 109 to 175 form part of these financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Operating activities			
Profit before taxation		**2,440,901**	3,634,027
Adjustments for:			
Depreciation	7	**106,139**	90,406
Amortisation of intangible assets and right-of-use assets	7	**33,105**	45,863
Impairment of goodwill		**–**	8,027
Interest expenses	8	**101,440**	49,893
Interest income	6	**(19,792)**	(18,527)
Net losses on redemption of financial assets at fair value through profit or loss		**–**	1,023
Share of profits of associates		**(11,109)**	(14,538)
(Gains)/losses on fair value changes of financial assets		**(29,278)**	39,860
Gains on disposal of an associate	6	**(21,152)**	–
(Gains)/losses on disposal of property, plant and equipment and termination of lease contracts	6	**(7,355)**	10,989
Compensation received	6	**(15,000)**	–
Write-off of inventories		**–**	4,872
Decrease/(increase) in inventories		**20,955**	(51,643)
Decrease in trade and other receivables		**91,538**	9,008
(Decrease)/increase in trade and other payables and contract liabilities		**(225,344)**	173,728
Decrease/(increase) in restricted deposits		**9,219**	(16,801)
Cash generated from operations		**2,474,267**	3,966,187
Income tax paid		**(762,461)**	(872,014)
Net cash flows generated from operating activities		**1,711,806**	3,094,173

The notes on pages 109 to 175 form part of these financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Investing activities			
Dividends received from an associate		**13,185**	17,154
Interest received		**16,797**	17,316
Proceeds from disposal of items of property, plant and equipment		**—**	1,938
Payments for property, plant and equipment, intangible assets and other non-current assets		**(490,004)**	(816,678)
Acquisition of subsidiaries, net of cash acquired	40	**(194,124)**	(1,491,050)
Loan granted to a related party	37(b)	**(99,549)**	(94,045)
Loan granted to a third party		**—**	(2,000)
Repayment of loan to a related party		**—**	50,000
Prepayments for the proposed acquisitions	19(b)	**(147,000)**	(1,995,743)
Increase in pledged deposits		**(61,100)**	—
Proceeds from disposal of an associate	18	**43,330**	—
Redemption of financial assets at fair value through profit or loss		**—**	37,600
Refundable security deposits paid in relation to potential mining projects targets		**—**	(1,490,000)
Refund of security deposits in relation to potential mining projects targets		**—**	1,490,000
Others		**14,585**	—
Net cash flows used in investing activities		**(903,880)**	(4,275,508)
Financing activities			
New bank loans		**1,069,370**	1,033,000
Repayment of bank loans		**(649,570)**	(438,370)
Dividend paid		**(775,243)**	(899,228)
Interest paid		**(64,657)**	(33,520)
Lease rentals paid		**(670)**	(8,255)
Decrease in pledged time deposits		**200,000**	296,493
Increase in pledged time deposits		**(400,000)**	(600,000)
Net cash flows used in financing activities		**(620,770)**	(649,880)
Net increase/(decrease) in cash and cash equivalents		**187,156**	(1,831,215)
Cash and cash equivalents at 1 January		**551,866**	2,387,239
Effect of foreign exchange rate changes		**(4,879)**	(4,158)
Cash and cash equivalents at end of the year	24	**734,143**	551,866

The notes on pages 109 to 175 form part of these financial statements.

Notes to the Consolidated Financial Statements

31 December 2023

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). 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 sale of coal products. There has been no significant change in the Group's principal activities during the year.

In the opinion of the directors of the Company (the "**Directors**"), the holding company and the ultimate holding company of the Company is King Lok Holdings Limited, which was incorporated in the British Virgin Islands with limited liability.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**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. These 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 ("**Listing Rules**"). These 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 amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2.2 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 periods reflected in these financial statements.

The preparation of financial statements in conformity with HKFRSs 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 HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

2.1 BASIS OF PREPARATION (Cont'd)

As at 31 December 2023, the Group had net current liabilities of RMB414,889,000 and has undertaken several acquisitions with prepayments made amounting to RMB2,449,881,000 as disclosed in Note 19. The Directors estimated that the remaining amounts to be made in relation to the aforementioned acquisitions and other additional capital expenditure will be approximately RMB1,162,943,000; 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 other than mining. The Group needs to seek financing from banks or other financial institutions in order to fund the acquisitions and future capital expenditure.

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, which may be affected by the government macro-control policy and volatility in coal market price.

The scale of the expected capital expenditure and possible mismatch of future cash flow projections 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 balances; (ii) the expected operating cash flows of the Group for at least the next twelve months from the end of the current reporting period; and (iii) the Group's capital expenditure and other necessary additional amount forecast for at least the next twelve months from the end of the current reporting period, 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 bank 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 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.

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.

2.1 BASIS OF PREPARATION (cont'd)

Basis of consolidation (cont'd)

The consolidated financial statements include the financial statements of the Group and the Group's interest in associates for the year ended 31 December 2023. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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 financial statements of the subsidiaries are prepared for the same reporting period 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 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.

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 new and amended HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- HKFRS 17, *Insurance contracts*

  HKFRS 17, which replaces HKFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts.

- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

  The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates.

- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*

  The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

  The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (cont'd)

- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

  The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax 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 ("**OECD**") (income tax arising from such tax laws is hereafter referred to as "**Pillar Two income taxes**"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax. The amendments are immediately effective upon issuance and require retrospective application.

None of the new and amended HKFRSs have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*	1 January 2024
Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*	1 January 2024
Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*	1 January 2024
Amendments to HKAS 7, *Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements*	1 January 2024
Amendments to HKAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025
Amendments to HKFRS 10 and HKAS 28, *Sales or contribution of assets between an investor and its associate or joint venture*	To be decided

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.

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 the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and 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 consolidated 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).

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 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.

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.

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.

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 items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss 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 are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off 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.

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 part 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 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.

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.

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.

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.

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.

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 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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 at banks and on hand, 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.

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.

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 policy 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.

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.

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 consolidated statement of 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 consolidated statement of 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 sale 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; and

(b) 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.

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 certain 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.

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 the notes to the financial statements.

Foreign currencies

The functional currency of the Company is Hong Kong dollar. These 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.

2.4 MATERIAL ACCOUNTING POLICIES (cont'd)

Foreign currencies (cont'd)

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 consolidated statement of 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 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, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

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

Engineering 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 engineering 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.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

Estimation uncertainty (cont'd)

Coal reserves (cont'd)

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation, amortisation and impairment losses. Depreciation and amortisation rates are determined based on estimated proved and probable coal reserve quantity (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 liability. 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 liability, 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 2023, the Group had accrual for reclamation costs amounted to RMB43,073,000 (31 December 2022: RMB6,037,000).

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 and 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, 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 40, 15, 16 and 17 to the consolidated financial statements.

4 OPERATING 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. As at 31 December 2023, the Group had entered into agreements with counterparties to acquire certain properties and further extended its business to other business lines other than coaling mining. The reportable segments of the Group are coal mining segment and other segment (mainly including properties and tobacco operations) that are in line with the business plans and information provided to the CODM of the Group.

The revenue generated from other segment is insignificant to the Group. As such, the results of other segment is not measured separately.

During the year, the Group has completed acquisition of subsidiaries for operations in other segment. The information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation for the year ended 31 December 2023 is the total amount of related assets and liabilities of reportable segments.

Information regarding the Group's reportable segments for the year ended 31 December 2023 and 2022 and reconciliations of reportable segment assets and liabilities are set out below.

(i) Segment assets and liabilities

	At 31 December 2023		
	Coal mining segment RMB'000	**Other segment RMB'000**	**Total RMB'000**
Reportable segment assets	**8,347,866**	**2,342,730**	**10,690,596**
Reportable segment liabilities	**2,704,203**	**200,705**	**2,904,908**

	At 31 December 2022		
	Coal mining segment RMB'000	Other segment RMB'000	Total RMB'000
Reportable segment assets	7,564,174	1,694,987	9,259,161
Reportable segment liabilities	1,937,232	138,649	2,075,881

Along with the business development, certain corporate assets are reallocated to segment assets and the comparative figures has been adjusted accordingly.

4 OPERATING SEGMENT INFORMATION (cont'd)

(ii) Reconciliations of reportable segment assets and liabilities

	Note	**At 31 December 2023 RMB'000**	At 31 December 2022 RMB'000
Assets			
Reportable segment assets		**10,690,596**	9,259,161
Financial assets at fair value through profit or loss	21	**220,592**	190,899
Deferred tax assets	30	**26,726**	42,581
Consolidated total assets		**10,937,914**	9,492,641

	Note	**At 31 December 2023 RMB'000**	At 31 December 2022 RMB'000
Liabilities			
Reportable segment liabilities		**2,904,908**	2,075,881
Income tax payable		**402,086**	784,328
Taxes payable other than income tax	25	**168,880**	262,777
Deferred tax liabilities	30	**41,841**	52,865
Consolidated total liabilities		**3,517,715**	3,175,851

(iii) Geographic information

No geographic information regarding operating results is shown as the Group's operating results are mostly derived from its business activities in the People's Republic of China (the "**PRC**") and the Group's operating results from other regions are insignificant so that are not presented separately.

Information about the Group's non-current assets (excluding deferred tax assets) is presented based on the geographical location of the assets.

	At 31 December 2023 RMB'000
The PRC	**8,165,143**
Others	**588,858**
	8,754,001

5 REVENUE

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

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers		
Sale of coal products	**4,733,879**	6,136,371
Others	**11,190**	19,459
	4,745,069	6,155,830

Revenue from major customers amounting to over 10% of the revenue of the Group is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers		
Customer A	**699,028**	1,059,643
Customer B	**528,055**	*

* Transactions with the customer did not exceed 10% of the Group's revenue.

	2023 RMB'000	2022 RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	**4,745,069**	6,155,830

Performance obligations

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

Sale of coal and other products

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

6 OTHER INCOMES AND LOSSES, NET

	2023 RMB'000	2022 RMB'000
Government grants	**89,554**	75,651
Gains on disposal of an associate (Note 18)	**21,152**	—
Interest income	**19,792**	18,527
Compensation received	**15,000**	—
Net gains/(losses) on disposal of property, plant and equipment and termination of lease contracts	**7,355**	(10,989)
Donation	**(119,158)**	(65,776)
Foreign exchange differences, net	**(54,675)**	(38,843)
Penalty	**(6,502)**	(28,003)
Impairment of goodwill	**—**	(8,027)
Write-off of inventories	**—**	(4,872)
Net losses on redemption of financial assets at fair value through profit or loss	**—**	(1,023)
Others	**482**	(2,180)
	(27,000)	(65,535)

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7 PROFIT BEFORE TAXATION

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

	Note	2023 RMB'000	2022 RMB'000
Cost of inventories sold		**886,466**	1,117,883
Transportation and storage costs		**1,055,565**	1,014,489
Cost of sales		**1,942,031**	2,132,372
Salaries, wages, bonuses and benefits		**339,718**	289,685
Contribution to defined contribution plans		**14,426**	12,293
Staff costs (including directors' emoluments (Note 9))		**354,144**	301,978
Depreciation	15	**106,139**	90,406
Amortisation of intangible assets	17	**27,947**	27,948
Amortisation of right-of-use assets	16	**5,158**	17,915
Auditor's remuneration			
— Annual audit service		**5,300**	5,300
— Non-audit service		**630**	350
— Other audit-related service		**—**	3,350

Cost of inventories sold for the year ended 31 December 2023 included RMB299,605,000 (2022: RMB265,591,000) relating to staff costs, depreciation and amortisation of intangible assets and right-of-use assets, which are included in the respective amounts disclosed separately above for each of these types of expenses.

8 FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest expenses	**64,824**	34,841
Unwinding of discount	**36,616**	15,052
	101,440	49,893

9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to the Listing Rule, 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	Total remuneration RMB'000
2023					
Executive directors:					
Mr. Ju Wenzhong	1,090	2,134	800	202	4,226
Mr. Li Bo	631	889	800	63	2,383
Mr. Ji Kunpeng	740	889	800	63	2,492
	2,461	3,912	2,400	328	9,101
Non-executive director:					
Ms. Zhang Lin	–	522	–	–	522
Independent non-executive directors:					
Ms. Liu Peilian	–	522	–	–	522
Ms. Xue Hui	–	522	–	–	522
Mr. Chen Liangnuan	–	500	–	–	500
	2,461	5,978	2,400	328	11,167

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	Total remuneration RMB'000
2022					
Executive directors:					
Mr. Zhang Li*	–	1,500	–	–	1,500
Mr. Zhang Liang, Johnson**	–	1,500	–	–	1,500
Mr. Ju Wenzhong*	801	1,418	420	160	2,799
Mr. Li Bo***	771	501	420	58	1,750
Mr. Ji Kunpeng*	942	501	420	58	1,921
	2,514	5,420	1,260	276	9,470
Non-executive director:					
Ms. Zhang Lin	–	438	–	–	438
Independent non-executive directors:					
Ms. Liu Peilian	–	438	–	–	438
Mr. Zheng Ercheng***	–	145	–	–	145
Ms. Xue Hui	–	438	–	–	438
Mr. Chen Liangnuan***	–	294	–	–	294
	2,514	7,173	1,260	276	11,223

* On 16 June 2022, Mr. Zhang Li tendered his resignation from his positions as an executive Director, the chairman of the Board and the chairman and a member of the nomination committee; Mr. Ju Wenzhong was re-designated as the chairman of the Board as well as the chairman and member of the nomination committee; Mr. Ji Kunpeng was appointed as an executive Director of the Company.

** On 24 May 2022, Mr. Zhang Liang, Johnson tendered his resignation from his position as an executive Director.

*** On 30 May 2022, Mr. Li Bo was elected as an executive Director, and Mr. Chen Liangnuan was elected as an independent non-executive Director; Mr. Zheng Ercheng retired from his position as an independent non-executive Director. In addition, on 16 June 2022, Mr. Li Bo was appointed as the chief executive officer.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2022: three) are the Directors whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the other two (2022: two) individuals who are not the Directors are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other emoluments	**5,487**	4,757
Contributions to the retirement scheme	**276**	261
	5,763	5,018

The emoluments of the two (2022: two) individual who are not the Directors with the highest emoluments are within the following bands:

	Number of employees	
	2023	2022
HKD2,000,001 to HKD3,000,000	**1**	1
HKD3,000,001 to HKD4,000,000	**—**	1
HKD4,000,001 to HKD5,000,000	**1**	—
	2	2

11 INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000
Current tax — Mainland China	**379,977**	988,882
Deferred income tax		
Reversal and origination of temporary differences (Note 30)	**(11,799)**	(11,170)
Total tax expense for the year	**368,178**	977,712

(a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Company and its subsidiaries, Blue Gems Worldwide Limited, Porus Power Limited and Star Idea Enterprises Limited, are not subject to any income tax in the Cayman Islands and BVI, respectively.

11 INCOME TAX EXPENSE (cont'd)

(b) Except for Inner Mongolia Zhunge'er Kinetic Coal Limited ("Kinetic Coal"), PRC corporate income tax ("CIT") was provided at a rate of 25% on the taxable income of the companies comprising the Group within Mainland China, as adjusted for income and expense items which are not assessable or deductible for income tax purposes. Kinetic Coal was recognised as qualified enterprise subject to the "Western Development policy" on 28 December 2023, hence it enjoys a preferential income tax rate of 15% from 2023 to 2030.

(c) 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 liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. In 2023, Kinetic Development Group Limited, Blue Gems Worldwide Limited and Kinetic (Asia) Limited obtained Hong Kong SAR certificate of resident status for the calendar year 2022 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 is subject to a withholding tax rate of 5% from 2022 to 2024. The relevant tax authorities in Mainland China has refunded the Group with the difference of PRC withholding tax calculated between the rate of 10% and 5% for the year ended 31 December 2022, which amounted to RMB74,558,000. The Group provided for and paid the withholding taxes subject to a tax rate of 5% for the year ended 31 December 2023.

(d) Reconciliation between income tax expense and profit before taxation at applicable tax rate is as follows:

	2023 **RMB'000**	2022 RMB'000
Profit before taxation	**2,440,901**	3,634,027
Tax on profit before taxation, calculated at the rates applicable to the results in the jurisdictions concerned	**474,776**	765,050
Effect of non-deductible expenses	**4,556**	12,370
Adjustments in respect of current tax of previous periods	**(108,389)**	554
Effect of non-taxable income	**(1,660)**	(3,488)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**(43,671)**	157,027
Tax losses not recognised as deferred tax assets	**42,566**	46,199
Income tax expense	**368,178**	977,712

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12 DIVIDENDS

	2023 **RMB'000**	2022 RMB'000
Interim dividend — HKD3.0 cents (2022: HKD6.0 cents) per ordinary share	**231,978**	431,220
Special dividend — HKD4.0 cents (2022: HKD Nil) per ordinary share	**307,004**	—
Proposed final dividend — HKD5.0 cents (2022: HKD7.0 cents) per ordinary share	**381,972**	527,119

On 8 December 2023, the Company has resolved the declaration and payment of a special dividend (the "**Special Dividend**") of HKD4.0 cents per share. The Special Dividend had been paid in cash on 8 January 2024.

The proposed final dividend for the year of 2023 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13 EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2023 is based on the profit for the year attributable to equity shareholders of the Company of RMB2,077,831,000 and the 8,430,000,000 shares in issue during the year.

The calculation of basic earnings per share for the year ended 31 December 2022 is based on the profit for the year attributable to equity shareholders of the Company of RMB2,664,533,000 and the 8,430,000,000 shares in issue during the year.

There were no dilutive potential ordinary shares during the years ended 31 December 2023 and 2022, and therefore, diluted earnings per share is the same as the basic earnings per share.

14 INVESTMENT IN SUBSIDIARIES

Name of company	Note	Place of incorporation and business	Particulars of issued	Paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Blue Gems Worldwide Limited		The BVI	United States dollars ("**USD**") 1	United States dollars ("**USD**") 1	100%	100%	–	Investment holding
Kinetic (Asia) Limited		Hong Kong	Hong Kong dollars ("**HKD**") 229,330,000	Hong Kong dollars ("**HKD**") 229,330,000	100%	–	100%	Investment holding
Porus Power Limited		The BVI	USD1	USD1	100%	100%	–	Investment holding
Prosperity Power (Asia) Limited		Hong Kong	HKD1	HKD1	100%	–	100%	Investment holding
Kinetic (Qinhuangdao) Energy Co., Ltd.** ("**Kinetic Qinhuangdao**") (力量 (秦皇島) 能源有限公司)		Mainland China	HKD1,505,288,000	RMB1,188,193,000	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	RMB901,858,400	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	–	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

14 INVESTMENT IN SUBSIDIARIES (cont'd)

Name of company	Note	Place of incorporation and business	Particulars of issued	Paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Kinetic (Hainan) Energy Technology Co., Ltd.* ("**Kinetic Hainan**") (力量(海南)能源科技有限公司)		Mainland China	RMB100,000,000	RMB1,000,000	100%	–	100%	Trading of mineral products
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
Guangzhou Yueli Electronic Technology Co., Ltd.* (廣州悦力電子科技有限公司)		Mainland China	RMB50,000,000	RMB36,750,000	73%	–	73%	Development, production and sales of e-vapor
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

14 INVESTMENT IN SUBSIDIARIES (cont'd)

Name of company	Note	Place of incorporation and business	Particulars of issued	Paid up capital	Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
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)	(a)	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)	(a)	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)	(b)	The BVI	USD50,000	USD50,000	73%	73%	–	Investment holding
Power Cigar Tobacco Co., Ltd. ("**Power Cigar Tobacco**")	(b)	Cambodia	USD62,000,000	USD62,000,000	73%	–	100%	Manufacturing and wholesale of tobacco products
Power Prosper International Trading Limited (力鑫國際貿易有限公司)	(a)	Hong Kong	HKD1	HKD1	73%	–	100%	Trading of tobacco products

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

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

Note:

(a) The entities were newly established as subsidiaries of the Group in 2023.

(b) The entities were acquired by the Company in 2023. More details are set out in Note 40 to the consolidated financial statements.

Notes 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 2022 and at 1 January 2023:							
Cost	469,595	940,634	42,374	12,519	623,129	566,123	2,654,374
Accumulated depreciation	(92,539)	(660,548)	(15,340)	(9,704)	(159,878)	–	(938,009)
Net carrying amount	377,056	280,086	27,034	2,815	463,251	566,123	1,716,365
At 1 January 2023, net of accumulated depreciation	377,056	280,086	27,034	2,815	463,251	566,123	1,716,365
Acquisition of subsidiaries (Note 40)	151,078	101,599	98	93	–	–	252,868
Additions	3,363	51,404	12,008	2,187	59,032	496,407	624,401
Disposals	–	(123)	(45)	(272)	–	–	(440)
Depreciation provided during the year	(13,926)	(59,961)	(5,367)	(1,055)	(25,830)	–	(106,139)
Transfers among categories	98,667	–	–	–	–	(98,667)	–
Exchange adjustments	(2,029)	(1,346)	(1)	(1)	–	–	(3,377)
At 31 December 2023, net of accumulated depreciation	614,209	371,659	33,727	3,767	496,453	963,863	2,483,678
At 31 December 2023:							
Cost	722,703	1,093,514	54,140	14,394	682,161	963,863	3,530,775
Accumulated depreciation	(106,465)	(720,509)	(20,412)	(10,626)	(185,708)	–	(1,043,720)
Exchange adjustments	(2,029)	(1,346)	(1)	(1)	–	–	(3,377)
Net carrying amount	614,209	371,659	33,727	3,767	496,453	963,863	2,483,678

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 2021 and at 1 January 2022:							
Cost	444,037	933,154	35,043	11,201	617,851	62,963	2,104,249
Accumulated depreciation	(81,941)	(621,179)	(10,572)	(8,270)	(134,814)	–	(856,776)
Net carrying amount	362,096	311,975	24,471	2,931	483,037	62,963	1,247,473
At 1 January 2022, net of accumulated depreciation	362,096	311,975	24,471	2,931	483,037	62,963	1,247,473
Acquisition of a subsidiary	2,632	26	114	177	–	385,060	388,009
Additions	–	25,688	7,217	1,299	5,278	142,796	182,278
Disposals	–	(10,979)	–	(10)	–	–	(10,989)
Depreciation provided during the year	(10,598)	(48,394)	(4,768)	(1,582)	(25,064)	–	(90,406)
Transfers among categories	22,926	1,770	–	–	–	(24,696)	–
At 31 December 2022, net of accumulated depreciation	377,056	280,086	27,034	2,815	463,251	566,123	1,716,365
At 31 December 2022:							
Cost	469,595	940,634	42,374	12,519	623,129	566,123	2,654,374
Accumulated depreciation	(92,539)	(660,548)	(15,340)	(9,704)	(159,878)	–	(938,009)
Net carrying amount	377,056	280,086	27,034	2,815	463,251	566,123	1,716,365

The Group is in the process of applying for the title of certificates of certain properties with a carrying value of RMB528,599,000 as at 31 December 2023 (31 December 2022: RMB283,700,000). 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 by the fact that the Group has not yet obtained the relevant property title certificates.

16 RIGHT-OF-USE ASSETS

	Land use right RMB'000	Leased land RMB'000	Leased properties RMB'000	Total RMB'000
Carrying amount at 1 January 2022	19,340	6,300	—	25,640
Additions	846	108,302	—	109,148
Amortisation	(452)	(17,463)	—	(17,915)
Carrying amount at 31 December 2022 and 1 January 2023	19,734	97,139	—	116,873
Additions	**12,536**	**245**	**3,647**	**16,428**
Acquisition of subsidiaries (Note 40)	**—**	**42,926**	**1,018**	**43,944**
Termination of lease contracts	**—**	**(83,488)**	**—**	**(83,488)**
Amortisation	**(909)**	**(3,209)**	**(1,040)**	**(5,158)**
Exchange adjustments	**—**	**(550)**	**—**	**(550)**
Carrying amount at 31 December 2023	**31,361**	**53,063**	**3,625**	**88,049**

The Group is in the process of applying for the title of certificates of land use right with a carrying value of RMB12,065,000 as at 31 December 2023. The Directors are of the opinion that the use of and the conduct of operating activities on the land referred to above are not affected by the fact that the Group has not yet obtained the relevant land use right title certificates.

In 2022, the Group entered into land lease agreements (the "**Land Lease Agreements**") with certain village committees of Togtoh County, Hohhot, Inner Mongolia Autonomous Region for planting. The corresponding Land Leases Agreements were early terminated on 1 March 2023 and the Group was not liable for or required to pay any compensation due to the early termination of the Land Lease Agreements.

17 INTANGIBLE ASSETS

	RMB'000
As at 1 January 2022	537,815
Acquisition of a subsidiary	2,700,732
Amortisation	(27,948)
At 31 December 2022 and 1 January 2023	3,210,599
Acquisition of subsidiaries (Note 40)	51,695
Amortisation	(27,947)
Exchange adjustments	(699)
As at 31 December 2023	**3,233,648**

As at 31 December 2023, intangible assets of the Group mainly consists of mining rights.

18 INTEREST IN ASSOCIATES

The following list contains the particulars of an associate as at 31 December 2023, which is unlisted corporate entity whose quoted market prices is not applicable:

Name	Particulars of issued shares held	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**") (神華準能肖家沙墕煤炭集運有限責任公司)	Registered Capital RMB122,000,000	Mainland China	45%	Coal storage, delivery and handling

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

Ningxia Sun Mountain Energy Development Co., Ltd. is an associate company of Ningxia Kinetic acquired by the Group in 2022, which has been deregistered in 2023 resulting in a disposal gain amounting to RMB21,152,000.

18 INTEREST IN ASSOCIATES (cont'd)

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

	2023 **RMB'000**	2022 RMB'000
Gross amounts of the associate		
Current assets	**82,312**	78,365
Non-current assets	**106,328**	110,320
Current liabilities	**(11,234)**	(6,803)
Non-current liabilities	**—**	(10)
Equity	**177,406**	181,872
Revenue	**86,910**	96,139
Total comprehensive income	**24,834**	32,556
Dividend received from the associate during the year	**13,185**	38,120
Share of profit and other comprehensive income by the Group	**11,175**	14,650
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	**177,406**	181,872
Group's effective interest	**45%**	45%
Group's share of net assets of the associate	**79,833**	81,842

19 PREPAYMENTS FOR PROPOSED ACQUISITIONS

	Note	2023 RMB'000	2022 RMB'000
Related parties	37(b)		
— Acquisition of Guizhou Liliang Energy Co., Ltd. ("**Guizhou Liliang**")	(a)	**1,080,256**	1,080,256
— Acquisition of properties from Guangzhou Seedland Real Estate Development Co., Ltd ("**Seedland**")	(b)	**803,000**	696,000
— Acquisition of properties from Hainan Hangxiao Real Estate Development Co., Ltd ("**Hainan Hangxiao**")	(c)	**564,625**	564,625
— Acquisition of Star Idea		**—**	200,011
		2,447,881	2,540,892
Third parties		**2,000**	6,000
		2,449,881	2,546,892

Note:

(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 is expected to own the mining rights of a coal mine in Guizhou 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) On 29 April and 12 July 2022, the Group entered into a property purchase agreement and revised supplementary agreement with subsidiaries of Seedland, including Qingdao Shilu Ocean Big Data Investment Development Co., Ltd., Zunyi Field Real Estate Development Co., Ltd., Jingmen Shiqiang Real Estate Co., Ltd., Wuxi Shidi Real Estate Co., Ltd. ("**Wuxi Shidi**"), Zhongshan Shidi Real Estate Co., Ltd. and Wuhan Pingan Zhongxin Real Estate Co., Ltd., (collectively, the "**Sellers**") all of which are controlled by Mr. Zhang Liang, Johnson, to acquire certain properties with a total consideration of RMB809,480,000. According to the agreements, in 2022, the Group prepaid RMB670,000,000 to Guangzhou Chaiju Architectural Design Consulting Co., Ltd. ("**Guangzhou Chaiju**") and RMB26,000,000 Zhuhai Hengqin Tianshi Enterprise Management Consulting Co., Ltd. ("**Zhuhai Hengqin**"); and in 2023 the Group further prepaid RMB107,000,000 to Zhuhai Hengqin. The transaction is a connected transaction of the Group which was duly approved by the independent shareholders of the Company on the extraordinary general meeting of the Company held on 25 October 2022.

19 PREPAYMENTS FOR PROPOSED ACQUISITIONS (cont'd)

Note: (cont'd)

(b) (cont'd)

On 1 December 2023, the Group entered into the second supplemental agreement ("**Second Supplemental Agreement**") with the Sellers and Taiyuan Hetai Shengrui Real Estate Co., Limited. ("**Taiyuan Hetai**", a subsidiary of Wuxi Shidi), pursuant to which (i) the target properties located in Jingmen, Wuxi, Wuhan ("**Terminated Properties**") would no longer be sold to the Group, and (ii) the Group entered into a share transfer agreement with Wuxi Shidi to acquire 100% equity interests in Taiyuan Hetai ("**Target Shares**") with a consideration of RMB220,000,000. In addition, given that the Target Shares are subject to a pledge provided as security in favour of Huarong Rongde Asset Management Co. Ltd ("**Huarong Rongde**") for a debt which was used for Ziteng project of Taiyuan Hetai ("**Debt**"), the Group would become one of the obligators to settle the Debt with Huarong Rongde at a cost of no more than RMB380,000,000 so that Huarong Rongde would discharge the pledge over the Target Shares. According to the Second Supplemental Agreement, the Group prepaid RMB40,000,000 to Huarong Rongde on behalf of Taiyuan Hetai in 2023.

On 7 February 2024, the Group entered into a supplemental agreement to the Second Supplemental Agreement with the Sellers and Taiyuan Hetai, pursuant to which (i) if the acquisition will not be completed before 30 September 2024, the Group shall be entitled to terminate the Second Supplemental Agreement; and (ii) if the actual amount of the Debt owed by Taiyuan Hetai upon the completion of the transfer of the Target Shares exceeds the amount of debt factored in the valuation of Taiyuan Hetai as at 30 November 2023, the Sellers shall compensate the Group for the excess amount (the "**Excess Debt Amount**") by (a) reducing the equity consideration by the Excess Debt Amount on a dollar-to-dollar basis; and (b) providing additional properties with a total value not less than the Excess Debt Amount to the Group. The transaction is a connected transaction of the Group which was duly approved by the independent shareholders of the Company on the extraordinary general meeting of the Company held on 13 March 2024.

(c) On 30 May 2022, the Group entered into a property purchase framework agreement with Hainan Hangxiao, an entity controlled by Guangzhou R&F Properties Co., Ltd. of which Mr. Zhang Li is one of major shareholders, to acquire certain properties with a total consideration of RMB1,000,939,000. According to the property purchase framework agreement, the Group prepaid RMB564,625,000 to Hainan Hangxiao. The recoverability of the prepayment is secured by rights to 50% of sales proceeds from other properties in the same development project owned by Hainan Hangxiao according to a supplemental agreement signed in March 2023. The transaction was still in progress by the end of year 2023, while the Group had been actively working with the seller to push forward the transaction with feasible initiatives and therefore concluded the transaction is still in favor of the Group's business plan.

On 17 February 2023, Mr. Zhang Liang, Johnson and King Lok Holdings Limited, an entity owned by Mr. Zhang Liang, Johnson, 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 granted to Guizhou Liliang (Notes 37(b)).

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.

20 OTHER NON-CURRENT ASSETS

	Note	2023 RMB'000	2022 RMB'000
Loans granted to a related party	37	**231,956**	158,408
Prepayments for equipment		**55,639**	12,257
Others		**45,985**	34,982
Total		**333,580**	205,647
Less:			
Current portion of other non-current assets			
— Related party	37	**165,341**	62,610
Other non-current assets		**168,239**	143,037

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Trust wealth management investments	**220,177**	190,899
Trading securities	**415**	—
	220,592	190,899

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 for a period of 1 year, which is redeemable on demand. As at 31 December 2023, the fair value of the investment was RMB135,129,000 (31 December 2022: RMB115,576,000), resulting in a gain of RMB19,552,000 (2022: RMB34,227,000) on fair value changes, due to price movement in its investment in a corporate bond issued by Guangzhou R&F Properties Co., Ltd. ("**Guangzhou R&F**") in 2018 with an annual interest rate of 6.58%. Subsequent to 31 December 2023, the fair value of the trust wealth management investment was in the range between RMB143,000,000 and RMB179,000,000.

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 2023, the fair value of the investment was RMB85,049,000 (31 December 2022: RMB75,323,000), resulting in a gain of RMB9,726,000 (2022: RMB5,633,000) 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 2023, the fair value of the trust wealth management investment was in the range between RMB75,000,000 and RMB94,000,000.

Notes to the Consolidated Financial Statements
31 December 2023

22 INVENTORIES

	2023 RMB'000	2022 RMB'000
Coal products	**16,905**	56,746
Tobacco materials and products	**34,052**	—
Raw materials, accessories and chemicals	**44,868**	49,849
Biological assets	**19,429**	3,540
Others	**20**	78
	115,274	110,213

23 TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade debtors	**6,738**	5,227
Other receivables		
— Prepayments and deposits	**107,593**	102,781
— Amount due from a related party (Note 19(b))	**40,000**	—
— Government subsidy receivables	**—**	65,220
— Deductible input VAT	**33,663**	38,264
— Others	**6,059**	9,226
	194,053	220,718

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

	2023 RMB'000	2022 RMB'000
Within 6 months	**6,738**	5,227

Trade debtors are generally due within 30 to 90 days from the date of billing. Further details on the Group's credit policy are set out in Note 39 to the consolidated financial statements.

The allowances for trade receivables are 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. As the Directors are of opinion that the amount of expected credit losses is minimal, no loss allowance for trade and other receivables recognised as at 31 December 2023 under HKFRS 9.

24 CASH AT BANK AND ON HAND AND PLEDGED AND RESTRICTED DEPOSITS

	Note	**2023 RMB'000**	2022 RMB'000
Cash at bank and on hand		**734,143**	551,866
Pledged deposits		**661,100**	400,000
Restricted deposits		**66,684**	75,903
		1,461,927	1,027,769
Less:			
Pledged deposits for bank loans	27	**600,000**	400,000
Pledged deposits for notes payable		**61,100**	—
Restricted deposits		**66,684**	75,903
Cash and cash equivalents		**734,143**	551,866

As at 31 December 2023, the cash at bank and on hand balances of the Group denominated in Renminbi ("**RMB**") amounted to RMB390,464,000 (31 December 2022: RMB502,779,000).

As at 31 December 2023, the Group's bank balances of RMB600,000,000 (31 December 2022: RMB400,000,000) were deposited as guarantee fund for the Group's bank loan of RMB750,000,000 (31 December 2022: RMB850,000,000).

As at 31 December 2023, the Group's bank balances of approximately RMB61,100,000 were deposited as guarantee fund for notes payable.

As at 31 December 2023, the Group's bank balances of approximately RMB66,684,000 (31 December 2022: RMB75,903,000) 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.

Notes to the Consolidated Financial Statements

31 December 2023

25 TRADE AND OTHER PAYABLES

	Notes	2023 RMB'000	2022 RMB'000
Taxes payable other than income tax		**168,880**	262,777
Dividends payable		**307,004**	—
Payables for construction	(a)	**309,315**	120,703
Payables for an acquisition	37	**67,799**	—
Notes payable		**58,736**	—
Amounts due to other related parties	37	**13,077**	1,521
Other payables and accruals	(b)	**141,930**	133,905
		1,066,741	518,906

Note:

(a) Payables for construction are non-interest bearing.

An aging analysis of the payables for construction as at the end of the reporting period, based on the invoice date, is as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	**292,038**	82,628
1 to 2 years	**3,974**	9,688
Over 2 years	**13,303**	28,387
	309,315	120,703

(b) Other payables and accruals are non-interest bearing, and are expected to be settled within one year or repayable on demand.

26 CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Short-term advances received from customers		
Sale of goods	**68,351**	196,283

For the year ended 31 December 2023, all of the contract liabilities balance at the beginning of the year was recognised as revenue.

27 BANK LOANS

	Note	At 31 December 2023 Effective interest rate (%)	Maturity	RMB'000	At 31 December 2022 Effective interest rate (%)	Maturity	RMB'000
Current							
Bank loan — secured	(a)	**3.50%**	**2024**	**400,000**	–	–	–
Long-term bank loan due within 1 year — secured	(b)	**6.65%**	**2024**	**33,000**	–	–	–
Long-term bank loan due within 1 year — secured	(c)	**5.00%**	**2024**	**350,000**	5.00%	2023	300,000
Long-term bank loan due within 1 year — secured	(d)	**5.00%**	**2024**	**150,000**	–	–	–
Long-term bank loan due within 1 year — secured	(e)	**5.00%**	**2024**	**100,000**	–	–	–
				1,033,000			300,000
Non-current							
Long-term bank loan — secured	(b)	**–**	**–**	**–**	6.65%	2024	33,000
Long-term bank loan — secured	(c)	**–**	**–**	**–**	5.00%	2024	550,000
Long-term bank loan — secured	(d)	**5.00%**	**2025**	**150,000**	–	–	–
Long-term bank loan — secured	(e)	**5.00%**	**2025**	**100,000**	–	–	–
Long-term bank loan — secured	(f)	**5.50%**	**2025**	**19,800**	–	–	–
				269,800			583,000
				1,302,800			883,000

27 BANK LOANS (cont'd)

Notes:

(a) As at 31 December 2023, the Group's bank loans amounting to RMB400,000,000 was secured by the Group's pledged deposits amounting to RMB400,000,000, which will be due in March 2024.

(b) As at 31 December 2023, the Group's bank loans amounting to RMB33,000,000 was guaranteed by Kinetic Coal and Mr. Ju Wenzhong, a director of the Company, which will be due in May and June 2024.

(c) As at 31 December 2023, the Group's bank loan amounting to RMB350,000,000 (31 December 2022: RMB850,000,000) was jointly guaranteed by Mr. Zhang Li and Mr. Zhang Liang, Johnson and secured by the Group's pledged deposits amounting to RMB200,000,000 and the mining right of Dafanpu Coal Mine held by Kinetic Coal, which will be due in May 2024.

(d) As at 31 December 2023, the Group's bank loans amounting to RMB300,000,000 was secured by the mining right of Dafanpu Coal Mine held by Kinetic Coal, of which bank loans amounting to RMB150,000,000 will be due in July 2024, and the rest of bank loans amounting to RMB150,000,000 will be due in July 2025.

(e) As at 31 December 2023, the Group's bank loans amounting to RMB200,000,000 was secured by the mining right of Dafanpu Coal Mine held by Kinetic Coal, of which bank loans amounting to RMB100,000,000 will be due in March 2024, and the rest of bank loans amounting to RMB100,000,000 will be due in March 2025.

(f) As at 31 December 2023, the Group's bank loans amounting to RMB19,800,000 was guaranteed by Kinetic Coal, which will be due in December 2025.

28 LEASE LIABILITIES

The lease liabilities were repayable as follows:

	2023 **RMB'000**	2022 RMB'000
Within 1 year	**1,898**	15,898
After 1 year but within 2 years	**1,408**	16,969
After 2 years but within 5 years	**724**	57,981
After 5 years	**4,857**	4,592
	8,887	95,440

29 LONG-TERM PAYABLES

	2023 RMB'000	2022 RMB'000
Present value of payables in relation to mining rights	**610,906**	665,196
Present value of compensation payable in relation to the demolition and relocation	**29,411**	27,859
	640,317	693,055
Less: current portion recorded in trade and other payables	**56,381**	54,063
Carrying amount at 31 December	**583,936**	638,992

30 DEFERRED TAX

The deferred tax assets and liabilities are as follows:

	2023 RMB'000	2022 RMB'000
Deferred tax assets before offsetting	**44,042**	49,564
Offset amount	**(17,316)**	(6,983)
Deferred tax assets after offsetting	**26,726**	42,581
Deferred tax liabilities before offsetting	**(59,157)**	(59,848)
Offset amount	**17,316**	6,983
Deferred tax liabilities after offsetting	**(41,841)**	(52,865)
	(15,115)	(10,284)

30 DEFERRED TAX (cont'd)

The movements in deferred tax assets and liabilities during the year, without taking into consideration 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 difference in depreciation and amortisation RMB'000	Total RMB'000
At 1 January 2022	10,316	44,800	–	–	–	55,116
(Credited)/charged to profit or loss	(3,180)	7,912	–	–	–	4,732
At 31 December 2022	7,136	52,712	–	–	–	59,848
At 1 January 2023	**7,136**	**52,712**	**–**	**–**	**–**	**59,848**
Charged/(credited) to profit or loss	**3,369**	**(33,613)**	**2,876**	**5,903**	**(48)**	**(21,513)**
Acquisition of subsidiaries (Note 40)	**–**	**–**	**–**	**–**	**21,107**	**21,107**
Exchange adjustments	**–**	**–**	**–**	**–**	**(285)**	**(285)**
At 31 December 2023	**10,505**	**19,099**	**2,876**	**5,903**	**20,774**	**59,157**

Deferred tax assets

	Depreciation and amortisation allowance in excess of the related depreciation and amortisation RMB'000	Unrealised intergroup profit RMB'000	Lease liabilities RMB'000	Accrual for reclamation costs RMB'000	Temporary fair value changes of financial assets at fair value through profit or loss RMB'000	Other temporary difference RMB'000	Total RMB'000
At 1 January 2022	–	–	–	–	33,662	–	33,662
Credited to profit or loss	–	15,430	–	–	472	–	15,902
At 31 December 2022	–	15,430	–	–	34,134	–	49,564
At 1 January 2023	**–**	**15,430**	**–**	**–**	**34,134**	**–**	**49,564**
Credited/(charged) to profit or loss	**549**	**(11,148)**	**1,238**	**5,993**	**(6,346)**	**–**	**(9,714)**
Acquisition of subsidiaries (Note 40)	**–**	**–**	**–**	**–**	**–**	**4,249**	**4,249**
Exchange adjustments	**–**	**–**	**–**	**–**	**–**	**(57)**	**(57)**
At 31 December 2023	**549**	**4,282**	**1,238**	**5,993**	**27,788**	**4,192**	**44,042**

31 ACCRUAL FOR RECLAMATION COSTS

The accrual for reclamation costs has been determined based on management's best estimation. However, as the effect on the land from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change.

During the year, the Group had re-estimated its reclamation obligations based the renewed reclamation plan, and made further provision to the accrual for reclamation costs. The Company's board of directors believes that the accrued reclamation obligations as at 31 December 2023 are adequate and appropriate. The accrual is necessarily based on estimates and therefore, the ultimate liability may exceed or be less than such estimates.

32 SHARE CAPITAL

	2023 **RMB'000**	2022 RMB'000
Authorised, issued and fully paid: 8,430,000,000 (2022: 8,430,000,000) ordinary shares of USD0.001 each	**54,293**	54,293

33 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.

34 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 financial statements.

The nature and purpose of reserves are stated as follows:

(i) Other reserves

The other reserves of the Group 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.

34 RESERVES (cont'd)

(ii) 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 was 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 2023. And the rest of the PRC subsidiaries of the Group had transferred 10% of the profit after taxation to statutory reserves as at 31 December 2023 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.

(iii) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 2.4 to the consolidated financial statements.

35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Bank loans RMB'000	Interest payable RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2023	**883,000**	**1,596**	**95,440**	**980,036**
Changes from financing cash flows				
New bank loans	**1,069,370**	**—**	**—**	**1,069,370**
Repayment of bank loans	**(649,570)**	**—**	**—**	**(649,570)**
Interest paid	**—**	**(64,657)**	**—**	**(64,657)**
Lease rentals paid	**—**	**—**	**(670)**	**(670)**
Other Changes				
Increase in lease liabilities from entering into new leases during the year	**—**	**—**	**4,574**	**4,574**
Interest expenses	**—**	**64,824**	**780**	**65,604**
Acquisition of subsidiaries (Note 40)	**—**	**—**	**14**	**14**
Termination of lease contracts (Note 16)	**—**	**—**	**(91,283)**	**(91,283)**
Foreign exchange adjustment	**—**	**—**	**32**	**32**
At 31 December 2023	**1,302,800**	**1,763**	**8,887**	**1,313,450**
At 1 January 2022	275,695	275	2,268	278,238
Changes from financing cash flows				
New bank loans	1,033,000	—	—	1,033,000
Repayment of bank loans	(438,370)	—	—	(438,370)
Interest paid	—	(33,520)	—	(33,520)
Lease rentals paid	—	—	(8,255)	(8,255)
Other Changes				
Increase in lease liabilities from entering into new leases during the year	—	—	93,084	93,084
Interest expenses	—	34,841	8,343	43,184
Foreign exchange adjustment	12,675	—	—	12,675
At 31 December 2022	883,000	1,596	95,440	980,036

(b) Changes in investing activities — prepayment for the proposed acquisitions

During the year ended 31 December 2022, the prepayment of the Group in relation to proposed equity acquisitions amounted to RMB735,118,000 in aggregate. In addition, the prepayment of the Group in relation to proposed property acquisitions amounted to RMB1,260,625,000 in aggregate.

During the year ended 31 December 2023, the prepayment of the Group in relation to proposed property acquisitions amounted to RMB147,000,000 in aggregate. Further details of these transactions with related parties are disclosed in Note 19(b).

36 COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2023 **RMB'000**	2022 RMB'000
Authorised and contracted for acquisition, construction and purchase of mining machinery	**1,162,943**	1,480,506

(b) Environmental contingencies

As at 31 December 2023, the Group has not incurred any significant expenditure specific for environmental remediation and, apart from the accrual for reclamation costs (Note 31), 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 will 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 such factors like the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under proposed for future environmental legislation cannot be reasonably estimated at present but could be material.

(c) Other commitments

According to the Group's production plan in the coming few years, the underground extraction activities will go into corresponding agricultural land area currently occupied by various domestic households. As such, during the period, management of the Group have started to liaise with those affected households for relocation request and provide monetary compensation. As of 31 December 2023, the Group estimated the aggregate future compensation payable for such purpose to be approximately RMB17,539,200 and corresponding payments are still in negotiation.

37 RELATED PARTY TRANSACTIONS

Apart from those disclosed elsewhere in the report, during the year ended 31 December 2023, transactions with the following parties are considered as related party transactions.

Name of party	Relationship
Mr. Zhang Li	Shareholder of the Company
Mr. Zhang Liang, Johnson	Shareholder of the Company
Mr. Zhang G.M.	Shareholder of Star Idea
Mr. Ju Wenzhong	Chairman and Executive Director
Xiaojia	An associate of the Group
Guangzhou Fuli Decoration Construction Co., Ltd. (“**Guangzhou Fuli**”) (廣州富力裝飾工程有限公司)*	Controlled by Mr. Zhang Li
Guangzhou Tianli Construction Co.Ltd. (“**Guangzhou Tianli**”) (廣州天力建築工程有限公司)*	Controlled by Mr. Zhang Li
Guizhou Liliang (貴州力量能源有限公司)*	Controlled by Mr. Zhang Li
Hainan Hangxiao (海南航孝房地產開發有限公司)*	A subsidiary of Guangzhou R&F Properties Co., Ltd., of which Mr. Zhang Li is one of major shareholders
Seedland (實地地產集團有限公司)* and its affiliates	Controlled by Mr. Zhang Liang, Johnson
Guangzhou Chaiju (廣州柴炬建築設計諮詢有限公司)*	Controlled by Mr. Zhang Liang, Johnson
Zhuhai Hengqin (珠海市橫琴天實企業管理諮詢有限公司)*	Controlled by Mr. Zhang Liang, Johnson

* The English translation of the company names are for reference only. The official names of the company are in Chinese.

(a) Transactions

Xiaojia, an associate of the Group, provided loading service to the Group during the year ended 31 December 2023. The transactions between the Group and Xiaojia were conducted in the ordinary and usual course of business. The pricing was determined with reference to the prevailing market prices. The outstanding balances with Xiaojia are disclosed in Note 37(c), and the service fee for the reporting period are as follows:

	2023 RMB’000	2022 RMB’000
Loading service from Xiaojia	**86,631**	104,133
Purchase of construction service from Guangzhou Fuli	**5,942**	—
Purchase of construction equipment from Guangzhou Tianli	**3,471**	—
Others	**1,556**	—
	97,600	104,133

37 RELATED PARTY TRANSACTIONS (cont'd)

(b) Amounts due from related parties

	31 December 2023 RMB'000	31 December 2022 RMB'000
Other non-current assets (including current portion)		
— loans granted to a related party (note)	**231,956**	158,408
Prepayments for proposed acquisitions (Note 19)	**2,447,881**	2,540,892
Trade and other receivables		
— Amounts due from a related party (Note 19(b))	**40,000**	—
	2,719,837	2,699,300

Note:

On 22 June 2020, the Group entered into a loan agreement with Guizhou Liliang in the principal amount of RMB57,000,000, for a term of 2 years. The interest rate is 2% above the 1-year loan market quoted interest rate announced by the National Interbank Funding Center ("**NIFC**"), and the interest shall be paid annually. On 23 December 2022, the Group entered into a supplementary agreement with Guizhou Liliang, pursuant to which, the due date of the loan was extended to 31 December 2023, with the interest rate raised to 2.5% above the 1-year loan market quoted interest rate announced by the NIFC. On 9 February 2024, the Group entered into a supplementary agreement with Guizhou Liliang, pursuant to which, the due date of the loan was extended to 31 December 2025, with the interest rate raised to 3.5% above the 1-year loan market quoted interest rate announced by the NIFC. The principal amount of the loan together with all the outstanding interest payables thereon shall be fully repaid on the due date.

On 28 June 2022, the Group entered into a loan agreement with Guizhou Liliang in the principal amount of RMB200,000,000 for a term of 2 years. The interest rate is calculated by adding 1.5% on top of the 1-year loan prime rate ("**LPR**") in PRC. The principal amount of the loan together with the interest payables thereon shall be fully repaid on the due date, 27 June 2024. As at 31 December 2023, approximately RMB158,440,000 out of the principal amount has been drawn down.

As at 31 December 2023, the principal of loan receivable was RMB231,956,000 (including current portion, see Note 20) (31 December 2022: RMB151,045,000) and the interest receivable was RMB7,045,000 (31 December 2022: RMB7,363,000) recorded in other non-current assets. The interest income on these loans for the year ended 31 December 2023 was RMB9,154,000 (2022: RMB4,171,000).

These loans are expected to be settled on or before the Acquisition of Guizhou Liliang completes, but no later than the maturity dates of these loans.

37 RELATED PARTY TRANSACTIONS (cont'd)

(c) Amounts due to related parties

	31 December 2023 RMB'000	31 December 2022 RMB'000
Xiaojia	**2,077**	1,521
Mr. Zhang Li (Note)	**68,799**	—
Mr. Zhang G.M.	**10,000**	—
	80,876	1,521

Note:

The amount due to Mr. Zhang Li mainly consists of payables for the acquisition of Star Idea. On 30 December 2022 and 29 March 2023, the Company entered into equity transfer agreements with Mr. Zhang Li and Star Idea to acquire 73% equity interests of Star Idea. The total consideration of the acquisition in aggregate was USD62,757,010 (equivalent to RMB440,974,000). Upon the completion of the acquisition, the Company controls 73% equity interests of Star Idea (see Note 40). As at 31 December 2023, the Group's outstanding consideration of the acquisition was RMB67,799,000.

Amounts due to the related party are unsecured, interest-free and repayable on demand.

(d) Key management personnel remuneration of the Group

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	**21,833**	23,786
Contributions to defined contribution retirement plans	**820**	753
Total compensation paid to key management personnel	**22,653**	24,539

Further details of directors' emoluments are included in Note 9 to the consolidated financial statements.

(e) Financial guarantees

As at 31 December 2023, the Group's bank loans totaling to RMB350,000,000 was jointly guaranteed by Mr. Zhang Li and Mr. Zhang Liang, Johnson (31 December 2022: RMB850,000,000) and bank loans amounting to RMB33,000,000 was guaranteed by Mr. Ju Wenzhong (31 December 2022: RMB33,000,000). More details are set out in Note 27 to the consolidated financial statements.

(f) Applicability of the Listing Rules relating to connected transactions

Certain related party transactions in respect of Notes 37(a), 37(b) and 37(e) 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 Report of the Directors.

38 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

		Fair value measurements as at 31 December 2023 categorised into		
	Fair value at 31 December 2023 RMB'000	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**
Recurring fair value measurements				
Assets:				
Trust wealth management investments	**220,177**	**—**	**—**	**220,177**
Trading securities	**415**	**415**	**—**	**-**

		Fair value measurements as at 31 December 2022 categorised into		
	Fair value at 31 December 2022 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Assets:				
Trust wealth management investments	190,899	—	—	190,899

38 FAIR VALUE MEASUREMENT (cont'd)

Fair value hierarchy (cont'd)

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 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

During the year ended 31 December 2023, there were gains amounting to RMB29,278,000 mainly arising from the fair value changes of the trust wealth management investments given the price movement over their investments in corporate bonds.

The movement during the year ended 31 December 2023 in the balance of Level 3 fair value measurements is as follows:

	2023 **RMB'000**	2022 RMB'000
At 1 January	**190,899**	269,382
Redemption of financial assets at fair value through profit or loss	**–**	(38,623)
Changes in fair value recognised in profit or loss during the period	**29,278**	(39,860)
At 31 December	**220,177**	190,899

Except for the above mentioned, there are no other financial assets or liabilities measured at fair value at the end of the reporting period.

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 2023. 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.

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

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 2023, the Group did not hold short-term debt obligations with a floating interest rate and are not exposed to significant interest rate risk.

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 trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade debtors are disclosed in Note 23 to the financial statements.

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.

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

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 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 period, 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 period, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates) and the earliest date the Group can be required to pay:

As at 31 December 2023

	Contractual undiscounted cash outflow				
	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	1,060,348	276,106	–	–	1,336,454
Other financial liabilities included in trade and other payables	797,795	–	–	–	797,795
Lease liabilities (including current portion)	2,404	1,762	907	8,728	13,801
Long-term payables (including current portion)	110,093	87,224	261,671	361,869	820,857
	1,970,640	365,092	262,578	370,597	2,968,907

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39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Liquidity risk (cont'd)

As at 31 December 2022

	Contractual undiscounted cash outflow				
	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	341,940	600,738	–	–	942,678
Other financial liabilities included in trade and other payables	162,613	–	–	–	162,613
Lease liabilities (including current portion)	20,972	20,972	62,916	8,728	113,588
Long-term payables (including current portion)	87,224	110,093	261,671	449,092	908,080
	612,749	731,803	324,587	457,820	2,126,959

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 2023 and 31 December 2022.

For the year ended 31 December 2023, 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.

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Capital management (cont'd)

As at 31 December 2023, the Group's outstanding balance of bank loans amounted to RMB1,302,800,000. The Group's gearing ratio was 7.1% as at 31 December 2023 (as at 31 December 2022: 5.0%). The gearing ratios as at the end of the reporting periods were as follows:

	2023 RMB'000	2022 RMB'000
Bank loans	**1,302,800**	883,000
Less: Cash at bank and on hand	**(734,143)**	(551,866)
Net debt	**568,657**	331,134
Total equity	**7,420,199**	6,316,790
Capital and net debt	**7,988,856**	6,647,924
Gearing ratio	**7.1%**	5.0%

40 ACQUISITION OF SUBSIDIARIES

Acquisition of Star Idea

On 30 December 2022 and 29 March 2023, the Company entered into equity transfer agreements with Mr. Zhang Li and Star Idea to acquire 73% equity interests of Star Idea. The total consideration of the acquisition in aggregate was USD62,757,010 (equivalent to RMB440,974,000). Upon the completion of the acquisition, the Company controls 73% equity interests of Star Idea.

Star Idea is an investment holding company incorporated in the BVI, which is controlled by Mr. Zhang Li. As the sole subsidiary of Star Idea, Power Cigar Tobacco is a company incorporated in the Kingdom of Cambodia with limited liability, which is wholly owned by the Star Idea. Power Cigar Tobacco is principally engaged in manufacturing and wholesale of tobacco products, mainly cigarettes and hand-made cigars in Cambodia and Southeast Asia. The acquisition was completed on 9 October 2023 ("**Acquisition Date**").

The Acquisition of Star Idea contributed consolidated revenue of RMB1,370,000 and consolidated net loss of RMB14,580,000 to the Group for the period from the Acquisition Date to 31 December 2023.

	Acquisition Date RMB'000
Total consideration	**440,974**
Non-controlling interests	**70,386**
Less: Fair value of total identifiable net assets	**260,687**
Goodwill	**250,673**
Total consideration	**440,974**
Less: cash at bank and on hand of acquiree	**8,689**
prepayment for the proposed acquisition in previous years	**170,362**
acquisition payments payable	**67,799**
Cash consideration paid for acquisition of subsidiaries, net of cash acquired	**194,124**

Goodwill arising from the acquisition is attributable to the potentials expected to arise after the acquisition of the equity interests in the subsidiary stated above. None of the goodwill recognised is expected to be deductible for tax purposes.

In addition, according to the performance undertaking clauses in the supplemental agreement of the Acquisition of Star Idea, Mr. Zhang Li 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 during the period encompassing five financial years ending 31 December 2027.

40 ACQUISITION OF SUBSIDIARIES (cont'd)

The assets and liabilities arising from the acquisition of Star Idea are as follows:

	Fair value RMB'000
Property, plant and equipment	**252,868**
Right-of-use assets	**43,944**
Intangible assets	**51,695**
Inventories	**26,016**
Trade and other receivables	**1,871**
Cash at bank and on hand	**8,689**
Other current assets	**17,286**
Trade and other payables	**(123,174)**
Contract liabilities	**(561)**
Lease liabilities	**(1,075)**
Income tax payable	**(14)**
Deferred tax liabilities	**(16,858)**
Total identifiable net assets	**260,687**

The fair value of the identifiable assets and liabilities acquired in the acquisition were assessed based on independent valuation prepared by an external valuer using discounted cash flow for right-of-use assets and intangible assets, market approach for inventories and cost method for all other identifiable assets and liabilities.

41 EVENTS AFTER THE REPORTING PERIOD

(a) Declaration of final dividend

On 25 March 2024, the Directors proposed a final dividend of HKD0.05 per share, payable to the shareholders of the Company. The total amount of the dividend to be distributed is estimated to be RMB381,972,000. The proposal of the distribution of final dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company.

(b) Supplemental agreement in relation to the acquisition of Taiyuan Hetai

On 7 February 2024, the Group entered into a supplemental agreement in relation to the acquisition of Taiyuan Hetai. Please refer to Note 19(b) for more details.

Notes to the Consolidated Financial Statements

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42 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Investment in subsidiaries	14	**631,250**	190,275
Prepayments for proposed acquisitions		**—**	200,011
Other non-current assets		**38,380**	—
Total non-current assets		**669,630**	390,286
Current assets			
Amount due from subsidiaries		**591,052**	438,024
Other receivables		**1,112**	1,384
Cash at bank		**320,675**	3,791
Current portion of other non-current assets		**16,413**	—
Total current assets		**929,252**	443,199
Current liabilities			
Amount due to subsidiaries		**466,998**	70,235
Dividends payable		**307,004**	—
Acquisition payments payable		**67,799**	191
Total current liabilities		**841,801**	70,426
Net current assets		**87,451**	372,773
Total assets less current liabilities		**757,081**	763,059
NET ASSETS		**757,081**	763,059
EQUITY			
Share capital		**54,293**	54,293
Reserves (Note)		**702,788**	708,766
TOTAL EQUITY		**757,081**	763,059

Approved and authorised for issue by the board of directors on 25 March 2024.

Ju Wenzhong
Chairman and Executive Director

Li Bo
Chief Executive Officer and Executive Director

42 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 33)	**Other reserve** RMB'000 (Note 34(i))	**Exchange reserve** RMB'000 (Note 34(iii))	**Retained profit** RMB'000	**Total** RMB'000
At 1 January 2022	483,907	141,831	19,213	3,557	648,508
Profit for the year	—	—	—	903,162	903,162
Other comprehensive income	—	—	56,324	—	56,324
Total comprehensive income for the year	—	—	56,324	903,162	959,486
Dividend paid	—	—	—	(899,228)	(899,228)
At 31 December 2022 and 1 January 2023	483,907	141,831	75,537	7,491	708,766
Profit for the year	**—**	**—**	**—**	**1,087,368**	**1,087,368**
Other comprehensive income	**—**	**—**	**(11,099)**	**—**	**(11,099)**
Total comprehensive income for the year	**—**	**—**	**(11,099)**	**1,087,368**	**1,076,269**
Dividend paid	**—**	**—**	**—**	**(775,243)**	**(775,243)**
Dividend declared	**—**	**—**	**—**	**(307,004)**	**(307,004)**
At 31 December 2023	**483,907**	**141,831**	**64,438**	**12,612**	**702,788**

Financial Summary

	Year ended 31 December 2023 RMB'000	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Revenue	**4,745,069**	6,155,830	5,580,702	2,961,404	2,736,109
Profit before taxation	**2,440,901**	3,634,027	3,422,296	1,228,156	1,019,795
Income tax expense	**(368,178)**	(977,712)	(954,737)	(413,360)	(186,492)
Profit for the year	**2,072,723**	2,656,315	2,467,559	814,796	833,303
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	**42,547**	(12,339)	9,013	25,457	(15,294)
Total comprehensive income for the year	**2,115,270**	2,643,976	2,476,572	840,253	818,009
Basic and diluted earnings per share attributable to equity shareholder of the Company (RMB cent)	**24.65**	31.61	29.28	9.67	9.88

ASSETS AND LIABILITIES

	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Total non-current assets	**8,780,727**	7,880,432	2,823,202	1,964,612	2,125,816
Total current assets	**2,157,187**	1,612,209	3,219,009	1,708,038	979,954
Total current liabilities	**2,572,076**	1,815,415	1,391,272	854,650	796,047
Net current (liabilities)/assets	**(414,889)**	(203,206)	1,827,737	853,388	183,907
Total assets less current liabilities	**8,365,838**	7,677,226	4,650,939	2,818,000	2,309,723
Total non-current liabilities	**945,639**	1,360,436	78,897	58,280	50,860
Net assets	**7,420,199**	6,316,790	4,572,042	2,759,720	2,258,863
Total equity	**7,420,199**	6,316,790	4,572,042	2,759,720	2,258,863