



弘海
GRAND OCEAN
0065.HK

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

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

2024

ANNUAL REPORT

CONTENTS

2	Corporate profile
3	Definitions
5	Chairman's statement
6	Financial highlights
9	Management discussion and analysis
23	Profiles of directors and senior management
25	Corporate governance report
42	Environmental, social and governance report
71	Directors' report
79	Independent auditor's report
84	Consolidated statement of profit or loss
85	Consolidated statement of other comprehensive income
86	Consolidated statement of financial position
88	Consolidated statement of changes in equity
89	Consolidated statement of cash flows
91	Notes to the consolidated financial statements

CORPORATE PROFILE

Board of Directors

Executive Directors

Mr. NG Ying Kit
Mr. GUO Jianpeng (*resigned on 26 November 2024*)
Ms. YANG Mo (*appointed on 5 April 2024 and resigned on 19 July 2024*)
Mr. JIANG Xin (*resigned on 30 September 2024*)

Non-Executive Directors

Ms. KWONG Pui Yin (*appointed on 26 November 2024*)
Mr. HU Xiutong (*resigned on 5 April 2024*)

Independent Non-Executive Directors

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

Company Secretary

Ms. CHENG On Yi

Authorised Representatives

Mr. NG Ying Kit
Mr. GUO Jianpeng (*resigned on 26 November 2024*)
Ms. CHENG On Yi (*appointed on 26 November 2024*)

Audit Committee

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

Remuneration Committee

Mr. CHANG Xuejun (*Chairman*)
Mr. HO Man (*resigned on 17 April 2024*)
Mr. LI Juhui (*appointed on 17 April 2024*)
Mr. JIANG Xin (*resigned on 30 September 2024*)
Mr. GUO Jianpeng (*appointed on 30 September 2024 and resigned on 26 November 2024*)
Ms. KWONG Pui Yin (*appointed on 26 November 2024*)

Nomination Committee

Mr. LEE Wai Ming (*Chairman*)
Mr. HO Man (*resigned on 17 April 2024*)
Mr. LI Juhui (*appointed on 17 April 2024*)
Mr. JIANG Xin (*resigned on 30 September 2024*)
Mr. GUO Jianpeng (*appointed on 30 September 2024 and resigned on 26 November 2024*)
Ms. KWONG Pui Yin (*appointed on 26 November 2024*)

Registered Office

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

Corporate Website

www.grandocean65.com

Head Office and Principal Place of Business in Hong Kong

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

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

Hang Seng Bank Limited
Shanghai Commercial Bank

Independent Auditor

Suya WWC CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

Legal Advisers

As to Hong Kong Law:
Neo Solicitors LLP

As to Cayman Islands Law:
Conyers Dill & Pearman

Stock Code

65

DEFINITIONS

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

"2024 AGM"	an annual general meeting held by the Company on 7 June 2024;
"2024 EGM"	an extraordinary general meeting held by the Company on 23 October 2024;
"Second Amended and Restated Memorandum and Articles"	the memorandum and the articles of association of the Company adopted by a special resolution passed at a general meeting held on 21 June 2023, and "Article" shall mean an article of the articles of association;
"Audit Committee"	the audit committee of the Company;
"Board"	the board of Directors of the Company;
"CG Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules;
"Coal Mining Business"	production and sale of coal;
"Company"	Grand Ocean Advanced Resources Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 65);
"Director(s)"	the director(s) of the Company from time to time;
"Group"	the Company and all of its subsidiaries from time to time;
"HK\$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"INED(s)"	the independent non-executive Director(s) of the Company;
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected persons as defined in the Listing Rules;
"Laos"	the Lao People's Democratic Republic;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules;

DEFINITIONS

"NED(s)"	the non-executive Director(s) of the Company;
"Nomination Committee"	the nomination committee of the Company;
"PRC" or "China"	the People's Republic of China;
"Remuneration Committee"	the remuneration committee of the Company;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time;
"Share(s)"	ordinary share(s) of the Company;
"Shareholder(s)"	holder(s) of issued Share(s) from time to time;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited; and
"%"	percent.

CHAIRMAN'S STATEMENT

In recent years, the increasingly stringent regulations and tightening policies governing China's coal industry have created very challenging business environment for our existing Coal Mining Business. The exhausting coal resources and the additional capital demand for advanced mining infrastructure and machinery have significantly affected the financial performance of the Group. As such, the Company has been actively exploring suitable investment opportunities in the global energy and mining industry to diversify its business portfolio as part of the Group's development.

In 2024, the Company expanded into Southeast Asia's mining sector through an equity investment in a copper mine in Laos. Although such new venture has encountered unexpected challenges, the Board believes that business diversification remains vital to contributing to the long-term growth of the Group. Having evaluated the current situation, the Board is committed to taking all necessary actions to resolve these issues effectively and will maintain close oversight of progress.

Moving forward, the Group will stay focused on enhancing its operations and capital efficiencies, as well as identifying new business opportunities in the energy and mining sectors, with an aim to enhancing shareholders' value for the Group in the long run.

Last but not least, on behalf of the Board, we would like to extend our deepest appreciation to our dedicated employees for their unwavering commitment to the Group, as well as to our valued shareholders and business partners for their continued trust and support.

The Board of the Directors of the Company

23 July 2025

FINANCIAL HIGHLIGHTS

Financial Highlights

	2024 HK\$'000	2023 HK\$'000	Change
Operating Results			
Revenue	180,934	187,960	-3.7%
Gross profit	67,469	65,211	3.5%
Finance costs	36	827	-95.6%
Loss for the year attributable to owners of the Company	(50,768)	(23,734)	113.9%
		<i>(Restated)</i>	
Loss per share – Basic	HK(25.50) cents	HK(14.62) cents	74.4%
Financial Position			
Total assets	284,673	307,225	-7.3%
Total liabilities	96,423	109,737	-12.1%
Bank and cash balances	73,412	95,359	-23.0%
Equity attributable to owners of the Company	144,163	138,598	4.0%
Financial Ratio			
Current ratio	1.52	1.56	-2.6%

Five-Year Financial Summary

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

Results

		Year ended 31 December			
	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Revenue	180,934	187,960	191,180	183,016	133,012
(Loss)/Profit from operations	(66,805)	(32,009)	34,072	31,628	(67,193)
Finance costs	(36)	(827)	(1,170)	(38)	(128)
(Loss)/Profit before tax	(66,841)	(32,836)	32,902	31,590	(67,321)
Income tax credit/(expense)	3,058	(774)	(6,802)	385	4,445
(Loss)/Profit for the year	(63,783)	(33,610)	26,100	31,975	(62,876)
Attributable to:					
Owners of the Company	(50,768)	(23,734)	10,237	14,372	(42,505)
Non-controlling interests	(13,015)	(9,876)	15,863	17,603	(20,371)
	(63,783)	(33,610)	26,100	31,975	(62,876)

FINANCIAL HIGHLIGHTS

Five-Year Financial Summary (Continued)

Assets, Liabilities and Equity

		As at 31 December			
	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Non-current assets	170,105	167,364	166,967	154,850	144,988
Current assets	114,568	139,861	138,383	105,149	118,311
TOTAL ASSETS	284,673	307,225	305,350	259,999	263,299
Non-current liabilities	20,862	20,292	20,721	22,424	21,801
Current liabilities	75,561	89,445	91,219	58,800	56,822
TOTAL LIABILITIES	96,423	109,737	111,940	81,224	78,623
NET ASSETS	188,250	197,488	193,410	178,775	184,676
Attributable to:					
Owners of the Company	144,163	138,598	123,125	119,128	105,497
Non-controlling interests	44,087	58,890	70,285	59,647	79,179
TOTAL EQUITY	188,250	197,488	193,410	178,775	184,676

Note:

The results of the Group for the year ended 31 December 2024 and of the assets, liabilities and equity of the Group as at 31 December 2024 are those set out on pages 84 to 87 of the audited consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

The Group recorded total revenue of approximately HK\$180,934,000 for the year ended 31 December 2024, representing a decrease of approximately HK\$7,026,000 or approximately 3.7% as compared to the revenue of approximately HK\$187,960,000 for the year ended 31 December 2023. The loss for the year ended 31 December 2024 amounted to approximately HK\$63,783,000 as compared to approximately HK\$33,610,000 for the year ended 31 December 2023. The loss attributable to owners of the Company for the year ended 31 December 2024 amounted to approximately HK\$50,768,000 as compared to approximately HK\$23,734,000 for the year ended 31 December 2023.

The loss for the year ended 31 December 2024 is primarily attributable to (i) the recognition of impairment loss on the non-financial assets of our coal mining business cash-generating unit of approximately HK\$26 million as detailed below; (ii) the increase in operating costs of coal mining business segment by approximately HK\$28 million, including the costs incurred in complying the green mine construction policy issued by the China government and related staff costs; and (iii) the increase in administrative fees, such as the professional fees, laboratory fees and travelling expenses, by approximately HK\$11 million incurred for the acquisition of equity interests in a copper mine located in Laos during the year, as well as for exploring potential mining investment opportunities in different countries during the year.

The Coal Mining Business

Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited (“**Inner Mongolia Jinyuanli**”), an indirect non wholly-owned subsidiary of the Company, operates the Group’s Inner Mongolia Coal Mine 958 (the “**Inner Mongolia Coal Mine 958**”) in the Inner Mongolia region with an allowed annual coal production capacity of 1,200,000 tonnes. During the year ended 31 December 2024, approximately 902,000 tonnes (2023: 904,000 tonnes) of coals were produced and approximately 908,000 tonnes (2023: 901,000 tonnes) of coals were sold.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

At present, the local government authorities of the Inner Mongolia region visited Inner Mongolia Jinyuanli occasionally to review mainly the workplace safety and coal resources of the Inner Mongolia Coal Mine 958. During the year ended 31 December 2024, administrative fines of RMB600,000 (equivalent to approximately HK\$650,000) (2023: RMB1,391,000 (equivalent to approximately HK\$1,535,000)) were paid to the local government authorities for certain minor workplace safety matters.

In 2024, the PRC government issued several notices pertaining to the mining industry, including “Guidance on Further Advancement of the Intelligent Construction of Mines and the Safety Development of Mines”《關於深入推進礦山智慧化建設促進礦山安全發展的指導意見》and “Notice on Further Strengthening the Construction of Green Mines”《關於進一步加強綠色礦山建設的通知》, which aimed at reinforcing intelligent operation safeness and developing green and low-carbon transformation of mining industry. These new regulations have increased pressure on our working capital to renewing our existing aged infrastructure and machineries.

The Inner Mongolia Coal Mine 958 has been operated for approximately 15 years, during this tenure, most of coal resources has been substantially extracted in the shallow coal seams. Accordingly, the management of Inner Mongolia Jinyuanli conducted an assessment on the technical requirements and ongoing capital investments of the Inner Mongolia Coal Mine 958. While the geological conditions become increasingly challenging with more complex underground structure, replacement of old machineries and addition of more advanced equipment will be required. As such, the ongoing capital expenditures and operating costs are expected to increase significantly. Based on the impairment assessment review, an impairment loss of approximately HK\$25,960,000 had been recognised on the carrying amounts of non-financial assets of the Coal Mining Business segment of the Group during the year ended 31 December 2024.

In view of the above circumstances, the management of Inner Mongolia Coal Mine 958 will continue to assess and evaluate if there is sufficient level of mineable coal resources for future economic benefits to be brought to the Group. Such assessment is also required by relevant industry policies to demonstrate sufficient mineable coal resources for the coming 12 months, as any unsatisfactory results may result in suspension of the mining operation by local authority pursuant to “Provisional Measures for Preventing Coal Mine Excavation and Mining Continuity Tension”《防範煤礦採掘接續緊張暫行辦法》.

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

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

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

The key assumptions and parameters adopted in the cash flow projections of the Coal Mining CGU as at 31 December 2023, 30 June 2024 and 31 December 2024 are set out below:

Key assumptions	31 December 2023	30 June 2024	31 December 2024
Projected annual coal production output for the period until the expiry date of the business license (note 1)	900,000 tonnes	900,000 tonnes	900,000 tonnes
Average unit coal selling price per tonne (including value-added tax) (note 2)	2024: RMB188 2025: RMB193 2026 onwards: increase with inflation rate	2024: RMB188 2025: RMB193 2026 onwards: increase with inflation rate	2025: RMB191 2026: RMB196 2027 onwards: increase with inflation rate
Inflation rate	2.5%	2.5%	2.5%
Pre-tax discount rate	16.60%	16.50%	16.58%

Notes:

- (1) The forecasted annual coal production output was estimated to be 900,000 tonnes based on the existing status of the Inner Mongolia Coal Mine 958.
- (2) The estimated unit selling price of coal (average unit selling price) was determined by referencing to: (i) the current unit selling price of coals; (ii) the prevailing market price of coals in the Inner Mongolia region; and (iii) the historical average unit selling price of coals produced by Inner Mongolia Jinyuanli over past few years.

Selling and distribution expenses

The selling and distribution expenses of the Group for the year ended 31 December 2024 in the amount of approximately HK\$3,909,000 was 100% attributed to the Coal Mining Business, representing a decrease of approximately HK\$639,000 as compared to approximately HK\$4,548,000 for the year ended 31 December 2023. The decrease in selling and distribution expense was mainly caused by the decrease in logistics costs during the year.

Administrative expenses

The administrative expenses of the Group for the year ended 31 December 2024 amounted to approximately HK\$103,811,000, representing an increase of approximately HK\$30,825,000 as compared to approximately HK\$72,986,000 for the year ended 31 December 2023. The increase in administrative expense was mainly attributable to the increase in staff costs and the administrative fees, such as the professional fees, laboratory fees and travelling expenses, incurred for the acquisition during the year, as well as for exploring potential mining investment opportunities in different countries during the year, including exploration and drilling expenses of a potential gold mine target in Cambodia.

MANAGEMENT DISCUSSION AND ANALYSIS

Other operating expense

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

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

Accordingly, approximately RMB17,110,000 (equivalent to approximately HK\$18,194,000) and approximately RMB17,110,000 (equivalent to approximately HK\$18,844,000) was included in the "Accruals and other payables" as at 31 December 2024 and 2023 respectively.

Finance costs

The finance costs of the Group for the year ended 31 December 2024 amounted to approximately HK\$36,000 as compared to approximately HK\$827,000 for the year ended 31 December 2023. The decrease in finance costs was mainly attributable to the full conversion of the convertible bonds in May 2023 and July 2023.

Loss for the year

The loss for the year ended 31 December 2024 amounted to approximately HK\$63,783,000 as compared to approximately HK\$33,610,000 for the year ended 31 December 2023. The loss attributable to owners of the Company for the year ended 31 December 2024 was approximately HK\$50,768,000 as compared to approximately HK\$23,734,000 for the year ended 31 December 2023.

Placing of new shares

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

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

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

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

Share consolidation

Pursuant to the ordinary resolution passed by the Shareholders at the EGM held on 23 October 2024, every ten issued and unissued Shares of par value of HK\$0.01 each had been consolidated into one consolidated share of par value of HK\$0.1 each (the **"Share Consolidation"**). The Share Consolidation had become effective since 25 October 2024.

Immediately after the Share Consolidation becoming effective, the authorised share capital of the Company was changed from HK\$1,000,000,000 divided into 100,000,000,000 ordinary shares of par value of HK\$0.01 each to HK\$1,000,000,000 divided into 10,000,000,000 consolidated shares of par value of HK\$0.1 each, and the issued share capital of the Company was changed from HK\$20,461,692 divided into 2,046,169,166 ordinary shares of par value of HK\$0.01 each to HK\$20,461,692 divided into 204,616,916 consolidated shares of par value of HK\$0.1 each.

MANAGEMENT DISCUSSION AND ANALYSIS

Investment in the Copper Mine located in Laos

Memorandum of understanding

On 4 January 2024, Big Wish Group Limited ("**Big Wish Group**"), a direct wholly-owned subsidiary of the Company, Thaisan Jiujiu Investment Laos Trade Co., Ltd (老撾泰山久久投資貿易有限公司) ("**Thaisan Jiujiu**") and the then shareholders of Thaisan Jiujiu entered into a memorandum of understanding for the proposed investment in the equity interest of Thaisan Jiujiu. A refundable deposit of RMB30,000,000 (equivalent to approximately HK\$32,219,000) was paid by the Group as earnest money in accordance with the terms of the memorandum of understanding (the "**MOU Deposit**").

Sale and Purchase Agreement and Subscription Agreement

On 22 April 2024, (i) Big Wish Global Holdings Limited ("**Big Wish Global**"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with the then shareholders of Thaisan Jiujiu (the "**Original Vendors**"); and (ii) Big Wish Group, Big Wish Global and Thaisan Jiujiu entered into a subscription agreement (the "**Subscription Agreement**").

Pursuant to the Sale and Purchase Agreement, Big Wish Global conditionally agreed to acquire, and the Original Vendors conditionally agreed to sell the entire equity interests of Thaisan Jiujiu at a cash consideration of RMB40,000,000 (equivalent to approximately HK\$42,959,000). A first payment of RMB20,000,000 (equivalent to approximately HK\$21,480,000) was paid by the Group as a deposit in accordance with the terms of the Sale and Purchase Agreement (the "**SPA Deposit**"). Pursuant to the Subscription Agreement, (i) Big Wish Global agreed to subscribe the new shares to be issued by Thaisan Jiujiu at a subscription price of RMB30,000,000 (equivalent to approximately HK\$32,219,000) in cash; and (ii) the MOU Deposit shall offset the subscription payment under the Subscription Agreement, upon the completion of acquisition of entire equity interests of Thaisan Jiujiu.

Supplemental Agreement and Termination Agreement

On 5 July 2024, Big Wish Global and the Original Vendors entered into a supplemental agreement to amend and supplement certain terms of the Sale and Purchase Agreement (the "**Supplemental Agreement**"). Pursuant to the Supplemental Agreement, (i) Big Wish Global had conditionally agreed to acquire and Mr. Zeng Quanrong (the "**Revised Vendor**") had conditionally agreed to sell 520 issued shares of Thaisan Jiujiu owned by the Revised Vendor, representing 52% of the issued share capital of Thaisan Jiujiu, at a revised cash consideration of RMB24,800,000 (equivalent to approximately HK\$26,764,000); and (ii) Big Wish Global will not acquire, and the remaining two shareholders of Thaisan Jiujiu will retain their 480 issued shares of Thaisan Jiujiu owned by them, representing 48% of the issued share capital of Thaisan Jiujiu.

On the same date, Big Wish Group, Big Wish Global and Thaisan Jiujiu entered into an agreement to terminate the Subscription Agreement (the "**Termination Agreement**"). Pursuant to the Termination Agreement, Thaisan Jiujiu agreed to refund the MOU Deposit to Big Wish Group together with the interest accrued, which calculated at a rate of 5% per annum from the date of the payment of the MOU Deposit to the date of refund. On 12 July 2024, the MOU Deposit and accrued interests in aggregate amount of approximately RMB30,753,000 (equivalent to approximately HK\$33,000,000) had been refunded to the Group pursuant to the terms of the Termination Agreement.

The acquisition of 52% equity interests in Thaisan Jiujiu was completed on 26 August 2024 and the remaining balance of consideration amounting to RMB4,800,000 (equivalent to approximately HK\$5,284,000) was paid accordingly.

Lao Taishan Jiujiu Mining Co., Ltd (老撾泰山久久礦業有限公司) ("**Jiujiu Mining**"), the 51% non wholly-owned subsidiary of Thaisan Jiujiu (collectively referred to the "**Laos Companies**"), owns a copper mine in Laos (the "**Copper Mine**") and holds a mining license (開採許可証) and mineral processing license (選礦加工許可証) in respect of the Copper Mine, both of which are valid from 27 May 2022 to 27 May 2042. The Copper Mine has obtained the approval from the Prime Minister of Laos to commence mining operations covering a mining area of approximately 24 km², with an estimated copper reserves of more than 100,000 tons and also contains other minerals such as zinc, iron and silver.

As at 31 December 2024, the construction of the processing plant had been substantially completed and was under calibration. Subsequent to the end of the reporting period, the Copper Mine has started the production, and approximately 50,000 tonnes of raw ore was milled and processed.

Shareholder's Loan Agreement

On 4 October 2024, Big Wish Global, as lender, and Thaisan Jiujiu, as borrower, entered into a shareholder's loan agreement, pursuant to which Big Wish Global had agreed to provide a shareholder's loan in the principal amount of RMB36,000,000 (equivalent to approximately HK\$38,281,000) to Thaisan Jiujiu for the repayment of funds advanced by the Original Vendors to Thaisan Jiujiu for the addition of machineries and construction of infrastructures of the Copper Mine.

Recent matter

Since early of 2025, the local management and business partners of Thaisan Jiujiu have been delaying in providing, and also failed to provide, satisfactory response to the Company's requests. In view of such circumstances, the Company issued two demand letters to the legal representative and business partners (the "**Recipients**") of Thaisan Jiujiu through its Hong Kong legal advisers in March 2025 and Laos legal advisers in April 2025 respectively, demanding for, inter alia, the provision of requested financial information and documents and the full cooperation with the auditor of the Company (the "**Auditor**"). After prolonged coordination, the Recipients ultimately responded to the Company and provided certain books and records of the Laos Companies along with the latest management accounts.

In view of the non-cooperation of the Recipients throughout the period and in the light of the legal opinion provided by the Laos legal adviser, the Group has concluded that it currently cannot exercise its control over Thaisan Jiujiu to direct the relevant activities of Thaisan Jiujiu through convening the shareholders' meeting unilaterally. Nevertheless, the directors of the Company considered the Group retains significant influence over Thaisan Jiujiu, given its 52% equity interests and the right to attend, vote and participate in the shareholders' meeting, provided that the meeting is successfully held. Any decisions to be made through the shareholders' meeting shall lawfully require the Group's consent and participation.

Therefore, the Group recognised its investment in Thaisan Jiujiu as associate and accounted for using equity method of accounting in accordance with *HKAS 28 Investments in Associates and Joint Venturers* ("**HKAS 28**") in the consolidated financial statements for the year ended 31 December 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company's action plan

Considering that the Recipients' recent response to the Group's requests by providing certain books and records of the Laos Companies, albeit after prolonged coordination, the Group intends to continue to maintain conversation with the Recipients to resolve the issue in an amicable manner to the extent possible, while closely monitoring the ongoing developments. Notwithstanding so, the Group reserves the right to take any such appropriate measures which may be enforced in Laos based on the ongoing discussion with and the advice of its Laos legal advisers as and when necessary to exercise and protect its rights as the majority shareholder in Thaisan Jiujiu, including but not limited to possible nomination of additional representatives to the board of directors of Thaisan Jiujiu to ensure the sufficient management control and monitoring over Thaisan Jiujiu and commencing litigation against the Recipients to demand, among others, the provision of all books and records pertaining to the Laos Companies and full collaboration with the Auditor. These steps are essential to establishing proper management oversight and control over Thaisan Jiujiu, thereby addressing the Qualified Opinion (as defined below) in the future.

Acquisition of assets

On 19 July 2024, Big Wish Group entered into a sale and purchase agreement with an Independent Third Party for the acquisition of the entire equity interests in FatBoy Limited at a cash consideration of HK\$11,800,000. The acquisition did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules and was completed on 2 August 2024. As at the date of acquisition and 31 December 2024, FatBoy Limited holds a property an office premise in Hong Kong for administrative purpose.

USE OF PROCEEDS FROM PAST FUND RAISING ACTIVITIES

Set forth below are the detailed breakdown of the utilisation of net proceeds from (i) the issuance of the convertible bonds by the Company on 18 July 2022 and (ii) the Placing:

	Original intended use of net proceeds HK\$'000	Accumulated amount of net proceeds utilised as at 31 December 2022 HK\$'000	Accumulated amount of net proceeds utilised as at 31 December 2023 HK\$'000	Accumulated amount of net proceeds utilised as at 31 December 2024 HK\$'000
(i) Issuance of the convertible bonds on 18 July 2022				
(1) Enhance the mining and mineral related businesses				
(i) Enhance the existing coal mining machineries and systems		8,708	13,781	21,538
(ii) Coal trading business		–	7,757	–
Subtotal	37,000	8,708	21,538	21,538
(2) Potential investment in the copper mine located in Laos as announced by the Company on 4 January 2024 (<i>Note (i)</i>)	–	–	–	15,462
(3) General working capital	2,800	2,800	2,800	2,800
Total	39,800	11,508	24,338	39,800
(ii) Placing of new shares on 4 March 2024				
(1) Potential investment in the copper mine located in Laos as announced by the Company on 4 January 2024 and other potential mining related investments	35,000	N/A	N/A	35,000
(2) Enhance the existing mining machineries and systems and other potential mining related business, including but not limited to the coals, commodities and minerals trading business	14,000	N/A	N/A	14,000
(3) General working capital	10,101	N/A	N/A	10,101
Total	59,101	N/A	N/A	59,101

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (i) The net proceeds from the issuance of the convertible bonds on 18 July 2022 were approximately HK\$39,800,000. As disclosed in the announcement of the Company dated 9 February 2024, the Board resolved to change the use of the unutilised net proceeds of approximately HK\$15,462,000 from enhancing the mining and mineral related businesses to the potential investment in the copper mine located in the Laos as refundable deposit announced by the Company on 4 January 2024.
- (ii) As at 31 December 2024, the net proceeds from the issuance of the convertible bonds by the Company on 18 July 2022 and the Placing had been fully utilised.

Liquidity and financial resources

As at 31 December 2024,

- (a) the aggregate amount of the Group's: (i) restricted bank deposits; and (ii) bank and cash balances was approximately HK\$73,565,000 (2023: HK\$103,938,000);
- (b) the Group had no borrowing (2023: Nil);
- (c) the Group's gearing ratio was zero (2023: zero). The gearing ratio was calculated as the Group's total borrowings divided by total equity; and
- (d) the Group's current ratio was approximately 1.52 (2023: 1.56). The current ratio was calculated as total current assets divided by total current liabilities.

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

Pledge of assets

As at 31 December 2024, the Group did not have any pledge of assets (2023: Nil).

Foreign currency risk

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

Acquisition and disposal of material subsidiaries, associates and joint ventures

Save as disclosed above section, the Group did not acquire nor dispose of any material subsidiaries, associates and joint ventures during the year ended 31 December 2024.

Significant investment

The Group did not purchase, sell or hold any significant investments during the year ended 31 December 2024.

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2024.

Capital commitment

As at 31 December 2024, the Group's capital expenditure contracted for but not provided in the consolidated financial statements in respect of property, plant and equipment amounted to approximately HK\$1,213,000 (2023: HK\$1,989,000).

Employees

The Group employed 425 full-time employees as at 31 December 2024 (2023: 466) in Hong Kong and the PRC. Remuneration of the staff comprises monthly salaries, provident fund contributions, medical benefits, training programs, housing allowances and discretionary bonus based on their qualifications, job nature, performance and working experiences referencing to the prevailing market rate and contributions to the Group. Staff costs including Directors' emoluments for the year ended 31 December 2024 were approximately HK\$95,812,000 (2023: HK\$78,716,000).

Prospects

Over past few years, the continuous tightening of PRC government policies in coal mining industry prompted us to spend further capital in complying the relevant industry operational standards in respect of the aged machineries and infrastructure of our coal mine. Such new regulations and practices have created economic pressures on the working capital of our Coal Mining Business and affecting the our profit and future economic benefits.

In light of this, the Group has been exploring suitable business and investment opportunities arising from the mining and mineral sectors worldwide to diversify its business horizons. In August 2024, the Group completed the acquisition of equity interests in a copper mine located in Laos, which allowed the Group to enter into Southeast Asia's mining industry. Despite the Group has faced a lot of uncertainties and unanticipated challenges in our first venture into new territories, we believe that new business opportunities and developments are crucial to the Group's long-term growth and development apart from our existing coal mining operation. We will continue to identify potential investment opportunities in the energy and mining sectors in the foreseeable future.

Moving forward, the Group will continue to implement further cost control measures and enhance our funding management to enhance its financial position for future business opportunities. The Company aims to broaden its business scope and strengthen the overall business development, benefiting from the diversified return in the future to enhance shareholders' value.

Qualified opinion for the year ended 31 December 2024

The Auditor issued a qualified opinion (the “**Qualified Opinion**”) on the Group’s consolidated financial statements for the year ended 31 December 2024 in relation to the Group’s investment in Thaisan Jiujiu.

Details of the Qualified Opinion and the impact on the consolidated financial statements

The Group classified its investment in Thaisan Jiujiu as associate and accounted for by using the equity method of accounting. A carrying amount of approximately HK\$24,735,000 was recorded as “Interest in an associate” in the consolidated statement of financial position as at 31 December 2024 and a share of results of associate amounting to approximately HK\$1,667,000 was recognised in the profit or loss during the year ended 31 December 2024.

As set out in the paragraph headed “Basis for qualified opinion” in the Independent Auditor’s Report on page 79 of this report, the Auditor was unable to obtain sufficient audit evidence to determine the appropriateness of the accounting of the 52% equity interest in Thaisan Jiujiu as an interest in an associate and accounted for in accordance with HKAS 28, due to the lack of sufficient audit evidence to demonstrate the existence of significant influence of the Company on Thaisan Jiujiu.

During the audit of Thaisan Jiujiu, the Auditor requested the Company to provide the financial records such as management accounts and bank statements of Thaisan Jiujiu, as well as its enterprise incorporation documents, the certificate of incorporation and any subsequent amendments, articles of association, shareholders’ agreement.

Based on the Auditor’s representations, “*sufficient audit evidence*” included:

- (a) article of association or relevant documents (signed by the Group and remaining shareholder of Thaisan Jiujiu) to determine the power over Thaisan Jiujiu;
- (b) confirmation or clarification from the remaining shareholder of Thaisan Jiujiu or Thaisan Jiujiu’s management team on the rights the Company has, and if such rights is able to exercise without restriction;
- (c) the evidence that the Group had the shareholders’ meeting with remaining shareholder of Thaisan Jiujiu, or other evidence that can show the participation of the Group in the operation or management of Thaisan Jiujiu; and
- (d) bank and other confirmations, which were not provided due to non-cooperation of the Recipients.

Having considered the practical situation, the Company had used its best endeavour to obtain corresponding information from Thaisan Jiujiu and provided the same to the Auditor for support of the classification as an associate in accordance with HKAS 28.

Based on the Company's discussion with its Laos legal advisor acting for it in respect of the acquisition of the 52% equity interests in Thaisan Jiujiu (the "**Acquisition**"), it was the Company's then understanding at the time of completion of the Acquisition that Thaisan Jiujiu had not adopted any articles of association and there was no shareholders' agreement entered into between the then shareholders of Thaisan Jiujiu at the time of Acquisition. The Company was also further confirmed by its current Laos legal advisor advising the Company on the recent matters relating to the non-cooperation of the Recipients in its legal opinion (the "**Legal Opinion**") that Laos does not compulsorily require limited companies to submit its articles of association at the time of registration and incorporation. Accordingly, items (a) and (b) could not be provided as they are not in existence.

With a view to resolve the Auditor's concerns over the audit evidence to demonstrate the existence of significant influence of the Company on Thaisan Jiujiu, the Company also further provided the Legal Opinion, which gives an explanation on the current situation, the rights and powers the Group over Thaisan Jiujiu as an alternative audit evidence to address items (a) to (c) above, and protections the Group has as the majority shareholder in the circumstances to the Auditor for their consideration.

Management's position and basis on major judgemental areas, and how the management's view is different from that of auditors

Based on the Legal Opinion, it is noticeable that presently the Company cannot exercise its control over Thaisan Jiujiu unilaterally without the cooperation of the Recipients. From the audit perspectives, the Management of the Company (the "**Management**") is of the view that notwithstanding the Company cannot exercise its control over Thaisan Jiujiu, the Company nevertheless is able to meet the definition of significant influence as set out in HKAS 28 and it is appropriate to classify the investment in Thaisan Jiujiu as an associate and account for using equity method in accordance with HKAS 28.

The Management has given careful consideration to the Qualified Opinion and the basis of the qualification and has had ongoing discussion with the Auditor when preparing the Group's consolidated financial statements for the year ended 31 December 2024.

The Auditor considered that (i) due to the non-cooperation of the Recipients, the Group cannot unilaterally convene the shareholders' meeting to obtain the control over Thaisan Jiujiu or participate in the financial and operating policies through its significant influence over Thaisan Jiujiu. Therefore, the Auditor is unable to determine whether the Group is able to exercise significant influence over Thaisan Jiujiu in accordance with HKAS 28; and (ii) if the shareholders' meeting could be convened, the Group would possess sufficient voting power (i.e. 52%) to exercise control over Thaisan Jiujiu. Therefore, the Auditor is unable to determine the appropriateness of the accounting of the 52% equity interest in Thaisan Jiujiu as an associate. The Auditor concluded that without sufficient evidence currently, no comprehensive analysis can be performed to determine the appropriate accounting treatment of the Group's equity interests in Thaisan Jiujiu.

Conversely, the Management considered the rights of the Group under the current circumstances are clearly described in the Legal Opinion and the assessment of "control" and "significant influence" shall be evaluated under two different accounting standards. For "control", the assessment shall be made in accordance with *HKFRS 10 Consolidated Financial Statements*, which requires the Group to demonstrate its current unilateral ability to direct the relevant activities of the investment. Despite holding majority voting rights, the non-cooperation of the Recipients materially impairs the Group's ability to exercise the control. On the other hand, for "significant influence", the assessment shall be made in accordance with HKAS 28, which requires the Group to demonstrate its significant influence on the investment. As advised by the Legal Opinion, the Group, being the majority

MANAGEMENT DISCUSSION AND ANALYSIS

shareholder of Thaisan Jiujiu, retains the legally enforceable rights under applicable Laos laws to direct the outcome of any matters requiring shareholders' approval at shareholders' meeting, which included important matters such as the appointment of directors, material assets transactions, mergers and dissolutions, given that at least more than half of the votes of those attending the meeting would be required. Any matters requiring shareholders' resolution will be subject to the consent of the Group, the Group should be considered to have significant influence over Thaisan Jiujiu.

After taking into account the current circumstances as well as interpretations of relevant Laos Laws, the Management maintained its point of view that, in a nutshell, the Group cannot exercise control in the circumstances of the non-cooperation of the Recipients; and the Group's significant influence in Thaisan Jiujiu is construed by relevant legal rights attached to its majority shareholding. Otherwise, the presumption of significant influence when an investor holds 20% or more of the voting power of the investee under HKAS 28 will generally be rebutted by default, and no minority shareholding in any investee can properly qualify as an associate.

In light of the above, the Management considers it appropriate to classify the 52% equity interest in Thaisan Jiujiu, which confers upon the Company rights and influence substantially better than any investor holding 20% or more voting power as is the case under the presumption of significant influence, as an associate in accordance with HKAS 28.

Audit Committee's view towards the Qualified Opinion, and whether the Audit Committee reviewed and agreed with the management's position concerning major judgemental areas

The Audit Committee has reviewed both the Legal Opinion and the Qualified Opinion and has held discussions with the Management and the Directors. The Audit Committee acknowledged that whilst the Group cannot currently exercise its control over Thaisan Jiujiu due to the non-cooperation of the Recipients, the rights and interests of the Group as a 52% shareholder of Thaisan Jiujiu are governed and protected by the relevant Laos laws. Based on the Legal Opinion and after careful consideration of the substantive voting power held by the Group, the statutory rights and interests conferred by the applicable Laos laws and the ability to influence policy-making processes, the Audit Committee has concluded that these factors collectively satisfy the criteria for "significant influence" as set out in HKAS 28.

The Audit Committee, therefore, agreed the Management's position, and the basis (including the matters involving substantial judgements) thereof, regarding the classification of the investment in Thaisan Jiujiu.

The Company's proposed plans to address the Qualified Opinion and to avoid future re-occurrence of similar Qualified Opinion

Apart from the action plans mentioned in section headed "MANAGEMENT DISCUSSION AND ANALYSIS – Investment in the Copper Mine located in Laos", the Company will take appropriate steps to avoid future re-occurrence of the audit qualifications similar to the Qualified Opinion, including but not limited to: (i) ensuring sufficient board representation for proper governance oversight, (ii) continue to maintain complete access to the books and records of the material investments, (iii) enhancing the financial and auditing reporting procedures with clear requirements and communicating the same to the local personnel, and (iv) providing training for relevant staff on compliance requirements and best practices, while emphasising the importance of accurate and timely reporting.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Executive Director

Mr. Ng Ying Kit

Aged 47, joined the Company as the vice president of the business development and corporate finance division in June 2014, and was appointed as an executive Director and the compliance officer of the Company in February 2015. He is mainly responsible for the business development and corporate finance function of the Group and holds directorships in various subsidiaries of the Company. Mr. Ng has more than 20 years of experience in corporate finance and investment banking and has considerable experience in mergers and acquisitions, debt and equity financing and corporate strategic planning. Prior to joining the Company, he held senior management position in a Hong Kong listed company overseeing corporate finance function. Mr. Ng graduated from the University of Hong Kong with a Bachelor's degree in Electrical and Electronic Engineering. Mr. Ng has been an independent non-executive director of TBK & Sons Holdings Limited (stock code: 1960), a company listed on the Main Board of the Stock Exchange, since October 2020.

Non-executive Director

Ms. Kwong Pui Yin

Aged 44, was appointed as a non-executive Director and a member of each of the Nomination Committee and the Remuneration Committee on 26 November 2024. She joined the Company as a vice president since 2020 and has been participating in team management, resource allocation, business development, performance assessment, strategic planning and internal control management of the Company. Ms. Kwong has over 20 years of experience in corporate mergers and acquisitions, asset management, internal control management and business operation management. She graduated from Flinders University with a bachelor's degree in Business Administration in 2002 and obtained a postgraduate diploma in Management from Amity Global Institute in May 2025. Ms. Kwong has been an independent non-executive director of Imperium Financial Group Limited (stock code: 8029), a company listed on the GEM of the Stock Exchange, since December 2024.

Independent Non-executive Directors

Mr. Lee Wai Ming

Aged 57, has been appointed as an independent non-executive Director of the Company since November 2020. He is the chairman of each of the Audit Committee and Nomination Committee. Mr. Lee had served as a professional accountant in the audit department in Deloitte Touche Tohmatsu for over 10 years. He had also served various senior positions at various private and listed companies (the shares of which have been listed on the Main Board and GEM of the Stock Exchange). He previously acted as the financial controller and company secretary in each of Dadi International Group Limited (stock code: 8130) and Wealth Glory Holdings Limited (stock code: 8269), both companies' shares are listed on the GEM of the Stock Exchange. Mr. Lee also acted as an independent non-executive director of Kelfred Holdings Limited (stock code: 1134) during June 2019 to August 2020, a company listed on the Main Board of the Stock Exchange and acted as an independent non-executive director of Evershine Group Holdings Limited (stock code: 8022) during January 2021 to February 2021, a company formerly listed on the GEM of the Stock Exchange. Mr. Lee has more than 25 years of experience in the field of accounting, corporate finance and management. He holds a Bachelor of Arts (Hons) degree in Accountancy from the Hong Kong Polytechnic University. Mr. Lee is a Certified Public Accountant in Hong Kong, a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors (Continued)

Mr. Chang Xuejun

Aged 54, was appointed as an independent non-executive Director of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 17 March 2016. Mr. Chang was re-designated to the chairman from a member of the Remuneration Committee and the Nomination Committee on 22 January 2020 and he ceased to be the chairman and member of the Nomination Committee on 23 November 2020. Mr. Chang is a qualified lawyer in the PRC. He graduated from Northwest University of Political Science and Law in Xi'an City, the PRC in 1993. Mr. Chang has more than 30 years' legal experience. He had been working as a secretary and assistant judge at the Intermediate People's Court in Lanzhou City, Gansu Province, the PRC from August 1993 to May 1999. He has joined LI & PARTNERS Attorneys at Law in Shenzhen, the PRC as a lawyer since May 1999. Mr. Chang is currently the partner of LI & PARTNERS Attorneys at Law in Shenzhen, the PRC.

Mr. Li Juhui

Aged 45, was appointed as an independent non-executive Director of the Company and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 17 April 2024. Mr. Li has more than 10 years' experience in the finance industry. He worked for LC Securities Co., Ltd. (聯儲證券有限責任公司) for seven years, during which he was the head of the asset management headquarter, the chairman of the project review committee (立項審核委員會) and a member of project determination committee (項目決策委員會) under non-standardised assets management business (非標準化資產管理業務), and a member of the assets management business committee (資產管理業務委員會). He was the head of trust business department of the Shanghai regional center (上海區域中心) of Everbright Xinglong Trust Co., Ltd (光大興隴信託有限責任公司) for two years. He worked for Anyang Investment Group Co., Ltd (安陽投資集團有限公司), a local government financing vehicle entity, for three years. Mr. Li holds a bachelor's degree in International Economics and Trade from Zhengzhou University (鄭州大學), a master's degree in Business Administration from Shanghai Jiao Tong University (上海交通大學) and a degree of Doctor of Business Administration in Global Financial Management from Arizona State University. Since September 2024, Mr. Li is the director and responsible officer of Target Securities International Limited, a licensed corporation under Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities.

Senior Management

Ms. Cheng On Yi

Aged 34, the group financial controller and company secretary of the Company. She joined the Company and was appointed to the positions in July 2022. Ms. Cheng obtained a bachelor's degree in business administration from the City University of Hong Kong and is a member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England & Wales. Ms. Cheng has over 10 years of experience in finance, accounting and auditing listed companies in Hong Kong. Prior to joining the Company, Ms. Cheng serviced as a senior manager in an international audit firm.

Mr. Wang Yun Lung

Aged 61, the financial director of Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited, the Company's indirect non-wholly owned subsidiary. Mr. Wang graduated from the Jilin Radio and TV University in the PRC in 1989 with major in financial accounting. Prior to joining the Group in August 2007, Mr. Wang served as financial controller in construction and technology development companies and has more than 25 years of experience in financial management.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report for the year ended 31 December 2024.

Corporate Governance Practices

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code. The Company has complied with the applicable code provisions as set out in the CG Code during the year ended 31 December 2024 except for the following deviations:

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

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

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

Board of Directors

The Company has adopted the Model Code as the required standard governing securities transactions by the Directors. The Company had made specific enquires to all the Directors and all the Directors confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2024.

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

Board Members

During the year ended 31 December 2024 and up to the date of this annual report, the Board comprised the following Directors:

Executive Directors

Mr. Ng Ying Kit

Mr. Guo Jianpeng (*resigned on 26 November 2024*)

Ms. Yang Mo (*appointed on 5 April 2024 and resigned on 19 July 2024*)

Mr. Jiang Xin (*resigned on 30 September 2024*)

Non-Executive Directors

Ms. Kwong Pui Yin (*appointed on 26 November 2024*)

Mr. Hu Xiutong (*resigned on 5 April 2024*)

Independent Non-Executive Directors

Mr. Lee Wai Ming

Mr. Chang Xuejun

Mr. Ho Man (*resigned on 17 April 2024*)

Mr. Li Juhui (*appointed on 17 April 2024*)

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

Ms. Yang Mo, who was appointed as executive Director on 5 April 2024, Mr. Li Juhui, who was appointed as independent non-executive Director on 17 April 2024, and Ms. Kwong Pui Yin, who was appointed as non-executive Director on 26 November 2024, obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 3 April 2024, 17 April 2024 and 26 November 2024 respectively, and have confirmed that they understood their obligations as a director of the Company.

Each of the Directors (including the non-executive Director and independent non-executive Director) has been appointed for a term of three years commencing from his/her respective date of appointment and is subject to rotation on retirement and re-election requirements at annual general meetings pursuant to the articles of association of the Company.

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

The Company had independent non-executive Directors who have appropriate and sufficient experience and qualifications to carry out their duties so as to protect the interests of the Shareholders. The Company has received an annual confirmation from each of the independent non-executive Directors, who acted in such capacities during the year ended 31 December 2024, on their respective independence pursuant to Rule 3.13 of the Listing Rules and the Company considered each of them to be independent.

Board Independence

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

- Three out of the five Directors are independent non-executive Directors, which meets the requirements of the Listing Rules that the Board must have at least three independent non-executive Directors and must appoint independent non-executive Directors representing at least one-third of the Board.
- The Nomination Committee will assess the independence, qualification and time commitment of a candidate who is nominated to be a new independent non-executive Director before appointment and the continued independence of existing independent non-executive Directors and their time commitments annually. All independent non-executive Directors are required to confirm in writing their compliance of independence requirements pursuant to Rule 3.13 of the Listing Rules, and to disclose the number and nature of offices held by them in public companies or organisations and other significant commitments.
- External independent professional advice is available as and when required by individual Directors.
- All Directors are encouraged to express their views during the Board/Board Committee meetings.
- A Director (including independent non-executive Director) who has a material interest in a contract, arrangement or other proposal shall not vote or be counted in the quorum on any Board resolution approving the same.

CORPORATE GOVERNANCE REPORT

Board Meeting

Details of the attendance record of the Board members during the year ended 31 December 2024 are as follows:

Directors	Number of board meeting attended/held	Board meeting attendance percentage	2024 AGM attended/held	2024 AGM attendance percentage	2024 EGM attended/held	2024 EGM attendance percentage
Mr. Ng Ying Kit	13/13	100%	1/1	100%	1/1	100%
Mr. Guo Jianpeng ⁽¹⁾	13/13	100%	1/1	100%	1/1	100%
Ms. Yang Mo ⁽²⁾	3/3	100%	1/1	100%	N/A	N/A
Mr. Jiang Xin ⁽³⁾	10/10	100%	1/1	100%	N/A	N/A
Mr. Hu Xiutong ⁽⁴⁾	3/3	100%	N/A	N/A	N/A	N/A
Ms. Kwong Pui Yin ⁽⁵⁾	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Lee Wai Ming	13/13	100%	1/1	100%	1/1	100%
Mr. Chang Xuejun	13/13	100%	1/1	100%	1/1	100%
Mr. Ho Man ⁽⁶⁾	4/4	100%	N/A	N/A	N/A	N/A
Mr. Li Juhui ⁽⁷⁾	8/8	100%	1/1	100%	1/1	100%

Notes:

- (1) Mr. Guo Jianpeng was resigned as an executive Director on 26 November 2024.
- (2) Ms. Yang Mo was appointed and resigned as an executive Director on 5 April 2024 and 19 July 2024 respectively.
- (3) Mr. Jiang Xin was resigned as an executive Director on 30 September 2024.
- (4) Mr. Hu Xiutong was resigned as a non-executive Director on 5 April 2024.
- (5) Ms. Kwong Pui Yin was appointed as a non-executive Director on 26 November 2024.
- (6) Mr. Ho Man was resigned as an independent non-executive Director on 17 April 2024.
- (7) Mr. Li Juhui was appointed as an independent non-executive Director on 17 April 2024.
- (8) All Directors attended the 2024 AGM and 2024 EGM either in person or by teleconference.
- (9) The 2024 AGM and 2024 EGM were held on 7 June 2024 and 23 October 2024 respectively and no other shareholder meeting held during the year ended 31 December 2024.

During the year ended 31 December 2024, the Board has held 13 meetings. Apart from four regular Board meetings each year, the Board met on occasions when a board-level decision on a particular matter was required. For regular Board meeting, a notice of the meeting is sent to all Directors at least 14 days before the intended date of meeting and an agenda and accompanying board papers of the meeting are sent to all Directors at least three days before the intended date of meeting. For all other Board meeting, a notice of the meeting together with an agenda and accompanying board papers of the meeting are sent to all Directors in reasonable time. All Directors are entitled to have access to board papers and related materials, have unrestricted access to the advice and services of the company secretary, and have the liberty to seek independent professional advice if so required. All Directors have direct access to the senior management of the Group and have unrestricted and immediate access to any information relating to the Company's business and affairs. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions.

Board Meeting (Continued)

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

Board Diversity Policy

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

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

As at 31 December 2024, the Board composition under diversified perspectives is set out as follows:

	Number of Directors	Proportion of the Board
Educational Background		
Accounting or finance	1	20%
Business administration	2	40%
E&E Engineering	1	20%
Legal	1	20%
Gender Diversity		
Male	4	80%
Female	1	20%
Age Group		
41 – 45	2	40%
46 – 50	1	20%
51 – 55	1	20%
56 – 60	1	20%
Length of Service		
1 – 5 years	3	60%
6 – 10 years	2	40%

Board Diversity Policy (Continued)

The resignation of Ms. Yang Mo as an executive Director on 19 July 2024 resulted in non-compliance with the board diversity requirement under Rule 13.92 of the Listing Rules as the Company was a single gender board. Following the appointment of Ms. Kwong Pui Yin as a non-executive Director on 26 November 2024, the Company had re-complied with the requirement of diversity of board members under Rule 13.92 of the Listing Rules that the Board should have gender diversity.

Save as disclosed above, the Board at all times during the year ended 31 December 2024 met the requirements under Rule 13.92 of the Listing Rules relating to the board diversity requirement.

The Nomination Committee was of the opinion that the Board consisted of members with diversified age, gender, cultural and education background, professional/business experience, skills and knowledge.

Appointment and Re-election of Directors

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

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

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

In accordance with article 84(1) of the Second Amended and Restated Memorandum and Articles, at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting of the Company at least once every three years.

The biographical details and performance of those Directors who are subject to re-election at the annual general meeting of the Company will be assessed by the Nomination Committee and Remuneration Committee and recommended to the Board to decide the tabling of the proposed re-election of Directors for shareholders' approval at the annual general meeting of the Company. To further enhance accountability, any re-election of an independent non-executive Director who has served on the Board for more than nine years will be subject to a separate resolution to be approved by shareholders at the annual general meeting of the Company.

Directors' Insurance

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

Corporate Governance Functions

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

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

Board Committees

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

Nomination Committee

The Company established the Nomination Committee in September 2005. The terms of reference of the Nomination Committee are updated by the Board on 30 June 2025 for the purpose of complying with the revised CG code to be effective from 1 July 2025 and are available on the websites of the Company and of the Stock Exchange. As at 31 December 2024, the Nomination Committee comprised two INEDs, namely Mr. Lee Wai Ming (the chairman) and Mr. Li Juhui, and one NED, Ms. Kwong Pui Yin.

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

Director Nomination Policy

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

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

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

Board Committees (Continued)

Nomination Committee (Continued)

During the year ended 31 December 2024, 5 meetings were held by the Nomination Committee which the following works were performed:

- (i) reviewed the structure, size, composition and diversity of the Board;
- (ii) made recommendations to the Board on the appointment or re-appointment of Directors;
- (iii) identified individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; and
- (iv) assessed the independence of independent non-executive Directors.

The attendance record of each member of the Nomination Committee during the year ended 31 December 2024 is as follows:

	Number of the Nomination Committee meeting attended/held	Attendance percentage
Mr. Lee Wai Ming (<i>Chairman</i>)	5/5	100%
Mr. Ho Man ⁽¹⁾	2/2	100%
Mr. Jiang Xin ⁽²⁾	3/3	100%
Mr. Li Juhui ⁽³⁾	2/2	100%
Mr. Guo Jianpeng ⁽⁴⁾	N/A	N/A
Ms. Kwong Pui Yin ⁽⁵⁾	N/A	N/A

Notes:

- (1) Mr. Ho Man was resigned as a member of the Nomination Committee on 17 April 2024.
- (2) Mr. Jiang Xin was resigned as a member of the Nomination Committee on 30 September 2024.
- (3) Mr. Li Juhui was appointed as a member of the Nomination Committee on 17 April 2024.
- (4) Mr. Guo Jianpeng was appointed and resigned as a member of the Nomination Committee on 30 September 2024 and 26 November 2024 respectively.
- (5) Ms. Kwong Pui Yin was appointed as a member of the Nomination Committee on 26 November 2024.

Board Committees (Continued)

Remuneration Committee

The Company has established the Remuneration Committee in September 2005. The terms of reference of the Remuneration Committee are available on the websites of the Company and of the Stock Exchange, it is consistent with the code provisions set out in the relevant section of the CG Code. As at 31 December 2024, the Remuneration Committee comprised two INEDs, namely Mr. Chang Xuejun (the chairman) and Mr. Li Juhui, and one NED, Ms. Kwong Pui Yin.

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

Remuneration policy for the Directors

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

During the year ended 31 December 2024, 4 meetings were held by the Remuneration Committee which the following works were performed:

- (i) discussed and reviewed the existing policy and structure of the remuneration for the Directors and senior management of the Company;
- (ii) reviewed and recommended to the Board the remuneration packages for the executive Directors and senior management of the Company;
- (iii) reviewed the Directors' fees; and
- (iv) made recommendations on the remuneration of the Directors to the Board and approved the terms of the service agreements and appointment letters.

Board Committees (Continued)

Remuneration Committee (Continued)

The attendance record of each member of the Remuneration Committee during the year ended 31 December 2024 is as follows:

	Number of the Remuneration Committee meeting attended/held	Attendance percentage
Mr. Chang Xuejun (<i>Chairman</i>)	4/4	100%
Mr. Ho Man ⁽¹⁾	2/2	100%
Mr. Jiang Xin ⁽²⁾	3/3	100%
Mr. Li Juhui ⁽³⁾	1/1	100%
Mr. Guo Jianpeng ⁽⁴⁾	N/A	N/A
Ms. Kwong Pui Yin ⁽⁵⁾	N/A	N/A

Notes:

- (1) Mr. Ho Man was resigned as a member of the Remuneration Committee on 17 April 2024.
- (2) Mr. Jiang Xin was resigned as a member of the Remuneration Committee on 30 September 2024.
- (3) Mr. Li Juhui was appointed as a member of the Remuneration Committee on 17 April 2024.
- (4) Mr. Guo Jianpeng was appointed and resigned as a member of the Remuneration Committee on 30 September 2024 and 26 November 2024 respectively.
- (5) Ms. Kwong Pui Yin was appointed as a member of the Remuneration Committee on 26 November 2024.

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

Audit Committee

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

As at 31 December 2024, the Audit Committee comprised three INEDs, namely Mr. Lee Wai Ming (the chairman), Mr. Chang Xuejun and Mr. Li Juhui. Among the Committees, Mr. Lee Wai Ming possessed appropriate professional accounting and related financial management expertise in compliance with the requirements set out in Rules 3.10(2) of the Listing Rules.

Board Committees (Continued)

Audit Committee (Continued)

The Audit Committee held 4 meetings during the year ended 31 December 2024 to review interim and annual financial results and reports, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, the effectiveness of the Group's internal audit function and scope of work and appointment of external auditors. Details of the attendance of the Audit Committee meetings during the year ended 31 December 2024 are as follows:

	Number of the Audit Committee meeting attended/held	Attendance percentage
Mr. Lee Wai Ming (<i>Chairman</i>)	4/4	100%
Mr. Chang Xuejun	4/4	100%
Mr. Ho Man ⁽¹⁾	1/1	100%
Mr. Li Juhui ⁽²⁾	3/3	100%

Notes:

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

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

During the year ended 31 December 2024, the Group's annual audited results for the year ended 31 December 2023 and unaudited interim results for the six months ended 30 June 2024 had been reviewed by the Audit Committee, which was of the opinion that the preparation of such results had complied with the applicable accounting standards and requirements and adequate disclosure had been made.

Directors' Training

Pursuant to C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. From time to time, the Directors are provided with written materials to develop and refresh their professional skills. The Directors had fulfilled the relevant requirements under C.1.4 of the CG Code during the year ended 31 December 2024.

Directors	Training
Executive Directors	
Mr. Ng Ying Kit	✓
Mr. Guo Jianpeng (<i>resigned on 26 November 2024</i>)	✓
Ms. Yang Mo (<i>appointed on 5 April 2024 and resigned on 19 July 2024</i>)	✓
Mr. Jiang Xin (<i>resigned on 30 September 2024</i>)	✓
Non-executive Directors	
Mr. Hu Xiutong (<i>resigned on 5 April 2024</i>)	✓
Ms. Kwong Pui Yin (<i>appointed on 26 November 2024</i>)	✓
Independent non-executive Directors	
Mr. Lee Wai Ming	✓
Mr. Chang Xuejun	✓
Mr. Ho Man (<i>resigned on 17 April 2024</i>)	✓
Mr. Li Juhui (<i>appointed on 17 April 2024</i>)	✓

Company Secretary

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

Ms. Cheng On Yi is the employee of the Company. The company secretary provided the training records to the Company, indicating that she had taken no less than 15 hours of relevant professional training during the year ended 31 December 2024 pursuant to Rule 3.29 of the Listing Rules.

Remuneration of Independent Auditor

With effect from 30 October 2024, BDO Limited ("BDO") resigned as the Company's auditor and Suya WWC CPA Limited ("Suya WWC") was appointed as the Company's auditor to fill the casual vacancy following the resignation of BDO and to hold office until the conclusion of the next annual general meeting of the Company.

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. The fees received and receivable by the independent auditor of the Company in respect of audit services for the year ended 31 December 2024 amounted to approximately HK\$680,000 (2023: audit service of approximately HK\$1,350,000 and non-audit service of approximately HK\$150,000).

Remuneration of Directors and Senior Management

Particulars of the Directors' remuneration for the year ended 31 December 2024 are set out in Note 14 to the consolidated financial statements.

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Profiles of Directors and Senior Management" in this annual report for the year ended 31 December 2024 by band is set out below:

Remuneration band	Number of individuals
Nil – HK\$1,000,000	1
HK\$1,000,001 – HK\$2,000,000	1

Accountability and Audit

Financial Reporting

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

Accountability and Audit (Continued)

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

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

As at 31 December 2024, the Directors were not aware of any material uncertainties relating to events or conditions which might cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements of the Group on a going concern basis.

The reporting responsibilities of the external auditor of the Company are set out on pages 82 to 83 of this annual report.

Risk Management and Internal Controls

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

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

The Board conducted a review and assessment of the effectiveness of the Group's risk management and internal control systems and procedures in 2024 through the discussions with all the business segments heads, the management of the Group and members of the Audit Committee. The review covered financial, operational and compliance controls, which include fixed assets management, purchasing and payment cycle, inventory management, credit risk management and payroll handling, to ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions as well as those relating to the ESG performance and reporting. The management of each business segment was responsible for its daily operations and identify, evaluate and manage of operational risks and implementation of mitigation measures for significant risk identified. Any identified risks and/or improvement recommendations were duly reported to the Audit Committee and the Board for them to assess the Group's risk controls, the effectiveness of the risk management system, and any material failings or weaknesses in the internal control system. This allows them to take appropriate actions to remedy any of these failings or weaknesses in a timely manner. All remedial actions will be regularly followed up where necessary to ensure that the failings and weaknesses have been duly addressed.

Risk Management and Internal Controls (Continued)

In view of the Qualified Opinion issued by the Auditor during the year, the non-cooperation of the Recipients raised the Company's concern on reliance on the local management of its subsidiaries and/or investees and the Board will implement the following measures to enhance the internal control procedures for managing and monitoring its subsidiaries and/or investees:

- (a) reviewing the existing board representation of its subsidiaries and/or investee and making any necessary nomination by the Company to mitigate the risk associated with delinquent board member and strengthen the Board's management control over the subsidiaries and/or investee;
- (b) strengthening the requirements for providing and accessing all financial and operational records of subsidiaries and/or investees to ensure proper oversight and transparency;
- (c) reviewing the existing financial and reporting protocols and to make sure that such protocols have been properly communicated to the relevant personnel, and that they understand the Group's reporting requirements as a listed company in Hong Kong, along with the importance of timely reporting and provision of documents and information as the Company may require; and
- (d) providing additional trainings to local management on relevant financial reporting and auditing requirements of the Group.

Dissemination of inside information

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

Anti-corruption policy and whistle-blowing policy

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

Constitutional Documents

There was no change to the constitutional documents of the Company during the year ended 31 December 2024. The second Amended and Restated Memorandum and Articles of Association is available on both the websites of the Company and of the Stock Exchange.

Dividend Policy

The Company had a dividend policy. The Board has the discretion to declare and distribute dividends to the Shareholders after taking into account factors such as financial performance, working requirement and external economic conditions. The Directors do not recommend any dividend for the year ended 31 December 2024 (2023: Nil).

Communications with Shareholders

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

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

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

Shareholders' Rights

Convening extraordinary general meeting and putting forward proposals

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

- (1) The requisitionist(s) should sign a written request stating the objects of the meeting to be convened, and deposit the same at the principal place of business of the Company in Hong Kong, presently situated at Unit 1102, 11/F, 29 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong for the attention of the Board or the company secretary.
- (2) Where, within 21 days from the date of deposit of the requisition, if the Board fails to proceed to convene an extraordinary general meeting, the requisitionist(s) himself (themselves) may convene the general meeting in the same manner, as that in which meetings may be convened by the Board, and all reasonable expenses incurred by the requisitionist(s) as a result of such failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Investors Relations

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

About this Report

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

This Environmental, Social and Governance report ("**ESG Report**") summarises the Group's policies, strategies, performance and targets in relation to sustainability.

Reporting Period

The ESG Report covers the period from 1 January 2024 to 31 December 2024 ("**Reporting Period**" or "**FY2024**").

Report Compilation Basis

This ESG Report is prepared according to the "Environmental, Social and Governance Reporting Guide" ("**ESG Reporting Guide**") under Appendix C2 of the Listing Rules of the Stock Exchange. The preparation, presentation and content of this ESG Report follow the principles of "Materiality", "Quantitative", "Consistency" and "Balance" set out in the ESG Reporting Guide.

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

Quantitative: If the key performance indicators ("**KPI**") have been established, they must be measurable and applicable to valid comparisons under appropriate conditions. Certain data of the ESG Report is extracted from the audited consolidated financial statements of the Company for FY2024 (prepared in accordance with the applicable Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards and Interpretations), while other data comes from the internal database of the Company and other relevant statistics. The standards and methodologies used in the calculation of KPI data, as well as the applicable assumptions are supplemented by explanatory notes.

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

Consistency: ESG data presented in this ESG Report are prepared using consistent methodologies over time. Unless otherwise specified, the statistical methods or KPIs disclosed in this ESG Report are consistent with those in the ESG Report for the year ended 31 December 2023 ("**FY2023**") for comparison. If there are any changes in the scope of disclosure and calculation methodologies that may affect comparison with previous reports, explanations will be provided to the corresponding data.

About this Report (Continued)

Scope of the ESG Report

This ESG report mainly covers the core business with significant environmental and social impacts, specifically the coal mining site in Inner Mongolia, PRC. The headquarters in Hong Kong and other subsidiaries offices in the PRC exhibit minimal environmental and social impacts; therefore, they are reflected only in the employment and training-related sections.

For corporate governance of the Group, please refer to the Corporate Governance Report in the 2024 Annual Report of the Company.

Board Statement and Governance Structure

Coal mining operations are intrinsically linked to the ecological environment, as they involve the exploration of natural resources. The process of coal production requires significant amounts of water and energy, while also generating considerable coal dust and noise. The lifecycle of coal mining, ranging from exploration and development to processing, loading, transportation, and rehabilitation, has profound ecological and societal impacts. Acknowledging these impacts, the Group is committed to responsible environmental and social stewardship.

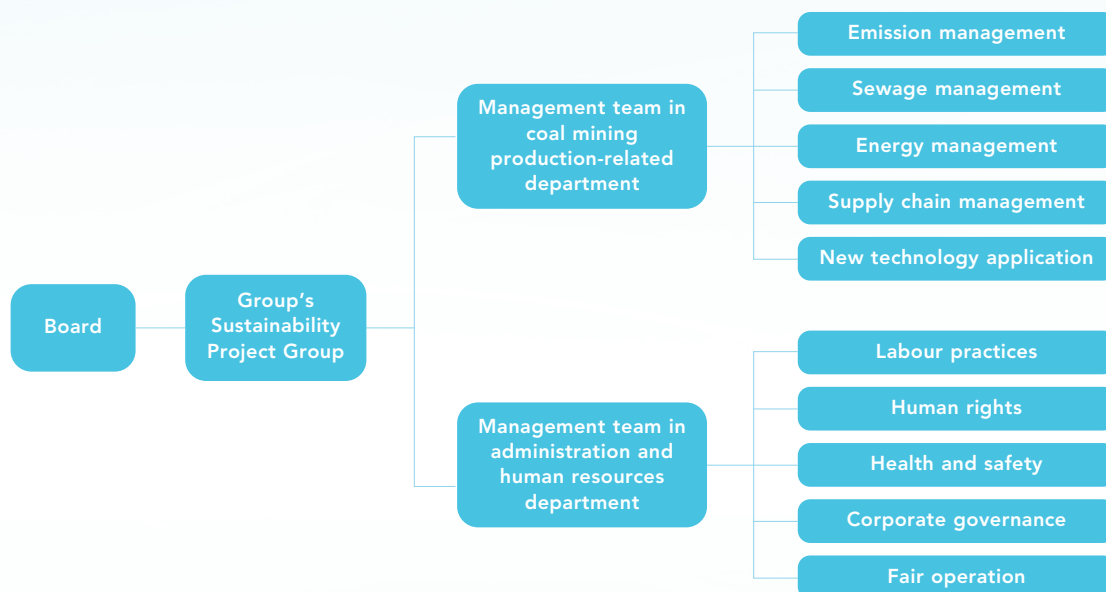
We recognise that achieving economic, environmental, and social sustainability is crucial for the long-term success of our business. Our sustainability guidelines outline the principles and actions necessary for ethical and sustainable operations. We are also dedicated to maintaining a robust ESG governance structure. The Board is fully responsible for sustainable development matters and their integration with the Group's strategy. Board members possess the necessary skills, experience, and knowledge to effectively oversee the Group's ESG issues. The Board is responsible for ensuring the effectiveness of the Group's risk management and internal controls, reviewing the materiality of ESG issues, relevant targets and performance, as well as approving disclosures in the ESG reports.

The Board guides the establishment of the Group's Sustainability Project Group, whose members are required to have the necessary knowledge and experience related to ESG issues. It is mainly responsible for monitoring progress toward the established targets, identifying and assessing the Group's ESG risks, and formulating and implementing related policies and measures. Additionally, it assists the Board in identifying and prioritising ESG matters through materiality assessments and in preparing the ESG reports. The operation management team initiates, promotes and monitors sustainable development practices within their respective departments and is responsible for collecting and analysing relevant ESG data. The Sustainability Project Group is required to hold at least one meeting each year to discuss the Group's ESG performance and to report its findings and recommendations to the Board at least once a year.

About this Report (Continued)

Board Statement and Governance Structure (Continued)

The Group's governance structure for its sustainability matters is as follows:



Stakeholder Engagement

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



About this Report (Continued)

Stakeholder Engagement (Continued)

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

Stakeholders groups	Engagement channels	Possible concerns
Investors	<ul style="list-style-type: none"> • General meetings • Regular corporate publications including financial reports • Circulars and announcements • Corporate website • Meetings and responses to phone and written enquiries 	<ul style="list-style-type: none"> • Business strategies and sustainability • Financial performance • Corporate governance
Customers	<ul style="list-style-type: none"> • Direct communication • Emails • Business meetings 	<ul style="list-style-type: none"> • Services quality and reliability • Customers information security • Business ethics
Employees	<ul style="list-style-type: none"> • Appraisals • On-the-job coaching • Training • Internal memorandum • Human resources manual • Exit interview 	<ul style="list-style-type: none"> • Training and development • Employee remuneration • Rights and benefits • Working hours • Occupational health and safety • Equal opportunities
Suppliers and business partners	<ul style="list-style-type: none"> • Business meetings • Tendering for procurement of products or services 	<ul style="list-style-type: none"> • Fair competition • Fulfilment of promises • Payment schedule
Government and other regulatory authorities	<ul style="list-style-type: none"> • Statutory filings and notification • Regulatory or voluntary disclosures 	<ul style="list-style-type: none"> • Compliance with laws and regulations • Treatment of inside information • Co-operation with enquiries
Local community	<ul style="list-style-type: none"> • Community activities • Donations 	<ul style="list-style-type: none"> • Environmental protection • Fair employment opportunities

About this Report (Continued)

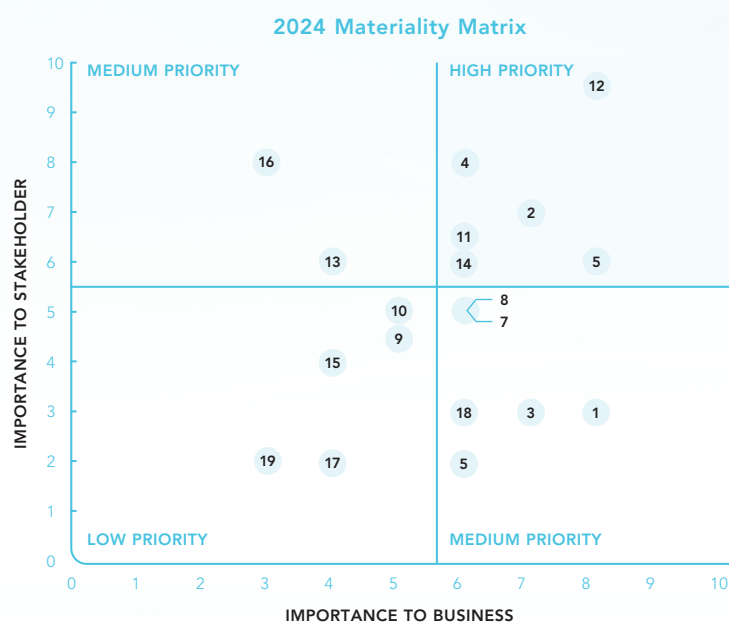
Materiality Assessment

The Group has maintained close communication with the stakeholders since its listing on the Stock Exchange. Through ongoing discussions and direct communications with the stakeholders, the Group understands the main concerns and material issues that matter most to the stakeholders. The Group strives to review these issues from time to time to achieve continuous improvement and sustainable business development. Based on stakeholder feedback and the ESG Reporting Guide, the Group has identified the following material ESG issues:

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

About this Report (Continued)

Materiality Assessment (Continued)



The Group has conducted a materiality assessment to determine the importance of each issue for the Group's business and its stakeholders. Priorities are established based on both management's perspective and stakeholder feedback. A two-dimensional materiality matrix has been developed as described above, highlighting the following issues that are of high priority for both stakeholders and the Group.

Number	Topics
12	Employee's Health and Workplace Safety
4	Energy Consumption
2	GHG Emissions
5	Water Consumption
11	Equal Opportunities
14	Anti-child and Forced Labour

Comment and Feedback

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

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

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

A. Environmental

Recognising the environmental impact of coal mining, the Group is dedicated to reducing emissions, enhancing energy and water efficiency, and conserving ecological resources. Effective management of these issues is essential for maintaining sustainable coal production.

The management team plays a crucial role in executing and overseeing environmental plans and programmes. They identify possible measures to mitigate the adverse impacts of the Group's operations on the environment and ensure timely submission of reports to relevant authorities, as well as obtaining necessary licences and permits. Geological and mining specialists also play a vital role in the decision-making and planning processes, focusing on the adoption of sustainable and greener practices.

With a robust set of environmental policies, the Group actively minimises potential adverse impacts from its activities while preserving natural resources. We conduct regular monitoring and assessment of our coal production activities to ensure compliance with national standards, focusing on key areas such as noise, water quality, dust, and ecological restoration. The insights gained from these monitoring efforts inform our strategies for further reducing environmental impacts. By implementing effective environmental management practices, the Group can enhance resource recovery efficiency, produce cleaner coal, and improve overall operational effectiveness. This approach not only boosts profitability but also strengthens the Group's reputation and competitiveness in the market.

During the Reporting Period, the Group strictly complied with local environmental laws and regulations and was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group, including but not limited to:

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

A1. Emissions

The coal mining operation and activities of the Group inevitably generate different kinds of emissions, including GHG emissions, coal dust, sewage and noise. The Group strives to minimise these emissions and takes practical measures to comply with the relevant laws and regulations relating to environmental protection.

1. Air Emissions

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

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

A. Environmental (Continued)

A1. Emissions (Continued)

1. Air Emissions (Continued)

I. Construction of environmental facilities

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

II. Construction methodology of mine haulage roads

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

III. Water sprinkler system

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

IV. Building and maintenance of dedicated facilities for dust reduction

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

V. Transport coal in covered trucks

Always apply temporary covers to control dust movement from the site to the surrounding area; and

VI. Speed limits enforcement

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

Given the fugitive nature of coal dust, the Group is not able to provide an exact measurement of the total emission of coal dust. Nevertheless, the Group appointed an independent qualified expert to measure air quality at the mine site on a regular basis. Based on the latest environmental inspection report issued in December 2024, sulphur dioxide ("SO_x") and total suspended particulate ("TSP") emissions met the requirement of the Integrated Emission Standard of Air Pollutants (大氣污染物綜合排放標準), indicating that coal dust is well controlled and has not caused any apparent deterioration in air quality at the mine site.

Air emissions, including nitrogen oxides ("NO_x"), SO_x and particulate matter ("PM") also originate from the Group-owned passenger cars and other mobile machineries. To reduce fuel consumption, the Group prioritises cleaner energy sources by replacing liquefied petroleum gas ("LPG") with methanol and promoting the procurement of hybrid and new energy vehicles. Employees traveling over 100 km for business are encouraged to use public transportation unless special circumstances arise.

A. Environmental (Continued)

A1. Emissions (Continued)

1. Air Emissions (Continued)

We have updated our target to reduce NOx emissions per thousand tonnes of coal produced by 30% by the financial year ending 31 December 2050, using FY2024 as a baseline. Due to a decrease in the use of factory vehicles, the intensity of NOx emissions decreased from approximately 0.13 kg/thousand tonnes of coal produced in FY2023 to approximately 0.11 kg/thousand tonnes of coal produced in FY2024. The performance summary of air emissions is as follows:

Type of air pollutants ¹	Unit	FY2024	FY2023
NOx	kg	96.5	117.9
SOx	kg	4.2	4.3
PM	kg	7.0	8.5

Note(s):

- 1 The air emission data are calculated based on "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" published by the Stock Exchange. The FY2023 data has been adjusted to reflect the actual situation.

2. GHG Emissions

The principal GHG emissions of the Group were energy indirect GHG emissions (Scope 2) generated from purchased electricity, followed by direct GHG emissions (Scope 1) resulting from fuel consumption by vehicles, machinery, and catering services. To mitigate GHG emissions, the Group has implemented measures to reduce energy consumption, as detailed in the sections headed "Air Emissions" under aspect A1 and "Energy Efficiency" under aspect A2.

We have updated our target to reduce total GHG emissions per thousand tonnes of coal produced by 15% by the financial year ending 31 December 2030, using FY2024 as a baseline. During the Reporting Period, the intensity of total GHG emissions increased compared to FY2023 due to heightened electricity consumption during daytime operations. The performance summary of GHG emissions is as follows:

Type of GHG emissions ²	Unit	FY2024	FY2023
Scope 1 (Petrol, diesel and methanol)	tonnes of carbon dioxide equivalent ("tCO ₂ e")	779.7	835.6
Scope 2 (Purchased electricity)	tCO ₂ e	9,968.5	8,265.7
Total	tCO ₂ e	10,748.2	9,101.3
Intensity ³	tCO ₂ e/thousand tonnes of coal produced	11.92	10.07

A. Environmental (Continued)

A1. Emissions (Continued)

2. GHG Emissions (Continued)

Note(s):

- 2 GHG emissions data are calculated based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard" issued by the World Resources Institute and the World Business Council for Sustainable Development, the global warming potential values from the "IPCC Fifth Assessment Report" and "IPCC Sixth Assessment Report", "How to prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" published by the Stock Exchange, "Greenhouse Gas Emissions Accounting Methodology and Reporting Guidelines for Chemical Production Enterprises (Trial Implementation)" and the regional electricity grid emission factors outlined in the "Announcement on the Release of 2022 Electricity Carbon Dioxide Emission Factors" issued by the Ministry of Ecology and Environment of the PRC. In light of the upcoming requirements and the complexity involved in calculating Scope 3 GHG emissions, the Group is in the process of refining the data collection and calculation methodology. Relevant data will be disclosed when it is ready.
- 3 During FY2024, approximately 902,000 (FY2023: 904,000) tonnes of coal were produced. This data is used to calculate intensity metrics to reflect the actual situation.

3. Noise Emission

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

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

A. Environmental (Continued)

A1. Emissions (Continued)

4. Waste Management

The waste generated by the Group's operation mainly consists of waste gangue (矸石), sludge and domestic waste. Waste gangue and sludge are hazardous wastes that pose risks to human health. During coal mining operations, the disposal of hazardous waste is minimised as most waste is reused. As a result, the Group is unable to provide an exact figure for the amount of hazardous waste generated during operations, and thus, no quantitative targets have been established for waste management. However, the Group is committed to implementing best practices to reduce the generation of waste gangue by ensuring that all engineering activities are conducted within the coal seams. We also handle waste responsibly by employing the following treatment methods:

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

The Group has improved its data collection process to obtain precise figures on the amount of non-hazardous waste and sewage generated. During the Reporting Period, the Group has generated approximately 400.0 tonnes of non-hazardous domestic wastes, with an intensity of approximately 0.90 tonnes per the average number of employees at the beginning and end of the Reporting Period.

During the Reporting Period, the Group has generated approximately 23,289.0 tonnes of industrial sewage and approximately 5,136.0 tonnes of domestic sewage. After undergoing precipitation, filtering, sterilisation and other sewage treatment processes, the sewage generated can be reused for purposes such as dust reduction through sprinkling, irrigation or use in power plants. According to the latest environmental inspection report, the sewage discharged by the Group met the Integrated Wastewater Discharge Standard (污水綜合排放標準).

A2. Use of Resources

The Group's operations require the use of energy, water and paper. We have clearly identified the resources used in its operations and have implemented measures to conserve them. This includes establishing resource management plans, using energy-efficient appliances and equipment, and enhancing resources recycling in mining activities to promote resource efficiency. Due to the nature of the business, the Group's business does not involve the use of packaging materials.

A. Environmental (Continued)

A2. Use of Resources (Continued)

1. Energy Consumption

The Group's coal mining operations consume a significant amount of electricity due to a high degree of automation and mechanisation. As a result, electricity represents one of the major operating costs for the Group, and the stability of the electricity supply is crucial to its daily operations. The high level of electricity consumption also contributes to significant indirect GHG emissions, as mentioned earlier.

To minimise the impact of electricity consumption on both business operations and the environment, the Group has established an operation control system for power supply, and has implemented measures to achieve additional energy savings and reduce emissions. Regular inspections are also carried out to ensure smooth operating procedures.

The responsibilities of the Group's management team include but not limited to:

- Investigating corporate policies with respect to energy saving;
- Examining the efficiency of energy supply and the cost/benefits of upgraded equipment;
- Setting energy targets and objectives for the promotion of corrective and preventive actions; and
- Regularly educating relevant departments on energy conservation.

The methods and types of energy consumption during the mining production process can vary, making it challenging to quantify consumption targets for different energy uses. As a result, no specific targets were set for energy management. However, the Group has actively implemented the following initiatives to ensure a stable electricity supply and promote energy saving:

- Reducing ventilation resistance during tunnel driving (巷道掘進) using methods such as shotcrete-bolt supporting (錨噴支護);
- Prioritising the use of machines and equipment with high energy efficiency;
- Increasing the power factor (功率因數) in the Group's electrical substation to enhance voltage compensation;
- Centralising heating supply from the power station to avoid energy wastage;
- Scheduling mine drainage during non-peak hours of electricity consumption to reduce the risk of operation suspension caused by electricity shortage; and
- Operating the underground transport belts centrally to avoid unnecessary idling of equipment.

A. Environmental (Continued)

A2. Use of Resources (Continued)

1. Energy Consumption (Continued)

We also encourage employees to adopt green office practices, such as turning off all electrical appliances after working hours. Additional measures related to direct energy consumption can be found in the section headed "Air Emissions". During the Reporting Period, the intensity of total energy consumption increased compared to FY2023 due to heightened electricity usage during daytime operations. The performance summary of the Group's energy consumption is as follows:

Type of energy	Unit	FY2024	FY2023
Direct energy consumption ⁴	MWh	3,033.3	3,259.1
Diesel	MWh	1,869.9	2,265.4
Petrol	MWh	1,120.2	911.3
Methanol	MWh	43.2	82.4
Indirect energy consumption	MWh	14,711.5	13,548.1
Electricity	MWh	14,711.5	13,548.1
Total	MWh	17,744.8	16,807.2
Intensity	MWh/thousand tonnes of coal produced	19.67	18.59

Note(s):

- 4 The unit conversion method of direct energy consumption data is based on the "Energy Statistic Manual" issued by the International Energy Agency and the "General Rules for Calculation of the Comprehensive Energy Consumption (GB/T 2589-2020)" issued by the State Administration for Market Regulation and Standardisation Administration of the PRC.

2. Water Consumption

Water is one of the most consumed resources by the Group in its coal mining operation. As water is a precious commodity, especially in Inner Mongolia, the Group is committed to ensuring responsible water management. A compressive water management solution has been implemented to provide guidance to the management, employees and contractors with regard to the use and reuse of water. Water saving and reuse are the Group's major directions regarding water resource. There were no issues in sourcing water that is fit for purpose.

To promote water saving, effective production methods and instruments have been adopted to enhance water efficiency. Water quality is also under inspection to prepare for the proposed installation of water saving facilities. The Group also regularly monitors water readings to ensure no hidden leakage. At the same time, hoses and pipes are checked regularly for leaks, cracks and other damage, and repairs are made in a timely manner. In addition, the Group makes use of pit water to reduce the usage of fresh water. After water treatment such as filtering and sterilisation, the pit water will be used for firefighting, dust reduction through spraying, irrigation and power station.

A. Environmental (Continued)

A2. Use of Resources (Continued)

2. Water Consumption (Continued)

With the expansion of mining areas and variations in regional precipitation, it is difficult to accurately estimate the volume of mine water production, making it challenging to set corresponding water management targets. During the Reporting Period, the intensity of total water consumption remained at a similar level compared to FY2023. The performance summary of the Group's water consumption is as follows:

Water consumption	Unit	FY2024	FY2023
Total	m ³	102,824.0	102,090.0
Intensity	m ³ /thousand tonnes of coal produced	114.00	112.93

3. Paper Consumption

The Group also consumes paper for daily operations. During the Reporting Period, the Group recorded a consumption of approximately 598.5 kg of paper. As a responsible corporate, the Group values paper conservation and regularly monitors office paper usage. We promote a paperless office by encouraging employees to reduce unnecessary paper use, including utilising double-sided printing and e-communication channels.

A3. The Environment and Natural Resources

1. Mining and surface subsidence

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

Given the local terrain characteristics and differences in elevation, the Group anticipates an extended formation period for surface subsidence with a limited affected area. Besides, barrier pillars (煤柱) will be retained during the mining process to mitigate the impact of surface subsidence. In line with our principles of environmental stewardship, community partnership and commitment to sustainability, we recognise the impact of our operating activities on the land adjacent to our coal mine. We are eager to engage in constructive dialogue to reach an appropriate settlement that fairly compensates for any disruption caused.

A. Environmental (Continued)

A3. The Environment and Natural Resources (Continued)

1. Mining and surface subsidence (Continued)

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

2. Mining efficiency

As coal is a non-renewable energy source, the Group strives to reduce waste in coal resource. As a mining company, it is the Group's social responsibility to enhance mining efficiency. The Group strictly follows the extract recovery rate requirements set by the government. Any mining operations or activities that reduce the extract recovery rate without adequate reason are prohibited. Disposal of coal is also forbidden, and any offenders will face severe penalties.

A4. Climate Change

Climate change poses escalating risks and challenges to the global economy, and such risks may inevitably spread to the coal mining industry. In response to the community's growing concern on climate change and related issues, the management has evaluated and recognised the impact of climate-related risks on the Group's business and corresponding opportunities. With reference to the risk categorisation by the Task Force on Climate-Related Financial Disclosure ("TCFD"), the identified climate-related risks of the Group and the corresponding actions taken to manage them are as follows:

1. Physical risk

The Group's primary operating location is in Inner Mongolia. Due to the geographical location, the increasing occurrence of extreme weather events (such as droughts, floods, extreme heat or cold) may pose risks to the Group, including damage to production equipment, transportation disruptions, and supply chain interruptions. These events could also endanger the environment, employees and public safety, leading to increased operational and maintenance costs as well as higher insurance investments, ultimately reducing the Group's profitability.

A. Environmental (Continued)

A4. Climate Change (Continued)

1. Physical risk (Continued)

To address these risks, the Group will implement extreme weather monitoring and early warning systems. Based on the characteristics of the operational area, we will develop targeted disaster response plans and conduct regular emergency drills and training to enhance employee awareness and preparedness. We will also focus on the daily stockpiling of disaster prevention materials. In response to increased rainfall during the rainy season, the Group has established an emergency response plan and a site drainage plan as part of its Work Safety Guidelines to protect both workers and site facilities. Additionally, we will conduct regular inspections of production facilities and upgrade them as necessary, incorporating extreme weather defence equipment to enhance disaster protection levels.

2. Transition risk

To achieve sustainable development, governments around the world are implementing climate-related legislation and tightening regulations to support the global decarbonisation vision. For instance, the PRC government has committed to reaching “peak carbon emissions by 2030 and carbon neutrality by 2060”, introducing a series of policies aimed at transforming the coal industry. In addition, starting in 2025, the Stock Exchange will implement climate-related disclosure requirements based on the International Sustainability Standards Board (“**ISSB**”) Standards. Driven by national and regional policies, the Group may encounter restrictions on carbon emissions, potentially leading to increased compliance and operational costs. Failure to meet compliance requirements and proactively address climate-related risks could expose the Group to reputational risks. Furthermore, the demand for low-carbon transformation and energy-saving equipment is likely to rise, resulting in higher costs for technological innovation and research and development.

To mitigate the impact of these policies, we will regularly monitor existing and emerging climate-related trends and regulations, enhance communication with regulatory bodies, timely adjust our risk management strategies, and improve the transparency of our climate-related disclosures. These efforts will help maintain a positive corporate image and avoid reputational issues stemming from slow responses. Furthermore, the Group will actively promote green and low-carbon transformation, increase investments in technological innovation, and explore development opportunities in low-carbon and energy-saving technologies (such as renewable energy, hydrogen, energy storage solutions, and carbon capture, utilisation, and storage (“**CCUS**”) technologies) to reduce carbon emissions and gain both reputational and competitive advantages.

B. Social

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

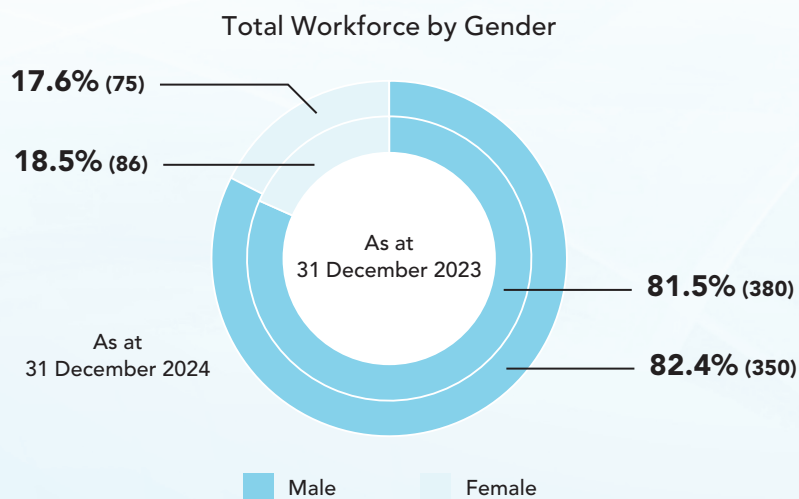
B1. Employment

1. Employment and Remuneration Policies

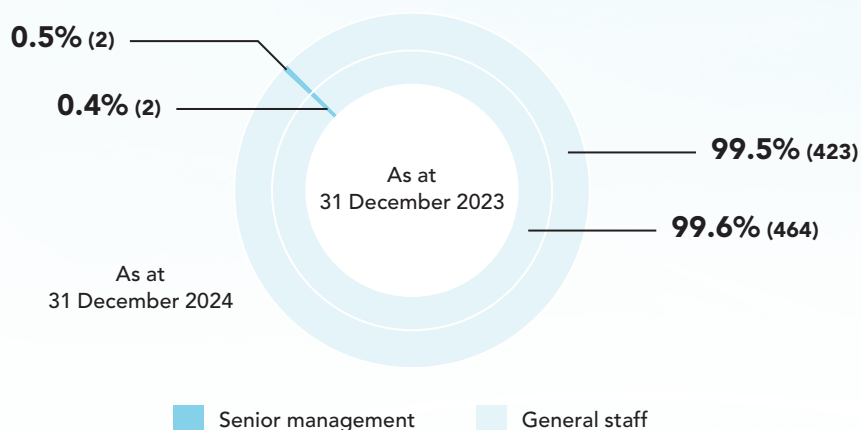
During the Reporting Period, the Group strictly complied with local employment-related laws and regulations and was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Ordinance of Hong Kong and the Labor Law of the PRC (中華人民共和國勞動法). The human resource matters relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare have been included in the Group's staff handbook and the recruitment policy. The Group discourages and prohibits any behaviour that violates the regulations outlined in the said policies. Offenders will receive a warning, and the Group reserves the right to terminate employment contracts for serious violations. These policies and procedures will be reviewed and updated regularly.

2. Workforce Composition

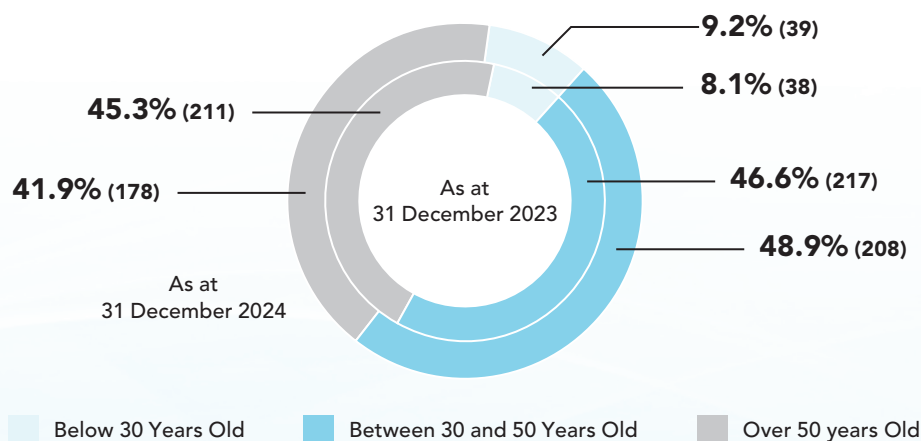
At the end of the Reporting Period, the Group had 425 (2023: 466) full-time employees. The composition of the Group's workforce by gender, employee category, age group and geographical region is shown below:



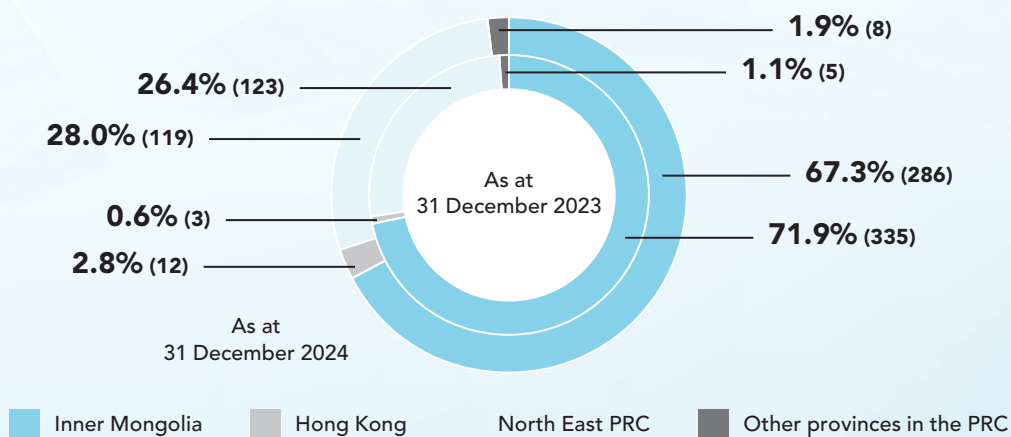
Total Workforce by Employee Category



Total Workforce by Age Group



Total Workforce by Geographical Region



B. Social (Continued)

B1. Employment (Continued)

2. Workforce Composition (Continued)

The overall employee turnover rate⁵ decreased from approximately 28.1% in FY2023 to approximately 21.5% in FY2024. The Group will continue to strive to retain its employees. The employee turnover rate by gender, age group and geographical region are shown in the following table:

Turnover rate ⁵	FY2024		FY2023	
	Number of employees leaving employment	Rate (%)	Number of employees leaving employment	Rate (%)
Total	96	21.5	129	28.1
By gender				
Male	70	19.2	118	31.4
Female	26	32.3	11	13.3
By age group				
Under 30 years old	13	33.8	38	89.4
30-50 years old	47	22.1	91	42.1
Over 50 years old	36	18.5	–	–
By geographical region				
Inner Mongolia	68	21.9	86	26.1
Hong Kong	6	80.0	2	66.7
North East PRC	20	16.5	34	28.3
Other provinces in the PRC	2	30.8	7	116.7

Note(s):

- 5 Employee turnover rate = number of employees leaving employment in the category during the financial year ÷ average number of employees in the category at the beginning and the end of the financial year × 100%.

B. Social (Continued)

B1. Employment (Continued)

3. Staffing

The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics, gender or age. Recruitment Policy are in place to govern the hiring process, ensuring it is equitable and free from discrimination. An employment contract will be signed for every employment to protect both the Group and the employee. Before signing the employment contract, both the contract and staff handbook will be fully explained to employees, ensuring they understand their rights, responsibilities, and expected conduct and behaviours. The Group strictly prohibits the employment of children or forced labour.

Detailed resignation or termination process has also been standardised and outlined in the staff handbook. Employees are allowed to terminate employment contracts after giving reasonable notice, as stipulated in the relevant employment contract. We will ensure that the dismissal process is conducted based on reasonable and legal grounds.

4. Remuneration and Benefits

As a responsible employer, the Group offers competitive compensation to its employees and rewards them according to their performance and experience. The promotion and remuneration of the Group's employees are subject to regular review. The remuneration packages comprise monetary remuneration, performance bonus and medical benefits. In accordance with legal regulations, the Group contributes to social insurance for eligible full-time employees. The types of insurance provided include pension insurance, basic medical insurance, work injury insurance, maternity insurance, and unemployment insurance. Employees are also entitled to statutory holidays, marriage leave, bereavement leave, maternity leave and paternity leave. Given the high-risk nature of their work, mining workers engaged in specialised operations receive additional compensation, including industrial injury insurance, medical insurance and serious illness insurance, exceeding legal requirements.

B. Social (Continued)

B2. Health and Safety

The Group recognises that operational efficiency and the maintenance of a healthy and safe working environment are closely related. Therefore, the Group places great importance on providing a comfortable and safe working environment for our employees which protects them from any potential occupational hazards.

Workplace safety is always the primary concern for the Group, workers and the public. Even though mine accidents are not likely to occur, they can be severe and often result in deaths and injuries. The Group aims to achieve zero work-related fatalities, injuries and accidents. In the past three years including the Reporting Period, the Group has achieved zero work-related fatalities. During the Reporting Period, the Group recorded 1,320 (FY2023: 2,154) lost days due to 14 incidents of work-related injuries. In the event of a work-related injury, the Group will provide immediate assistance to the affected employee and report the incident to the relevant authority. All incidents will be investigated according to established procedures to minimise the risk of recurrence.

During the Reporting Period, the Group strictly complied with laws and regulations relating to occupational health and safety and was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group, including but not limited to:

- The Production Safety Law of the PRC (中華人民共和國安全生產法); and
- The Mine Safety Law of the PRC (中華人民共和國礦山安全法).

1. Occupational Health and Safety Management

With consultation and involvement from employees, the Group has developed Work Safety Guidelines and implemented relevant safety procedures and precautions. The safety policies, procedures and measures will be reviewed annually and improved as necessary to ensure their effectiveness and timeliness.

Everyone in the Group is accountable for achieving the Group's goal of workplace safety and health. The Group has allocated a member of top management with special responsibility for ensuring the proper implementation of the health and safety management system. The Group has also assigned safety officers who are responsible for ensuring that the working environment complies with or exceeds the requirements of relevant laws. Every employee is encouraged to report or complain about any unsafe or unhealthy conditions or work practices, and the Group will respond appropriately after investigation.

To reduce the hazards of potential mining accidents, the Group focuses on ventilation and the prevention of gas explosions, coal dust and fire, collectively referred to as the "**ventilation and three preventions**" (一通三防). The key measures under each aspect are listed as follows:

B. Social (Continued)

B2. Health and Safety (Continued)

1. Occupational Health and Safety Management (Continued)

Areas	Key measures
Ventilation	<ul style="list-style-type: none"> Gas density, hazardous gas density and ventilation facilities are checked and recorded by qualified and experienced technicians according to preset standards and regulations at regular time intervals, routes and locations. The main ventilator for the coal mine must be switched on continuously. Chief engineer's approval is required for the suspension of the ventilator. Mine workers can only work when there is adequate ventilation condition. Otherwise, mine workers are required to evacuate the mine.
Gas Explosions Preventions	<ul style="list-style-type: none"> Mine workers must carry gas monitoring devices while in the mine. Any onsite personnel should evacuate immediately if hazardous gas density exceeds the limit. Shaft-drifts in abandoned mining area and those with bad ventilation condition will be closed timely. Registration is required for blind shaft-drifts.
Coal Dust Prevention	<ul style="list-style-type: none"> A dust suppression system using water spray has been established with adequate and clean water. Water pipes have been installed in shaft-drifts near the stope face. All underground workers are required to wear coal dust masks, which will be strictly inspected before entering the mine. Dust suppression using water spray must be conducted regularly in shaft-drifts. Respiratory and total coal dust density in the operation area are examined monthly and bi-weekly, respectively.
Fire Prevention	<ul style="list-style-type: none"> A firefighting system using nitrogen must be installed in coal mines before coal production begins. Predictions of spontaneous combustion are performed weekly to identify the potential risk of combustion. The goaf (採空區) must have flame proof construction established within 45 days and be permanently closed to prevent the occurrence of spontaneous combustion and fires.

The Group understands that a sense of belonging and morale of the employees are key drivers of healthy corporate growth, particularly in supporting employee mental health and alleviating work-related stress. As a result, the Group is committed to promoting open and direct communication between employees and management. Causal and festival gatherings, such as New Year's Day, Spring Festival, Mid-Autumn Festival and Christmas, have been organised to enhance the harmonious spirit throughout the Group.

B. Social (Continued)

B2. Health and Safety (Continued)

2. Mine Rescue Team

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

To ensure readiness to respond to safety incidents at the mine at any time, the mine rescue team undergoes training and maintenance of rescue equipment on a regular basis.

With adequate authorisation and clearly defined job duty, the team can react promptly to safety incidents and conduct rescues following the rescuing guideline. The mine rescue team has greatly strengthened the Group's rescuing capacity, becoming an indispensable force in addressing safety incident at the mine.

3. Prevention of Occupational Disease

In addition to workplace safety, the Group is also concerned with occupational disease. One of the most direct and obvious occupational health issues for workers is their exposure to hazardous materials, including coal dust and hazardous gases such as methane and carbon dioxide. The Group adopts several measures to protect and improve occupational health, including but not limited to:

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

B. Social (Continued)

B3. Development and Training

The Group regards its staff as an important asset and resource, essential for sustaining its core values and culture. The Group is committed to providing comprehensive on-the-job training programmes, which collectively serve as a platform for staff development and self-improvement.

The Group provides a clear career path and a transparent promotion system for its employees. With occupational safety as a core concern, most of the training programmes are designed to raise awareness of occupational safety and health. To enhance the implementation and management of safety training programmes, the Group has formulated an Employee Vocational Training Policy.

In FY2024, the Group has conducted training for management personnel and special skills certification programmes. Notably, the underground coal mine safety management certification training programme equips coal mine workers with the skills and knowledge necessary to respond safely and appropriately to emergencies, including fires in underground work areas. In addition, the Group offers a new miner training programme for new employees. The programme is delivered by the safety supervision department to provide necessary safety knowledge and skills. All new employees are required to pass an examination after training to qualify for joining the Group. Regular refresher training is also arranged to ensure employees' knowledge remains up to date.

During the Reporting Period, approximately 77.7%⁶ (FY2023: 85.9%) of employees completed training and a total of approximately 9,326.0 (FY2023: 10,050) hours of training were provided to employees. A summary of the Group's training data is as follows:

Category	FY2024		FY2023	
	Breakdown of employees trained ⁷ (%)	Average training hours ⁸	Breakdown of employees trained ⁷ (%)	Average training hours ⁸
Total	100.0	20.9	100.0	21.9
By gender				
Male	85.3	22.0	84.8	23.2
Female	14.7	16.1	15.2	16.2
By employee category				
Senior management	0.3	10.0	0.3	10.0
General staff	99.7	21.0	99.7	22.0

Note(s):

- 6 Percentage of employees trained = number of employees trained during the financial year ÷ average number of employees at the beginning and end of the financial year × 100%.
- 7 Breakdown of employees trained = number of employees trained in the category during the financial year ÷ total number of employees trained during the financial year × 100%.
- 8 Average training hours = number of training hours in the category during the financial year ÷ average number of employees in the category at the beginning and end of the financial year.

B. Social (Continued)

B4. Labour Standards

The Group does not tolerate the use of child or forced labour. It strictly adheres to local employment-related regulations and aligns with international labour standards and industry best practices. During the Reporting Period, the Group strictly complied with local employment-related laws and regulations and was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group, including but not limited to the Employment Ordinance of Hong Kong and the Labor Law of the PRC (中華人民共和國勞動法).

The Group's staff handbook and recruitment policy govern all recruitment and promotion activities so as to ensure the absence of child and forced labour. The Group also reviews its overall employment practices to avoid child or forced labour and other potential irregularities from time to time.

The Group does not hire individuals below the legal working age in any location where it operates. During the interview process, the human resources department would request job applicants to present valid identification documents for verification of their actual ages. It also conducts background checks and comprehensive recruitment review to ensure the accuracy and trueness of the applicant's information.

To prevent forced labour, the Group conducts open and fair recruitment according to corporate plans and needs. It respects employees' rights as stipulated in the laws and regulations, ensuring that all employees would receive a salary no less than the statutory minimum wage, work within prescribed working hours pursuant to their employment contract, and enjoy sufficient rest time and paid holidays. Any necessary arrangements for overtime work would be agreed upon employees voluntarily. Overtime working and overtime pay (where applicable) are in line with the local laws and regulations. During working hours, employees are allowed to move freely within the work premises. In the event of any violations related to child or forced labour, the Group will address the issue promptly and appropriately to eliminate such practices.

B5. Supply Chain Management

Supply chain management is one of the key elements of the Group's quality control system. To govern its supplier management practices and ensure social and environmental responsibility, the Group has established a Material Procurement Procedure and Policy. The procurement team is responsible for designing, planning, implementing, controlling and monitoring logistic activities. During the Reporting Period, the Group engaged with 5 major suppliers, all located in the PRC, to support its mining operations. All suppliers have undergone the Group's procurement process. The Group will continue to review the supply chain and monitor its supplier engagement practices periodically to ensure its effectiveness.

B. Social (Continued)

B5. Supply Chain Management (Continued)

1. Fair and Open Competition

The Group is committed to providing equal opportunities to all potential suppliers and partners to fulfil the diverse needs of its customers. It believes that healthy market competition can improve product quality, achieve cost minimisation, and enable rapid responses to customer needs while offering them more options.

To promote fair and open competition, the Group focuses on developing long-term relationships with suppliers based on mutual trust. It conducts extensive market research and seeks recommendations to identify suitable suppliers. To ensure fairness and transparency in the procurement process, the Group requires quotations from more than one vendor. Each supplier is assessed on qualifications, reputation, product quality, pricing, and delivery capabilities, allowing the Group to establish comprehensive supplier profiles and nurture stable partnerships.

To maintain quality and competitiveness among suppliers, the Group strictly enforces regular quality inspections for all purchased materials, ensuring that they meet quality standards and contractual requirements. Responsibilities are clearly defined with suppliers to enable timely traceability and resolution of any quality issues.

2. Safe and Environmentally Friendly Procurement

The Group identifies and assesses potential risks in the procurement process, such as supplier defaults, price fluctuations, quality concerns, and transportation delays. To prioritise safety and environmental sustainability while mitigating related risks, the Group requires that all purchased mining products carry safety certifications, possess valid work safety licences and comply with relevant environmental and social regulations. Furthermore, the Group continually strives to minimise air pollution during transportation while maintaining high-quality and efficient coal mining practices. To achieve this, the Group's logistics teams utilise dust suppression measures and apply temporary covers to reduce dust emissions for both inbound and outbound shipments.

B. Social (Continued)

B6. Product Responsibility

The Group believes that products and services of good quality are one of the key factors of success. During the Reporting Period, the Group strictly complied with laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress, and was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group, including but not limited to:

- The Product Quality Law of the PRC (中華人民共和國產品質量法);
- The Advertising Law of the PRC (中華人民共和國廣告法);
- The Patent Law of the PRC (中華人民共和國專利法); and
- The Personal Information Protection Law of the PRC (中華人民共和國個人信息保護法).

1. Product Quality and Safety

The major product of the Group's coal mine in Inner Mongolia is lignite (褐煤). Currently, the Group holds a safety production licence and a mining licence to ensure compliant and safe operations. During the Reporting Period, the production volume was approximately 902,000 (FY2023: 904,000) tonnes. To maintain high quality and ensure the health and safety of its products, the Group conducts regular quality checks. It also strives to prohibit fraudulent, misleading, deceptive and other unfair commercial practices that may undermine customers' confidence and rights.

In the event of any complaints, the Group conducts thorough inspections to determine the necessary actions. If defective products are found, the Group will launch the recall procedures immediately and assign a dedicated team to investigate the possible causes. The investigation records will then be stored in the database to prevent future occurrences. During the Reporting Period, no customer complaint was reported (FY2023: Nil). The Group also did not record any recalls of products sold or shipped which is due to safety and health reasons (FY2023: Nil).

The higher the heating value of lignite, the more energy it generates and the fewer pollutants it produces during combustion. To minimise environmental impact at every stage of its mining operation, the Group strives to increase the heating value of its product by controlling moisture level. The Group is also fully devoted to regularly monitoring its activities to ensure compliance with national standards.

2. Intellectual Property Rights

Maintaining intellectual property rights is important to the Group. The Group is committed to protecting intellectual property rights and not infringing on any third-party interests. The Group protects intellectual property rights by ensuring that licensed software is used for business operations. During the Reporting Period, the Group did not have any violations of intellectual property rights and related complaints (FY2023: Nil).

B. Social (Continued)

B6. Product Responsibility (Continued)

3. Privacy Protection

The Group is committed to protecting the privacy of consumers. The confidential security measures include but are not limited to, the desensitisation of personal sensitive information and the signing of data confidentiality agreements whenever necessary. The procedures will be reviewed annually and improved as necessary to ensure their effectiveness. During the Reporting Period, the Group did not experience any breaches of data privacy (FY2023: Nil).

B7. Anti-corruption

The Group adheres to the philosophy of honesty and integrity in doing business and adopts a zero tolerance stance toward corruption or any misconduct that is against the Group's interest. During the Reporting Period, the Group strictly complied with laws and regulations relating to bribery, extortion, fraud and money laundering and was not aware of any material non-compliance with laws and regulations that would have a significant impact on the Group, including but not limited to the Prevention of Bribery Ordinance of Hong Kong and the Criminal Law of the PRC (中華人民共和國刑法).

The Group is committed to achieving and maintaining the highest standards of openness, probity and accountability. The Group has outlined its code of conduct in the staff handbook. Employees at all levels are expected to conduct themselves with integrity, impartiality and honesty and to comply with the relevant legal norms and ethical standards. It is every employee's responsibility and in the best interest of the Group to ensure that no inappropriate behaviour or organisational malpractice occurs that could compromise the interest of shareholders, investors, customers and the wider public. All employees are required to avoid conflicts of interest by not conducting any illegal financial activities or other illegal activities, and report any situations that may involve conflict of interest with the Group, either directly or indirectly. In case any employee violates the Group's policy regarding anti-corruption, the Group will terminate its labour contract and transfer such case to the judicial authorities. During the Reporting Period, there were no concluded legal cases regarding any forms of bribery, extortion, fraud and money laundering brought against the Group or its employees (FY2023: Nil).

1. Whistle-blowing Procedure

A whistle-blowing policy is in place to provide a channel for employees to report suspected misconduct and to prevent any malpractice or misconduct relating to bribery, extortion, fraud and money laundering within the Group. The management of the Group will take immediate action to investigate the issue. The Group endeavours to protect the whistle-blower from common concerns such as potential retaliation and is assured that their identity as a whistleblower will be kept confidential. To monitor the effectiveness of the mechanism, the Group reviews all reports received regularly to identify any patterns of improprieties or alleged improprieties that need to be addressed.

B. Social (Continued)

B7. Anti-corruption (Continued)

2. Anti-corruption Training

To reinforce the concept of integrity and ensure a high standard of business conduct, the Group arranges anti-corruption related training at least annually. During FY2024, all new Directors and all employees successfully completed an anti-corruption training session. This course helps participants understand updates to relevant laws and regulations, foster awareness of fraud and corruption, and equips them with the necessary skills to intervene when such issues arise. We are fully committed to increasing awareness regarding anti-corruption measures within the organisation and will proactively seek out additional training opportunities in the future.

B8. Community Investment

The Group is committed to contributing to socioeconomic development, community well-being and sustainability in Inner Mongolia. Due to challenging market and economic conditions, the Group did not participate in any community activities in FY2024. However, as a responsible corporate citizen, the Group continuously seeks opportunities to enhance its relationship with local citizens. It has continued its efforts to retain its employees, as well as train and hire local individuals whenever possible. The Group has created job opportunities for the local community and has provided different levels of job positions from miner to management level. The Group will continue to support the community in the future by incorporating the concept of corporate social responsibility into its daily operations.

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2024.

Principal Activities

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

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

Business Review

A fair review of the business of the Group as well as discussion and analysis of the Group's performance during the year ended 31 December 2024 and the material factors underlying its financial performance are set out in the section headed "Management Discussion and Analysis" on pages 9 to 22 of this annual report.

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

Results and Dividend

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and consolidated statement of other comprehensive income on pages 84 to 85 of this annual report.

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2024 (2023: Nil).

Share Capital

Details of the movements in the share capital of the Company are set out in Note 31 to the consolidated financial statements.

Reserves

Details of the movements in the reserves of the Group and the Company during the year ended 31 December 2024 are set out in consolidated statement of changes in equity and Note 33 to the consolidated financial statements respectively.

Distributable Reserves

As at 31 December 2024, the Company had reserves available for distribution, calculated in accordance with the provision of the Cayman Islands Companies Law, amounting to approximately HK\$154,532,000. The share premium account of the Company of approximately HK\$192,575,000 as at 31 December 2024 is distributable to the Shareholders provided that immediately following the date on which the dividend proposed to be distributed, the Company will be in a position to pay off debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

DIRECTORS' REPORT

Property, Plant and Equipment

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

Directors

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

Executive Directors

Mr. Ng Ying Kit

Mr. Guo Jianpeng (*resigned on 26 November 2024*)

Ms. Yang Mo (*appointed on 5 April 2024 and resigned on 19 July 2024*)

Mr. Jiang Xin (*resigned on 30 September 2024*)

Non-executive Directors

Mr. Hu Xiutong (*resigned on 5 April 2024*)

Ms. Kwong Pui Yin (*appointed on 26 November 2024*)

Independent Non-executive Directors

Mr. Lee Wai Ming

Mr. Chang Xuejun

Mr. Ho Man (*resigned on 17 April 2024*)

Mr. Li Juhui (*appointed on 17 April 2024*)

In accordance with article 83(3) of the Second Amended and Restated Memorandum and Articles, Ms. Kwong Pui Yin, appointed as a non-executive Director of the Company, will retire from office at the forthcoming annual general meeting and, being eligible, will offer herself for re-election.

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

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

Directors' Service Contracts

Executive Director

Each of executive Director has entered into a service agreement with the Company. Mr. Ng Ying Kit entered into a service agreement with the Company on 5 February 2015. The service agreement shall continue thereafter unless and until terminated by other party giving not less than three months' notice in writing to the other party.

Non-Executive Director

Ms. Kwong Pui Yin entered into an appointment letter with the Company for a term of three years commencing on 26 November 2024 and shall continue thereafter unless and until terminated by other party giving not less than three months' notice in writing to the other party.

Independent Non-executive Directors

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

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Confirmation of Independence of INEDs

The Company has received from each of the INEDs, who acted in such capacities during the year ended 31 December 2024, an annual confirmation of independence. The Company considered that each of its INEDs as at the date of this annual report to be independent pursuant to the criteria set out in the Listing Rules.

Biographical Details of Directors and Senior Management

The profiles of the Directors and senior management are set out on pages 23 to 24 of this annual report.

Five-Year Financial Summary

A summary of the results of the Group for the last five financial years and of its assets and liabilities as at the end of the last five financial years is set out on pages 6 to 8 of this annual report.

Directors' Material Interests in Transactions, Arrangements or Contracts

Save as disclosed in the paragraph headed "Connected transactions" below, no other transactions, arrangements or contracts of significance to which the Company or its subsidiaries was a party subsisted at the end of the year or at any time during the year ended 31 December 2024 in which any Director, whether directly or indirectly, had a material interest.

Controlling Shareholders' Material Interests in Contracts

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

Directors' Interest in Competing Business

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

DIRECTORS' REPORT

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

As at 31 December 2024, none of the Directors and the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders

As at 31 December 2024, so far as is known to the Directors or the chief executive of the Company based on the register maintained by the Company pursuant to Section 336 of the SFO, the following persons (other than the Directors or the chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Name	Capacity/ Nature of interest	Number of Shares or underlying Shares	Approximate percentage of the total issued share capital of the Company as at 31 December 2024
Liu Chang Deng	Beneficial owner	15,615,431	7.63%
Sungold Developments Group Limited	Beneficial owner	14,999,600 (note)	7.33%
Prosperous Eve International Limited	Interest of controlled corporation	14,999,600 (note)	7.33%
Cao Min	Interest of controlled corporation	14,999,600 (note)	7.33%

Note:

Mr. Cao Min is the beneficial owner of 100% shareholding in Prosperous Eve International Limited. Prosperous Eve International Limited is the beneficial owner of 100% shareholding in Sungold Developments Group Limited. Therefore, Mr. Cao Min is deemed to be interested in 14,999,600 shares held by Sungold Developments Group Limited for the purpose of the SFO.

Save as disclosed above, as at 31 December 2024, the Directors and the chief executive of the Company were not aware of any other person (other than Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

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

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

Connected Transactions

The related party transactions set out in Note 35 to the consolidated financial statements constitute connected transactions of the Company under Chapter 14A of the Listing Rules but are exempted from the reporting, announcement and independent Shareholders' approval requirements.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2024.

Equity-linked Agreements

The Group has not entered into any equity-linked agreements during the year ended 31 December 2024.

Share Option Scheme

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

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

1. The purpose of the Share Option Scheme is to enable the Group to attract and retain the best available personnel, to provide additional incentive to the eligible participants and to promote the success of the business of the Group.
2. The Board may at its discretion grant options to director(s) and employee(s) of each member of the Group, and any holding company, fellow subsidiary or associate company of the Company depending on their contributions to the Group.
3. As at 31 December 2023, the maximum total number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme shall not in aggregate exceed 161,347,716, representing 10% of Shares (excluding treasury shares) in issue at the date of adoption on 21 June 2023.
4. The number of share options available for grant under the Share Option Scheme as at 1 January 2024 was 161,347,716.
5. Upon the Share Consolidation became effective on 25 October 2024, where every ten issued and unissued existing shares of the Company were consolidated into one Consolidated Share, the maximum total number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme shall not in aggregate exceed 16,134,771.

DIRECTORS' REPORT

6. The number of share options available for grant under the Share Option Scheme as at 31 December 2024 was 16,134,771.
7. As at the date of this annual report, the total number of Shares available for issue in respect of which options may be granted under the Share Option Scheme was 16,134,771, representing approximately 7.89% of the Shares (excluding treasury shares) in issue as at the date of this annual report.
8. Unless approved by the Shareholders in general meeting, the total number of Shares issued and which may fall to be issued upon exercise of the share options being granted under the Share Option Scheme (including both exercised or outstanding share options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company at the relevant time.
9. The Share Option Scheme is valid and effective for a period of 10 years commencing on 21 June 2023. As at the date of this annual report, the remaining life of the Share Option Scheme is approximately 8 years.

No share options have been granted, exercised, lapsed or cancelled under the Share Option Scheme since its adoption and up to and including 31 December 2024. As at 31 December 2024, no share options were outstanding under the Share Option Scheme.

Convertible Securities, Options, Warrants or Other Similar Rights

The Company had no other outstanding convertible securities, options, warrants or other similar rights as at 31 December 2024. There had been no exercise of any convertible securities, options, warrants or other similar rights during the year ended 31 December 2024.

Fund raising activities

Apart from the placing of new shares described in the section headed "Management Discussion and Analysis", there were no other fund-raising activities conducted by the Company during the year ended 31 December 2024.

Major Customers and Suppliers

Information in respect of the Group's revenue attributable to the major customers during the year ended 31 December 2024 are as follows:

	Percentage of the Group's total revenue
The largest customer	36.4%
Five largest customers in aggregate	74.3%

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

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

Pre-emptive Rights

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

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

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Permitted Indemnity Provision

Pursuant to the Second Amended and Restated Memorandum and Articles, every Director or other officers of the Company shall be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, and no Director or other officers shall be liable for any loss, damages or misfortune which may happen to be incurred by the Company in the execution of the duties of his/her office or in relation thereto provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year ended 31 December 2024.

Update on Directors' Information

The changes in directors' information subsequent to the 2024 interim report of the Company published on 23 September 2024 and up to the date of this annual report, as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- Mr. Jiang Xin has resigned as an executive Director and ceased to act as a member of each of the Nomination Committee and Remuneration Committee with effect from 30 September 2024;
- Mr. Guo Jianpeng has been designated as a member of each of the Nomination Committee and Remuneration Committee with effect from 30 September 2024;
- Mr. Guo Jianpeng has resigned as an executive Director and ceased to act as a member of each of the Nomination Committee and Remuneration Committee with effect from 26 November 2024; and
- Ms. Kwong Pui Yin has been appointed as a non-executive Director on 26 November 2024. She has been designated as a member of each of the Nomination Committee and of the Remuneration Committee with effect from 26 November 2024.

Employees and Retirement Schemes

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

DIRECTORS' REPORT

Relationships with Employees, Customers and Suppliers

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

Environmental Policies and Performance

As a responsible corporation, the Company is committed to protecting the environment in the areas where we operate. To ensure our business development and sustainability, the Company endeavors to comply with the laws and regulations regarding environmental protection and to adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Details of the Group's environmental policies and performance are set out in the section headed "Environmental, Social and Governance Report" on pages 42 to 70 of this annual report.

Sufficiency of Public Float

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

Auditor

With effect from 30 October 2024, BDO Limited ("BDO") resigned as the auditor of the Company, and the Board resolved to appoint Suya WWC CPA Limited ("Suya WWC") as the auditor of the Company to fill the casual vacancy following the resignation of BDO and to hold office until the conclusion of the next annual general meeting of the Company.

The consolidated financial statements for the year ended 31 December 2024 have been audited by Suya WWC. A resolution for the re-appointment of Suya WWC as the auditor of the Company will be proposed as the forthcoming annual general meeting of the Company.

Save as disclosed above, there was no other change in auditors of the Company during the past three years.

By order of the Board

Ng Ying Kit
Executive Director

Hong Kong, 23 July 2025

INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the consolidated financial statements of Grand Ocean Advanced Resources Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 84 to 142, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, 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 Qualified Opinion

As disclosed in Notes 4 and 18 to the consolidated financial statements, the Group acquired 52% unquoted equity interest in the issued shares of Thaisan Jiujiu Investment Laos Trade Co., Ltd (the “**Investee**”) on 26 August 2024 at a consideration of approximately HK\$26,764,000. The Investee is a limited liability company incorporated in the Lao People’s Democratic Republic (“**Laos**”), which is an investment holding company and holds 51% equity interest in Lao Taishan Jiujiu Mining Co., Ltd in Laos. The Group recorded the investment as interest in an associate in the consolidated financial statements as at 31 December 2024. As at 31 December 2024, the investment has carrying amount of approximately HK\$24,735,000 and a share of results of associate amounting to approximately HK\$1,667,000 is recognised in the profit or loss.

We were unable to obtain sufficient audit evidence to determine the appropriateness of the accounting of the 52% equity interest in the Investee as an interest in an associate and accounted for in accordance with *HKAS 28 Investments in Associates and Joint Ventures*, due to the lack of sufficient audit evidence to demonstrate the existence of significant influence of the Company on the Investee.

Any adjustments to the figures as described above might have a consequential effect on the Group’s consolidated financial performance and consolidated cash flows for the years ended 31 December 2024 and the consolidated financial position of the Group as at 31 December 2024, and the related disclosures thereof in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Basis For Qualified Opinion (Continued)

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSA**s") 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 HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by BDO Limited, Certified Public Accountants, who expressed an unmodified opinion on those consolidated financial statements on 25 March 2024.

Key Audit Matters

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

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

(Refer to Notes 4(n), 17, 19 and 21 to the consolidated financial statements and the Group's critical judgements and key estimates in relation to the impairment of non-financial assets set out in Note 5(d) to the consolidated financial statements).

The Group's non-financial assets of the coal mining cash-generating unit (the "**Coal Mining CGU**") comprised of property, plant and equipment, intangible asset and right-of-use assets of approximately HK\$84,996,000, HK\$19,747,000 and HK\$9,942,000 respectively as at 31 December 2024.

The management of the Group has performed an impairment assessment in accordance with its accounting policies which complies with Hong Kong Accounting Standard 36 "Impairment of Assets". The recoverable amount of the Coal Mining CGU is determined based on its value in use. Based on the impairment assessment, an impairment loss approximately HK\$19,240,000, HK\$4,470,000 and HK\$2,250,000 was made on the carrying amounts of property, plant and equipment, intangible asset and right-of-use assets during the year ended 31 December 2024.

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

Key Audit Matters (Continued)

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

Our response:

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

- We assessed the appropriateness of management's identification of the cash-generated-units and allocation of non-current assets based on Group's accounting policy and our understanding of the Group's business;
- We evaluated the assessment of impairment indicators of Coal mining CGU prepared by management;
- We obtained and reviewed cash flow forecasts of Coal mining CGU prepared by the management and approved by the directors of the Company;
- We discussed with management and the independent external valuer engaged by the Company in relation to the methodology, basis and assumptions used in arriving at the forecasts (e.g. estimated sales growth rate and discount rate etc.) to see whether the methodology, basis and assumptions used were reasonable;
- We checked, on a sample basis, the accuracy and reliance of the input data used;
- We evaluated the competence, capabilities and objectivity of the independent external valuer taking into account its experience and qualifications; and
- We also assessed the adequacy of the disclosures regarding the impairment assessment in the consolidated financial statements.

Other Information in the Annual Report

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

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.

INDEPENDENT AUDITOR'S REPORT

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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 also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is So Wing Chiu with Practising Certificate number P07841.

SUYA WWC CPA Limited

Certified Public Accountants (Practising)

Unit 4, 27/F, Wu Chung House,
213 Queen's Road East, Wanchai,

Hong Kong, 30 June 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Revenue	7	180,934	187,960
Cost of sales		(113,465)	(122,749)
Gross profit		67,469	65,211
Other income and gains	8	3,371	2,502
Selling and distribution expenses		(3,909)	(4,548)
Administrative expenses		(103,811)	(72,986)
Other operating expense	11(ii)	–	(22,188)
Share of results of associate		(1,667)	–
Expected credit loss on loan to an associate	18	(2,298)	–
Impairment loss on property, plant and equipment	17	(19,240)	–
Impairment loss on intangible asset	19	(4,470)	–
Impairment loss on right-of-use assets	21	(2,250)	–
Loss from operations		(66,805)	(32,009)
Finance costs	10	(36)	(827)
Loss before tax	11	(66,841)	(32,836)
Income tax credit/(expense)	12	3,058	(774)
Loss for the year		(63,783)	(33,610)
Attributable to:			
Owners of the Company		(50,768)	(23,734)
Non-controlling interests		(13,015)	(9,876)
		(63,783)	(33,610)
Loss per share	16	HK cents	HK cents
– basic		(25.50)	(Restated) (14.62)
– diluted		(25.50)	(14.62)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	2024 HK\$'000	2023 HK\$'000
Loss for the year	(63,783)	(33,610)
Other comprehensive income after tax:		
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(4,556)	(3,534)
Other comprehensive income for the year, net of tax	(4,556)	(3,534)
Total comprehensive income for the year	(68,339)	(37,144)
Attributable to:		
Owners of the Company	(53,536)	(25,749)
Non-controlling interests	(14,803)	(11,395)
	(68,339)	(37,144)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Property, plant and equipment	17	97,906	114,815
Intangible asset	19	19,747	27,000
Investment property	20	1,863	2,049
Right-of-use assets	21	11,751	12,001
Interest in an associate	18	24,735	–
Deferred tax assets	22	14,103	11,499
Total non-current assets		170,105	167,364
Current assets			
Inventories	23	3,736	4,535
Trade receivables	24	–	–
Deposits, prepayments and other receivables	25	1,284	31,388
Loan to an associate	18	35,983	–
Restricted bank deposits	26	153	8,579
Bank and cash balances	27	73,412	95,359
Total current assets		114,568	139,861
Current liabilities			
Accruals and other payables	28	71,919	80,037
Contract liabilities	7	2,952	9,322
Lease liabilities	21	690	86
Total current liabilities		75,561	89,445
Net current assets		39,007	50,416
Total assets less current liabilities		209,112	217,780
Non-current liabilities			
Provision for environmental rehabilitation and restoration	29	4,645	4,811
Deferred tax liabilities	22	15,119	15,481
Lease liabilities	21	1,098	–
Total non-current liabilities		20,862	20,292
NET ASSETS		188,250	197,488

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 HK\$'000	2023 HK\$'000
Capital and reserves			
Share capital	31	20,462	17,235
Reserves		123,701	121,363
Equity attributable to owners of the Company		144,163	138,598
Non-controlling interests		44,087	58,890
TOTAL EQUITY		188,250	197,488

Approved by the Board of Directors on 30 June 2025 and signed on its behalf by:

NG Ying Kit
Director

KWONG Pui Yin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

Attributable to owners of the Company												
Note	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Distributable reserve HK\$'000	Future development fund HK\$'000	Safety fund HK\$'000	Convertible bond reserve HK\$'000	Foreign currency translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2023	15,035	96,935	(1,628)	135,282	53,941	128,408	742	13,529	(319,119)	123,125	70,285	193,410
Total comprehensive income for the year	-	-	-	-	-	-	-	(2,015)	(23,734)	(25,749)	(11,395)	(37,144)
Net appropriations	-	-	-	-	2,309	3,316	-	-	(5,625)	-	-	-
Issue of ordinary shares upon conversion of the convertible bonds	31	2,200	39,766	-	-	-	(742)	-	-	41,224	-	41,224
Disposal of subsidiaries	-	-	-	-	-	-	-	(2)	-	(2)	-	(2)
Changes in equity for the year	2,200	39,766	-	-	2,309	3,316	(742)	(2,017)	(29,359)	15,473	(11,395)	4,078
At 31 December 2023	17,235	136,701	(1,628)	135,282	56,250	131,724	-	11,512	(348,478)	138,598	58,890	197,488
At 1 January 2024	17,235	136,701	(1,628)	135,282	56,250	131,724	-	11,512	(348,478)	138,598	58,890	197,488
Total comprehensive income for the year	-	-	-	-	-	-	-	(2,768)	(50,768)	(53,536)	(14,803)	(68,339)
Net appropriations	-	-	-	-	4,373	6,885	-	-	(11,258)	-	-	-
Placing of new shares	31	3,227	55,874	-	-	-	-	-	-	59,101	-	59,101
Changes in equity for the year	3,227	55,874	-	-	4,373	6,885	-	(2,768)	(62,026)	5,565	(14,803)	(9,238)
At 31 December 2024	20,462	192,575	(1,628)	135,282	60,623	138,609	-	8,744	(410,504)	144,163	44,087	188,250

Nature and purpose of reserves are disclosed in note 33 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(66,841)	(32,836)
Adjustments for:			
Finance costs	10	36	827
Interest income	8	(1,961)	(1,796)
Depreciation of property, plant and equipment	17	16,172	17,211
Amortisation of intangible asset	19	1,967	2,009
Depreciation of investment property	20	118	120
Depreciation of right-of-use assets	21	625	1,197
Loss on disposals of property, plant and equipment, net		396	130
Gain on disposal of subsidiaries		–	(23)
Share of results of associate		1,667	–
Expected credit loss on loan to an associate	18	2,298	–
Impairment loss on property, plant and equipment	17	19,240	–
Impairment loss on intangible asset	19	4,470	–
Impairment loss on right-of-use assets	21	2,250	–
Operating loss before working capital changes		(19,563)	(13,161)
Decrease in inventories		654	8,780
Decrease/(increase) in deposits, prepayments and other receivables		30,029	(29,090)
(Decrease)/increase in accruals and other payables		(5,581)	30,750
(Decrease)/increase in contract liabilities		(6,159)	9,046
Net cash (used in)/generated from operating activities		(620)	6,325
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,961	1,796
Acquisition of assets	30	(11,800)	–
Acquisition of an associate		(26,764)	–
Addition of right-of-use assets	21	(906)	–
Loan to an associate		(38,281)	–
Purchase of property, plant and equipment		(10,827)	(24,794)
Proceeds from disposals of property, plant and equipment		377	210
Decrease/(increase) in restricted bank deposits		8,436	(3,739)
Net cash used in investing activities		(77,804)	(26,527)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of principal portion of lease liabilities	34	(399)	(922)
Repayment of interest portion of lease liabilities	34	(36)	(23)
Net proceeds from placing of new shares	31	59,101	–
Net cash generated from/(used in) financing activities		58,666	(945)
NET CHANGE IN CASH AND CASH EQUIVALENTS			
Effect of foreign exchange rate changes		(2,189)	(988)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		95,359	117,494
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		73,412	95,359
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		73,412	95,359

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. General Information

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

The Company is an investment holding company. The principal activities of its subsidiaries during the year ended 31 December 2024 were the production and sale of coal (the “**Coal Mining Business**”).

2. Basis of Preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of judgements and estimates

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

3. Adoption of New or Amendments to HKFRS Accounting Standards

(a) Adoption of amendments to HKFRS Accounting Standards

In the current year, the Group has applied for the first time the following amendments to HKFRS Accounting Standards issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2024:

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

The adoption of these amendments to HKFRS Accounting Standards have no material impact on the Group's consolidated financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) New or amendments to HKFRS Accounting Standards that have been issued but not yet effective

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

Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability ¹
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature – dependent Electricity ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS Accounting Standards	Annual Improvement to HKFRS Accounting Standards – Volume 11 ²
HKFRS 18	Presentation and Disclosure in Financial Statements ³
HKFRS 19	Subsidiaries without Public Accountability Disclosures ³

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

² Effective for annual periods beginning on or after 1 January 2026.

³ Effective for annual periods beginning on or after 1 January 2027.

⁴ No mandating effective date yet determined but available for adoption.

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

4. Material Accounting Policies

(a) Consolidation

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. Material Accounting Policies (Continued)

(b) Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of the associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment.

The Group assesses whether there is an objective evidence that the investment in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* ("HKAS 36") as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

(c) Foreign currency translation

(i) Functional and presentation currency

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

4. Material Accounting Policies (Continued)

(c) Foreign currency translation (Continued)

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

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

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

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

(iii) Translation on consolidation

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. Material Accounting Policies (Continued)

(d) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

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

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

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

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

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

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

(e) Investment property

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

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

4. Material Accounting Policies (Continued)

(f) Leases

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

Right-of-use asset

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

Lease liability

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. Material Accounting Policies (Continued)

(f) Leases (Continued)

Lease liability (Continued)

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

(g) Intangible asset

Intangible asset acquired separately is measured on initial recognition at cost.

The Group's intangible asset included the mining right which measured initially at purchase cost and is amortised at a units-of-production method over the estimated volume of underground coal that is entitled to the Group.

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

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

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

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

(h) Inventories

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

4. Material Accounting Policies (Continued)

(i) Financial instruments

(i) Financial assets

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

Debt instruments at amortised cost

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

(ii) Impairment loss on financial assets

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

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

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

For other debt financial assets, the ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECLs.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. Material Accounting Policies (Continued)

(i) Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

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

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

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

(iii) Financial liabilities

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

Financial liabilities at amortised cost

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

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

(iv) Effective interest method

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

(v) Equity instruments

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

4. Material Accounting Policies (Continued)

(i) Financial instruments (Continued)

(vi) Derecognition

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

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

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

(j) Cash and cash equivalents

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

(k) Revenue recognition

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

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

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. Material Accounting Policies (Continued)

(k) Revenue recognition (Continued)

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

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

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

Contract liabilities

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

(l) Employee benefits

(i) Short-term employee benefits

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

(ii) Pension obligations

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

(iii) Termination benefits

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

4. Material Accounting Policies (Continued)

(m) Taxation

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. Material Accounting Policies (Continued)

(n) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment.

An impairment loss is recognised as an expense immediately through the consolidated statement of profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit (the "**CGU**") to which the asset belongs. As a result, some assets are tested individually for impairment and some are tested at CGU level.

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

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

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

4. Material Accounting Policies (Continued)

(o) Provisions and contingent liabilities

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

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

(p) Government grants

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

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

(q) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of key management personnel of the Company or the Company's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

4. Material Accounting Policies (Continued)

(q) Related parties (Continued)

- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

5. Critical Judgements and Key Estimates

Critical judgements in applying accounting policies

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

(a) Legal titles of certain buildings

As stated in note 17(a) to the consolidated financial statements, the legal titles of certain buildings were not yet obtained as at 31 December 2024. Despite the fact that the Group has not obtained the relevant legal titles, the directors of the Company have determined to recognise those buildings as property, plant and equipment on the grounds that they expect the legal titles being to be obtained in future with no major difficulties and the Group is in substance controlling those buildings. As of the date of approval of these consolidated financial statements, the Group had submitted applications and it is expected that the relevant authority will issue the official licenses to the Group.

5. Critical Judgements and Key Estimates (Continued)

Critical judgements in applying accounting policies (Continued)

(b) Significant influence over Thaisan Jiujiu Investment Laos Trade Co., Ltd ("Thaisan Jiujiu")

The Group holds 52% equity interests in Thaisan Jiujiu. The directors of the Company assessed whether the Group has control over Thaisan Jiujiu based on the Group's current practical ability to direct the relevant activities of Thaisan Jiujiu unilaterally. As detailed in note 18 to the consolidated financial statements, due to non-cooperation of the sole director and the remaining shareholder of Thaisan Jiujiu, the Group currently cannot exercise its control to direct the relevant activities of Thaisan Jiujiu through convening the shareholders' meeting unilaterally. Meanwhile, the business partner of Thaisan Jiujiu is also unable to convene the shareholders' meeting unilaterally without the Group's consent and participation.

After assessment and in the light of the legal opinion, the directors of the Company consider the Group still retains significant influence over Thaisan Jiujiu, given its 52% equity interests and the right to attend, vote and participate in the shareholders' meeting, provided that the meeting is successfully held. Any decisions to be made through the shareholders' meeting shall lawfully require the Group's consent.

Key sources of estimation uncertainty

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

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

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

(d) Impairment of non-financial assets

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

The carrying amount of property, plant and equipment, intangible asset and right-of-use assets as at 31 December 2024 were approximately HK\$97,906,000 (2023: HK\$114,815,000), HK\$19,747,000 (2023: HK\$27,000,000) and HK\$11,751,000 (2023: HK\$12,001,000) respectively. Details are disclosed in note 17, 19 and 21 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

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

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

The recoverable amounts of the assets of the Coal Mining CGU has been determined and approved by the directors of the Company based on the higher of fair value less costs of disposal and value in use approach. Value in use calculation is derived by reference to the discounted cash flow forecasts from formally approved budgets.

As at 31 December 2024, the carrying amount of the Group's property, plant and equipment, intangible asset and right-of-use assets allocated to the Coal Mining CGU was approximately HK\$84,996,000 (2023: HK\$114,779,000), HK\$19,747,000 (2023: HK\$27,000,000) and HK\$9,942,000 (2023: HK\$11,924,000) respectively.

Impairment loss on property, plant and equipment, intangible asset and right-of-use assets of approximately HK\$19,240,000, HK\$4,470,000 and HK\$2,250,000 were recognised for the year ended 31 December 2024 respectively. No impairment loss had been made for the year ended 31 December 2023. Details of the key assumptions used are disclosed in note 17(b) to the consolidated financial statements.

(e) Deferred tax assets

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

The carrying amount of deferred tax assets as at 31 December 2024 was approximately HK\$14,103,000 (2023: HK\$11,499,000).

(f) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Deferred tax assets of approximately HK\$3,058,000 (2023: HK\$774,000) was credited (2023: charged) to profit or loss mainly based on the estimated assessable income.

5. Critical Judgements and Key Estimates (Continued)

Key sources of estimation uncertainty (Continued)

(g) ECL on financial assets at amortised cost

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

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

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

As at 31 December 2024, accumulated ECL on trade receivables and loan to an associate amounted to approximately HK\$1,174,000 (2023: HK\$1,216,000) and HK\$2,298,000 (2023: Nil) respectively.

(h) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. No addition allowance was made during the year ended 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. Financial Risk Management

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

(a) Currency risk

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

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

	Assets		Liabilities	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
RMB	94,373	67,709	68,128	72,285

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

Sensitivity analysis

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

The sensitivity analysis includes only monetary assets and monetary liabilities dominated in RMB. A positive/negative number below indicates a decrease/increase in loss for the year where HK\$ strengthens by 10% (2023: 10%) against RMB. For a 10% (2023: 10%) weakening of HK\$ against RMB, there would be an equal and opposite impact on the loss for the year. 10% (2023: 10%) represents the assessment of the reasonably possible change in foreign exchange rates made by the management of the Group.

	2024 HK\$'000	2023 HK\$'000
Decrease/(Increase) in loss for the year	2,625	(458)

6. Financial Risk Management (Continued)

(b) Credit risk

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

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

The Group has no significant concentration of credit risk.

Trade receivables

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

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

Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for the loss allowance. As at 31 December 2024, the balance of loss allowance in respect of these individually assessed receivables was approximately HK\$1,174,000 (2023: HK\$1,216,000).

The following table presents the balances of gross carrying amount and the loss allowance in respect of the individually assessed receivables as at 31 December 2024 and 2023:

	2024 HK\$'000	2023 HK\$'000
Gross carrying amount	1,174	1,216
Loss allowance	(1,174)	(1,216)
Net carrying amount	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. Financial Risk Management (Continued)

(b) Credit risk (Continued)

Other receivables

As detailed in note 25 to consolidated financial statements, the other receivables included a refundable deposit amounting to approximately HK\$27,283,000 as at 31 December 2023. Given the balance was overdue as at reporting date, the credit risk had increased since initial recognition and therefore its ECL is measured based on lifetime ECLs basis.

As at 31 December 2023, the Group had engaged an independent professional valuer to conduct the ECL assessment. Based on the assessment, no loss allowance was recognised as the amount of ECLs on the other receivables had immaterial financial impact to these consolidated financial statements. The amount was fully returned to the Group during the year ended 31 December 2024.

Loan to an associate

As at 31 December 2024, the Group's loan to an associate amounted to approximately HK\$35,983,000, net of ECL of approximately HK\$2,298,000. The loss allowance for the loan is measured at an amount equal to 12-month ECLs. The Group has engaged an independent professional valuer to conduct the ECL assessment. Based on the assessment, approximately HK\$2,298,000 was recognised during the year ended 31 December 2024 as the amount of ECLs on the loan to an associate.

Restricted bank deposits and bank and cash balances

There is no loss allowance for restricted bank deposits and bank and cash balances as at 31 December 2024 (2023: Nil).

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

(c) Liquidity risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. Financial Risk Management (Continued)

(c) Liquidity risk (Continued)

	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total undiscounted cash outflows HK\$'000	Carrying amount HK\$'000
As at 31 December 2024					
Accruals and other payables	66,743	–	–	66,743	66,743
Lease liabilities	756	756	378	1,890	1,788
	67,499	756	378	68,633	68,531
As at 31 December 2023					
Accruals and other payables	71,210	–	–	71,210	71,210
Lease liabilities	86	–	–	86	86
	71,296	–	–	71,296	71,296

(d) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate refundable deposit, restricted bank deposits and bank balances (notes 25, 26, and 27 to the consolidated financial statements).

Sensitivity analysis

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

10 basis points (2023: 10 basis points) increase or decrease on variable-rate refundable deposit, restricted bank deposits and bank balances are used when reporting interest rate risk internally to key management personnel and represents the management's assessment of the reasonably possible change in interest rates. If interest rates on variable-rate refundable deposit, restricted bank deposits and bank balances had been 10 basis points (2023: 10 basis points) higher/lower and all other variables were held constant, the loss for the year would have increased/decreased by approximately HK\$74,000 (2023: HK\$75,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

6. Financial Risk Management (Continued)

(e) Categories of financial instruments at 31 December

	2024 HK\$'000	2023 HK\$'000
Financial assets:		
Financial assets at amortised cost	110,265	132,714
Financial liabilities:		
Financial liabilities at amortised cost	71,388	76,021

(f) Fair values

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

7. Revenue

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

	2024 HK\$'000	2023 HK\$'000
Sale of coal	180,934	187,960

The Group recognised sale of coal of approximately HK\$180,934,000 (2023: HK\$187,960,000) during the year ended 31 December 2024 under the Coal Mining Business. Sale of coal is recognised at a point in time and its external customers were located in the People's Republic of China (the "PRC") entirely.

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

	2024 HK\$'000	2023 HK\$'000
Contract liabilities	2,952	9,322

The contract liabilities mainly relate to the advance consideration received from customers under the Coal Mining Business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

7. Revenue (Continued)

Movement in contract liabilities:

	2024 HK\$'000	2023 HK\$'000
Balance as at 1 January	9,322	300
Increase in contract liabilities as a result of receipt in advance consideration received from customers	174,775	197,006
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities		
– at the beginning of the year	(2,984)	–
– during the year	(177,950)	(187,960)
Exchange difference	(211)	(24)
Balance as at 31 December	2,952	9,322

8. Other Income and Gains

	2024 HK\$'000	2023 HK\$'000
Interest income	1,961	1,796
Government grants (<i>note (i)</i>)	–	297
Gain on disposal of subsidiaries	–	23
Foreign exchange gains, net	–	127
Sundry income (<i>note (ii)</i>)	1,410	259
	3,371	2,502

Notes:

- (i) During the year ended 31 December 2023, the Group received grants from the local PRC government for awarding the business development and supporting stabilisation of employment amounting to approximately HK\$110,000 and HK\$187,000 respectively. There was no unfulfilled conditions or contingencies relating to these grants.
- (ii) It included service income of approximately HK\$1,277,000 (2023: HK\$156,000) generated from outsourcing the coal mine rescue team service.

9. Segment Information

The Group determines its operating segments based on the business from products/services perspective. For the year ended 31 December 2024 and 2023, the Group has only one reportable operating segment which is Coal Mining Business. Thus, no operating segments have been aggregated to form the above reportable operating segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

9. Segment Information (Continued)

Geographical information:

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

	Revenue		Non-current assets	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
Hong Kong	–	–	14,719	113
The PRC except Hong Kong	180,934	187,960	116,548	155,752
Consolidated total	180,934	187,960	131,267	155,865

Revenue from major customers:

For the year ended 31 December 2024, revenue from two customers (2023: one) have contributed 10% or more of the Group's revenue for the year. Details were as below:

	2024 HK\$'000	2023 HK\$'000
Coal Mining Business		
Customer A	65,807	–
Customer B	26,310	–
Customer C	N/A ¹	138,293

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

10. Finance Costs

	2024 HK\$'000	2023 HK\$'000
Interest on lease liabilities	36	23
Interest on convertible bonds	–	451
Effective interest on convertible bonds	–	353
	36	827

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

11. Loss Before Tax

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

	2024 HK\$'000	2023 HK\$'000
Auditor's remuneration	680	1,500
Amortisation of intangible asset (note 19)	1,967	2,009
Cost of inventories sold (note (i))	113,465	122,749
Depreciation of		
– Property, plant and equipment (note 17)	16,172	17,211
– Investment property (note 20)	118	120
– Right-of-use assets (note 21) included within		
– Properties	369	930
– Ownership interests in leasehold land and buildings	256	267
Expense related to the settlement (included in other operating expense) (note (ii))	–	22,188
Foreign exchange loss/(gain), net	2,465	(127)
Loss on disposal of property, plant and equipment, net	396	130
Short-term leases expenses	289	66
Administrative fines (note (iii))	650	1,535

Notes:

- (i) Cost of inventories sold includes staff costs (note 13), amortisation of intangible asset (note 19) and depreciation of property, plant and equipment and right-of-use assets (notes 17 and 21) of approximately HK\$46,276,000 (2023: HK\$50,514,000) which are included in the amounts disclosed separately.
- (ii) In April 2023, Inner Mongolia Yuanyuan Energy Group Co., Ltd ("**Inner Mongolia Yuanyuan Energy**"), a non-controlling shareholder of Inner Mongolia Yuan Yuan Energy Group Jinyuanli Underground Mining Company Limited ("**Inner Mongolia Jinyuanli**"), an indirect non wholly-owned subsidiary of the Company, asserted that the operating activities of Inner Mongolia Jinyuanli had caused damages to the land, properties and ancillary facilities owned by Inner Mongolia Yuanyuan Energy (the "**Damaged Properties**").
- On 18 July 2023, Inner Mongolia Jinyuanli and Inner Mongolia Yuanyuan Energy entered into a settlement agreement, pursuant to which Inner Mongolia Jinyuanli shall pay approximately RMB20,110,000 (equivalent to approximately HK\$22,188,000) to Inner Mongolia Yuanyuan Energy as a settlement for the Damaged Properties and the relocation costs. The aforesaid one-off settlement amount was recognised as "Other operating expense" during the year ended 31 December 2023.
- The remaining balance of approximately RMB17,110,000 (equivalent to approximately HK\$18,194,000) was included in the "Accruals and other payables" (note 28) as at 31 December 2024 (2023: RMB17,110,000 (equivalent to approximately HK\$18,844,000)).
- (iii) During the year ended 31 December 2024, the Group incurred several administrative fines in aggregate amount of RMB600,000 (equivalent to approximately HK\$650,000) (2023: RMB1,391,000 (equivalent to approximately HK\$1,535,000)) paid to the local government authorities in relation to workplace safety matters for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

12. Income Tax (Credit)/Expense

Income tax (credit)/expense has been recognised in profit or loss as follows:

	2024 HK\$'000	2023 HK\$'000
Deferred tax (note 22)	(3,058)	774

- (a) No provision for Hong Kong Profits Tax has been made for the year ended 31 December 2024 as the Group did not generate any assessable profits arising in Hong Kong during the year (2023: Nil).

Under the law of the PRC on Enterprise Income Tax (the "EIT law") and Implementation Regulation of the EIT law, the tax rate applicable to the PRC subsidiaries is 25% (2023: 25%). No provision for PRC Enterprise Income Tax has been made for the year ended 31 December 2024 and 2023 as the PRC subsidiaries did not generate any assessable profits arising in the PRC during the year.

- (b) The reconciliation between income tax (credit)/expense and loss before tax at the applicable tax rates is as follows:

	2024 HK\$'000	2023 HK\$'000
Loss before tax	(66,841)	(32,836)
Tax at the PRC Enterprise Income Tax rate of 25% (2023: 25%)	(16,710)	(8,209)
Effect of different tax rates applicable to different subsidiaries of the Group	2,893	942
Tax effect of expenses that are not deductible	573	6,831
Tax effect of income that is not taxable	(306)	(376)
Tax effect of temporary differences not recognised	4,450	(639)
Tax effect of tax losses not recognised	6,042	2,225
Income tax (credit)/expense	(3,058)	774

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

13. Employee Benefits Expense (Including Directors' Emoluments)

	2024 HK\$'000	2023 HK\$'000
Salaries, bonuses and allowances	89,466	72,679
Retirement benefit scheme contributions	6,346	6,037
	95,812	78,716

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

- (i) The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the **"MPF Scheme"**) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. As at 31 December 2024 and 2023, no forfeited contributions are available to reduce the contribution payable in future years.
- (ii) Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the **"Schemes"**) organised by the local government authorities whereby the Group is required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees. The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

Five highest paid individuals

The five highest paid individuals in the Group during the year ended 31 December 2024 included one (2023: two) director whose emoluments are reflected in the analysis presented in note 14 to the consolidated financial statements. The emoluments of the remaining four (2023: three) individuals are set out below:

	2024 HK\$'000	2023 HK\$'000
Basic salaries and allowances	4,700	3,790
Discretionary bonus	2,431	–
Retirement benefit scheme contribution	71	47
	7,202	3,837

The emoluments fell within the following bands:

	Number of individuals	
	2024	2023
HK\$500,001 – HK\$1,000,000	–	1
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	2	1
HK\$2,000,001 – HK\$2,500,000	1	–
	4	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

14. Benefits and Interests of Directors

Directors' emoluments

The emoluments of each director is set out below:

	Fees HK\$'000	Salaries and allowance HK\$'000	Employer's contribution to a retirement benefit scheme HK\$'000	Total HK\$'000
For the year ended 31 December 2024				
Executive Directors				
Mr. Ng Ying Kit	–	1,940	18	1,958
Mr. Guo Jianpeng (note (i))	–	217	11	228
Mr. Jiang Xin (note (ii))	270	–	–	270
Ms. Yang Mo (note (iii))	–	70	3	73
Non-Executive Directors				
Mr. Hu Xiutong (note (iv))	32	–	–	32
Ms. Kwong Pui Yin (note (v))	35	–	–	35
Independent Non-Executive Directors				
Mr. Lee Wai Ming	240	–	–	240
Mr. Chang Xuejun	240	–	–	240
Mr. Ho Man (note (vi))	71	–	–	71
Mr. Li Juhui (note (vii))	85	–	–	85
	973	2,227	32	3,232
For the year ended 31 December 2023				
Executive Directors				
Mr. Ng Ying Kit	–	1,440	18	1,458
Mr. Leung Ka Hong (note (viii))	–	1,210	17	1,227
Mr. Guo Jianpeng	–	240	12	252
Mr. Jiang Xin (note (ii))	31	–	–	31
Mr. Tao Ye (note (ix))	–	–	–	–
Non-Executive Directors				
Mr. Hu Xiutong (note (iv))	105	–	–	105
Mr. Zhou Hongliang (note (x))	100	–	–	100
Independent Non-Executive Directors				
Mr. Lee Wai Ming	240	–	–	240
Mr. Chang Xuejun	240	–	–	240
Mr. Ho Man (note (vi))	240	–	–	240
	956	2,890	47	3,893

14. Benefits and Interests of Directors (Continued)

Directors' emoluments (Continued)

Notes:

- (i) Resigned as executive director on 26 November 2024
- (ii) Resigned as executive director on 30 September 2024
- (iii) Appointed as executive director on 5 April 2024 and resigned as executive director on 19 July 2024
- (iv) Resigned as non-executive director on 5 April 2024
- (v) Appointed as non-executive director on 26 November 2024
- (vi) Resigned as independent non-executive director on 17 April 2024
- (vii) Appointed as independent non-executive director on 17 April 2024
- (viii) Resigned as executive director on 30 November 2023
- (ix) Resigned as executive director on 31 October 2023
- (x) Resigned as non-executive director on 31 October 2023

Neither the chief executive nor any of the directors waived any emoluments during the year ended 31 December 2024 and 2023.

During the year ended 31 December 2024 and 2023, no emoluments were paid by the Group to the five highest paid individuals and directors as an inducement to join or upon joining the Group or as compensation for loss of office.

15. Dividends

The directors do not recommend the payment of any final dividend for the year ended 31 December 2024 (2023: Nil).

16. Loss Per Share

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year ended 31 December 2024 attributable to owners of the Company of approximately HK\$50,768,000 (2023: HK\$23,734,000) and the weighted average number of ordinary shares of approximately 199,062,382 (2023: 162,342,236, restated) in issue during the year.

The weighted average number of ordinary shares for such purpose has been retrospectively adjusted for the effects of the share consolidation effective on 25 October 2024, whereby every ten issued and unissued existing ordinary shares of the Company were consolidated into one consolidated share.

Diluted loss per share

For the year ended 31 December 2024, diluted loss per share was equal to the basic loss per share as there was no dilutive potential ordinary share in issue for the year.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

17. Property, Plant and Equipment

	Buildings HK\$'000 (note a)	Leasehold improvements HK\$'000	Mining structures HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost								
At 1 January 2023	110,400	5,299	120,806	194,640	26,783	19,692	8,096	485,716
Additions	852	6,944	–	7,934	2,429	1,982	4,653	24,794
Transfer	–	–	–	7,933	4,653	–	(12,586)	–
Disposals/write off	–	–	–	–	–	(2,771)	–	(2,771)
Exchange differences	(2,424)	(129)	(2,651)	(4,300)	(577)	(430)	(163)	(10,674)
At 31 December 2023	108,828	12,114	118,155	206,207	33,288	18,473	–	497,065
At 1 January 2024	108,828	12,114	118,155	206,207	33,288	18,473	–	497,065
Additions	473	–	–	3,699	1,301	4,631	723	10,827
Acquisition of assets (note 30)	11,522	414	–	–	–	–	–	11,936
Disposals/write off	(583)	–	–	(2,332)	(317)	(1,833)	–	(5,065)
Exchange differences	(3,749)	(418)	(4,072)	(7,132)	(1,127)	(661)	(13)	(17,172)
At 31 December 2024	116,491	12,110	114,083	200,442	33,145	20,610	710	497,591
Accumulated depreciation and impairment								
At 1 January 2023	76,992	1,060	80,650	181,621	25,737	9,659	–	375,719
Charge for the year	2,799	2,427	2,587	6,225	322	2,851	–	17,211
Disposals/write off	–	–	–	–	–	(2,431)	–	(2,431)
Exchange differences	(1,694)	(28)	(1,774)	(3,997)	(543)	(213)	–	(8,249)
At 31 December 2023	78,097	3,459	81,463	183,849	25,516	9,866	–	382,250
At 1 January 2024	78,097	3,459	81,463	183,849	25,516	9,866	–	382,250
Charge for the year	3,035	2,390	2,588	3,490	1,525	3,144	–	16,172
Disposals/write off	(283)	–	–	(2,316)	(297)	(1,396)	–	(4,292)
Impairment loss	5,018	1,114	6,090	4,033	1,336	1,518	131	19,240
Exchange differences	(2,826)	(181)	(2,962)	(6,430)	(889)	(395)	(2)	(13,685)
At 31 December 2024	83,041	6,782	87,179	182,626	27,191	12,737	129	399,685
Carrying amount								
At 31 December 2024	33,450	5,328	26,904	17,816	5,954	7,873	581	97,906
At 31 December 2023	30,731	8,655	36,692	22,358	7,772	8,607	–	114,815

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

17. Property, Plant and Equipment (Continued)

Notes:

- (a) At 31 December 2024, the carrying amount of certain buildings amounted to approximately HK\$15,083,000 (2023: HK\$21,381,000) for which relevant legal titles have not yet been obtained. As of the date of approval of these consolidated financial statements, the Group had submitted applications and it is expected that the relevant authority will issue the official licenses to the Group. Please refer to note 5 to the consolidated financial statements for the critical judgement applied.
- (b) The Coal Mining CGU is tested for impairment during the year ended 31 December 2024. For the purpose of impairment testing, the carrying amounts before impairment test of property, plant and equipment of approximately HK\$103,894,000, intangible asset of approximately HK\$24,138,000 and right-of-use assets of approximately HK\$12,152,000 were allocated to the Coal Mining CGU. The recoverable amount of the Coal Mining CGU has been determined with reference to the valuation prepared by Roma Appraisals Limited, an independent valuation firm not connected to the Group.

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

Inflation rate	(i)	2.5%
Production volume	(ii)	900,000
Unit price	(iii)	RMB191
Pre-tax discount rate	(iv)	16.58%

- (i) Inflation rate of 2.5% per annum (2023: 2.5%) is applied in the cash flow forecast for the period until the expiry date of the business license which does not exceed the long-term growth rate in the PRC.
- (ii) Inner Mongolia Jinyuanli will continue to operate the coal mine of the Inner Mongolia Mine 958 ("**Inner Mongolia Mine 958**") at annual coal production output level of 900,000 tonnes (2023: 900,000 tonnes) for the period until the expiry date of the business license.
- (iii) The coal from the Inner Mongolia Mine 958 will be sold at the average selling price of RMB191 (2023: RMB188) per tonne with value-added tax for 2025 with an increase in average selling price of 2.5% (2023: 2.5%) in the subsequent years for the period until the expiry date of the business license.
- (iv) Pre-tax discount rate of 16.58% (2023: 16.60%) is adopted based on the assessment of the discount rate analysis performed by an independent professional valuer, Roma Appraisals Limited.

Based on the impairment assessment, impairment loss of approximately HK\$19,240,000, HK\$4,470,000 and HK\$2,250,000 had been made in respect of property, plant and equipment, intangible asset and right-of-use assets respectively during the year ended 31 December 2024.

The key inputs used in value in use calculation including inflation rate, production volume, unit price and pre-tax discount rate, any adverse change in the key assumptions used to calculate the recoverable amount would result in further impairment loss. Sensitivity of the impairment assessment to a reasonably possible change in each of the key inputs is as follows:

	Change in key assumptions, holding other inputs constant	Further impairment loss HK\$'000
Inflation rate	Reduced by 1 point	384
Production volume	Reduced by 1%	3,919
Unit price	Reduced by 0.5%	3,651
Discount rate	Increased by 1%	3,908

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

18. Interest in An Associate and Loan to An Associate

	2024 HK\$'000
Interest in an associate	
Cost of investment in an associate	26,764
Share of post-acquisition losses and other comprehensive income	(2,029)
	24,735
Loan to an associate	
Gross carrying amount	38,281
Expected credit loss on loan to an associate	(2,298)
	35,983

Details of the Group's associate as at the end of the reporting period are as follows:

Name of entity	Place of incorporation/ registration and operation	Equity interest attributable to the Group 2024	Principal activities
Thaisan Jiujiu	Lao People's Democratic Republic ("Laos")	52%	Copper mining

Notes:

- (1) Thaisan Jiujiu holds 51% equity interests in Lao Taishan Jiujiu Mining Co., Ltd ("**Jiujiu Mining**"), a company incorporated in Laos, which owns a copper mine in Laos.
- (2) On 26 August 2024, the Group completed the acquisition of 52% equity interests in Thaisan Jiujiu at a cash consideration of RMB24,800,000 (equivalent to approximately HK\$26,764,000). Thaisan Jiujiu and its non wholly-owned subsidiary, Jiujiu Mining, (collective referred to "**Laos Companies**") are principally engaged in copper mining in Laos.

The directors of the Company assessed whether the Group has control over Thaisan Jiujiu based on the Group's current practical ability to direct the relevant activities of Thaisan Jiujiu unilaterally. Due to non-cooperation of the sole director and the business partner of the Thaisan Jiujiu as detailed in the Company's announcements dated 31 March 2025, 7 April 2025 and 30 April 2025, the Group currently cannot exercise its control to direct the relevant activities of the Thaisan Jiujiu through convening the shareholders' meeting unilaterally. Meanwhile, the business partner of Thaisan Jiujiu is also unable to convene the shareholders' meeting unilaterally without the Group's consent and participation.

After assessment and in the light of the legal opinion, the directors of the Company consider the Group still retains significant influence over the Thaisan Jiujiu, given its 52% equity interests and the right to attend, vote and participate in the shareholders' meeting, provided that the meeting is successfully held. Any decisions to be made through the shareholders' meeting shall lawfully require the Group's consent.

- (3) As at 31 December 2024, the loan to an associate amounting to RMB36,000,000 (equivalent to approximately HK\$38,281,000) is unsecured, interest free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

18. Interest in An Associate and Loan to An Associate (Continued)

Summarised financial information in respect of the Laos Companies which is accounted for using equity method in these consolidated financial statements is set out below. The summarised financial information of the Laos Companies is prepared in accordance with HKFRS Accounting Standards.

	HK\$'000
<i>As at 31 December 2024</i>	
Current assets	5,904
Non-current assets	442,816
Current liabilities	(191,403)
Non-current liabilities	(109,958)
Net assets	147,359
The Group's share of net assets of the Laos Companies	20,823
Goodwill	3,912
Carrying amount of the Group's interest in the Laos Companies	24,735
<i>For the period from date of acquisition to 31 December 2024</i>	
Revenue	–
Loss for the period	(6,333)
Other comprehensive income for the period	(2,233)
Total comprehensive expense for the period	(8,566)
Dividend received	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

19. Intangible Asset

	Mining right	
	2024	2023
	HK\$'000	HK\$'000
Cost		
At 1 January	85,903	87,830
Exchange differences	(2,961)	(1,927)
At 31 December	82,942	85,903
Accumulated amortisation and impairment		
At 1 January	58,903	58,173
Amortisation for the year	1,967	2,009
Impairment loss for the year	4,470	–
Exchange differences	(2,145)	(1,279)
At 31 December	63,195	58,903
Carrying amount		
At 31 December	19,747	27,000

Coal Mining Business

As at 31 December 2024, the intangible asset amounted to approximately HK\$19,747,000 (2023: HK\$27,000,000) represented the purchase cost of the exclusive right for certain volume of underground coal at the Inner Mongolia Mine 958 which expires on 4 July 2037.

The average remaining amortisation period of the mining right is approximately 12.52 years (2023: 13.52 years).

During the year ended 31 December 2024, intangible asset, together with the property, plant and equipment and right-of-use assets, are allocated to the Coal Mining CGU for impairment testing. Based on the assessment, impairment loss of approximately HK\$4,470,000 had been recognised in intangible asset. Details are set out in note 17(b) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

20. Investment Property

	HK\$'000
Cost	
At 1 January 2023	2,574
Exchange differences	(56)
At 31 December 2023	2,518
At 1 January 2024	2,518
Exchange differences	(87)
At 31 December 2024	2,431
Accumulated depreciation	
At 1 January 2023	357
Charge for the year	120
Exchange differences	(8)
At 31 December 2023	469
At 1 January 2024	469
Charge for the year	118
Exchange differences	(19)
At 31 December 2024	568
Carrying amount	
At 31 December 2024	1,863
At 31 December 2023	2,049

At 31 December 2024 and 2023, the Group's investment property was situated in the PRC.

At 31 December 2024, the fair value of the Group's investment property was approximately HK\$1,787,000 (2023: HK\$1,854,000). The directors of the Company use the market comparable approach to assess the fair value of the investment property. The market comparable approach was based on market evidence of recent transactions for similar properties and adjusted to reflect the conditions and locations of the subject property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

21. Leases

Nature of leasing activities

The Group leased a property in Hong Kong and obtained ownership interests in leasehold land and buildings situated in Inner Mongolia. The lease of a property typically run for a period of three years and the leasehold land and building have a lease term of 50 years. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

Right-of-use assets

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

	Ownership interests in leasehold land and buildings HK\$'000	Properties HK\$'000	Total HK\$'000
Balance at 1 January 2023	12,464	85	12,549
Lease modification	–	922	922
Depreciation charge for the year	(267)	(930)	(1,197)
Exchange difference	(273)	–	(273)
Balance at 31 December 2023	11,924	77	12,001
Balance at 1 January 2024	11,924	77	12,001
Addition for the year	906	2,101	3,007
Depreciation charge for the year	(256)	(369)	(625)
Impairment loss for the year	(2,250)	–	(2,250)
Exchange difference	(382)	–	(382)
Balance at 31 December 2024	9,942	1,809	11,751

During the year ended 31 December 2024, right-of-use assets, together with the property, plant and equipment and intangible asset, are allocated to the Coal Mining CGU for impairment testing. Based on the assessment, impairment loss of approximately HK\$2,250,000 had been recognised in right-of-use assets. Details are set out in note 17(b) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

21. Leases (Continued)

Lease liabilities

The present value of future lease payments of the Group's leases is analysed as follows:

	2024 HK\$'000	2023 HK\$'000
Current	690	86
Non-current	1,098	–
	1,788	86

Movement of the Group's lease liabilities is analysed as follows:

	2024 HK\$'000	2023 HK\$'000
Balance at 1 January	86	86
Addition	2,101	–
Lease modification	–	922
Interest expense (note 10)	36	23
Lease payment of principal portion	(399)	(922)
Lease payment of interest portion	(36)	(23)
Balance at 31 December	1,788	86

Future lease payments are due as follows:

	Minimum lease payments HK\$'000	Interest HK\$'000	Present value HK\$'000
31 December 2024			
Within one year	756	66	690
More than one year but less than two years	756	32	724
More than two years but less than five years	378	4	374
	1,890	102	1,788
31 December 2023			
Within one year	86	–	86

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

22. Deferred Tax

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

	Tax depreciation HK\$'000	Tax losses HK\$'000	Other temporary difference HK\$'000	Fair value adjustment arising from acquisition of assets HK\$'000	Undistributed earnings of the PRC subsidiaries HK\$'000	Tax on gain from intergroup debts transfer and interest income HK\$'000	Total HK\$'000
At 1 January 2023	5,317	7,230	(6)	–	(1,143)	(14,653)	(3,255)
(Charged)/credited to profit or loss for the year (note 12)	(3,495)	2,721	–	–	–	–	(774)
Exchange differences	(110)	(164)	–	–	–	321	47
At 31 December 2023 and 1 January 2024	1,712	9,787	(6)	–	(1,143)	(14,332)	(3,982)
Credited/(charged) to profit or loss for the year (note 12)	5,772	(2,717)	–	3	–	–	3,058
Acquisition of assets (note 30)	–	–	–	(136)	–	–	(136)
Exchange differences	(162)	(289)	–	–	–	495	44
At 31 December 2024	7,322	6,781	(6)	(133)	(1,143)	(13,837)	(1,016)

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

	2024 HK\$'000	2023 HK\$'000
Deferred tax assets	14,103	11,499
Deferred tax liabilities	(15,119)	(15,481)
	(1,016)	(3,982)

At the end of the reporting period, the Group has unused tax losses of approximately HK\$27,125,000 (2023: HK\$39,148,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$27,125,000 (2023: HK\$39,148,000) of such losses. These unrecognised tax losses are available for offsetting against future taxable profits in one to five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

23. Inventories

	2024 HK\$'000	2023 HK\$'000
Finished goods	179	610
Consumables	3,557	3,925
	3,736	4,535

24. Trade Receivables

	2024 HK\$'000	2023 HK\$'000
Trade receivables	1,174	1,216
Expected credit loss on trade receivables	(1,174)	(1,216)
	–	–

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

Reconciliation of expected credit loss on trade receivables:

	2024 HK\$'000	2023 HK\$'000
At 1 January	1,216	1,243
Exchange differences	(42)	(27)
At 31 December	1,174	1,216

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

25. Deposits, Prepayments and Other Receivables

	2024 HK\$'000	2023 HK\$'000
Deposits	139	405
Prepayments	567	2,612
Other receivables (note)	578	28,371
	1,284	31,388

Note:

As at 31 December 2023, the balance included a refundable deposit of approximately HK\$27,283,000 paid to a potential coal supplier which is an independent third party to the Group. The balance carried at an interest rate of 5.47% per annum which reference to the interest offered on Hong Kong dollar by banks in the interbank market for three months (3 months HIBOR) plus 0.25%. The amount was fully returned to the Group during the year ended 31 December 2024.

Total accrued interest amounting to approximately HK\$1,336,000 was recognised as "Other income and gains" (note 8) during the year ended 31 December 2024 (2023: HK\$1,295,000).

26. Restricted Bank Deposits

The Group's restricted bank deposits of approximately HK\$153,000 (2023: HK\$8,579,000) are the deposits kept for the Coal Mining Business for the purpose of complying related coal mining regulation and in the PRC regulatory restriction. The aforesaid deposits are in RMB and at market interest rate.

27. Bank and Cash Balances

At 31 December 2024, the Group's bank and cash balances denominated in RMB and kept in the PRC amounted to approximately HK\$57,652,000 (2023: HK\$58,055,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

28. Accruals and Other Payables

	2024 HK\$'000	2023 HK\$'000
Accruals	31,630	33,314
Other payables	22,095	27,879
Payable related to the settlement (note 11(ii))	18,194	18,844
	71,919	80,037

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

29. Provision for Environmental Rehabilitation and Restoration

	2024 HK\$'000	2023 HK\$'000
Balance at 1 January	4,811	4,919
Exchange differences	(166)	(108)
Balance at 31 December	4,645	4,811
Presented as:		
Non-current portion	4,645	4,811

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

30. Acquisition of Assets

On 2 August 2024, the Group completed the acquisition of the entire equity interests in FatBoy Limited at a cash consideration of HK\$11,800,000. As at the date of acquisition, FatBoy Limited holds an office premise in Hong Kong for administrative purpose. Given the underlying set of assets acquired were not integrated in forming businesses to generate revenue, the directors of the Company were of the opinion that the acquisition was purchase of net assets which did not constitute business combinations for accounting purpose.

The identifiable assets and liabilities of FatBoy Limited as at the date of acquisition are as follows:

	HK\$'000
Property, plant and equipment	11,936
Deferred tax liabilities	(136)
Net assets acquired	11,800
Satisfied by:	
Cash consideration	11,800
Net cash outflow arising on acquisition:	
Cash consideration	11,800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

31. Share Capital

	Authorised	
	Number of ordinary shares	HK\$'000
As at 1 January 2023 and 31 December 2023, at par value of HK\$0.01 each	100,000,000,000	1,000,000
Share consolidation (note (iii))	(90,000,000,000)	–
As at 31 December 2024, at par value of HK\$0.1 each	10,000,000,000	1,000,000

	Issued and fully paid	
	Number of ordinary shares	HK\$'000
As at 1 January 2023, at par value of HK\$0.01 each	1,503,477,166	15,035
Issue of ordinary shares upon conversion of the convertible bonds (note (i))	220,000,000	2,200
As at 31 December 2023 and 1 January 2024, at par value of HK\$0.01 each	1,723,477,166	17,235
Placing of new shares (note (ii))	322,692,000	3,227
Share consolidation (note (iii))	(1,841,552,250)	–
As at 31 December 2024, at par value of HK\$0.1 each	204,616,916	20,462

Notes:

- (i) On 19 May 2023 and 14 July 2023, 110,000,000 ordinary shares and 110,000,000 ordinary shares were issued and allotted respectively pursuant to the exercise of the conversion right in respect of the convertible bonds issued in July 2022 with an aggregate principal amount of HK\$40,000,000 by the convertible bondholders. These shares rank pari passu in all respects with other shares in issue.
- (ii) On 4 March 2024, the Company completed the placing of 322,692,000 new shares (with a nominal value of HK\$3,226,920) to not less than six placees who and whose ultimate beneficial owners are independent third parties to the Company at the placing price of HK\$0.185 per placing share (the "Placing"). The gross proceeds from the Placing were approximately HK\$59,698,000, and the net proceeds were approximately HK\$59,101,000 after issuance costs of approximately HK\$597,000. These shares rank pari passu in all respects with other shares in issue.

Accordingly, an amount of approximately HK\$3,227,000 were credited to share capital and the remaining proceeds (net of issuance costs) of approximately HK\$55,874,000 were credited to share premium.
- (iii) Pursuant to the ordinary resolution passed by the shareholders of the Company on 23 October 2024, every ten issued and unissued ordinary shares of Company at par value of HK\$0.01 each had been consolidated into one consolidated share at par value of HK\$0.1 each. The share consolidation had become effective since 25 October 2024.

31. Share Capital (Continued)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to recognise the return to the shareholders through the recognition of the debt and equity balance. Capital comprises all components of equity (i.e. share capital, accumulated losses and other reserves) except for non-controlling interests, which remains unchanged from prior year. As at 31 December 2024, total equity of approximately HK\$144,163,000 (2023: HK\$138,598,000) was managed by the Group as capital.

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

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio, which is the total borrowings divided by total equity. As at 31 December 2024, the Group's gearing ratio was nil (2023: nil).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

32. Statement of Financial Position of the Company

	Notes	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Right-of-use assets		1,809	77
Investments in subsidiaries		37,012	37,012
		38,821	37,089
Current assets			
Due from subsidiaries		144,496	107,290
Deposits and prepayments		265	760
Bank and cash balances		346	44
		145,107	108,094
Current liabilities			
Due to subsidiaries		–	401
Accruals and other payables		3,229	3,729
Lease liabilities		690	86
		3,919	4,216
Net current assets		141,188	103,878
Total assets less current liabilities		180,009	140,967
Non-current liabilities			
Lease liabilities		1,098	–
NET ASSETS		178,911	140,967
Capital and reserves			
Share capital	31	20,462	17,235
Reserves	33(a)	158,449	123,732
TOTAL EQUITY		178,911	140,967

Approved by the Board of Directors on 30 June 2025 and signed on its behalf by:

NG Ying Kit
Director

KWONG Pui Yin
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

33. Other Reserves

(a) Company

	Share premium HK\$'000	Capital reserve HK\$'000	Distributable reserve HK\$'000	Convertible bonds reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2023	96,935	3,917	135,282	742	(143,410)	93,466
Total comprehensive income for the year	–	–	–	–	(8,758)	(8,758)
Issue of ordinary shares upon conversion of the convertible bonds (note 31)	39,766	–	–	(742)	–	39,024
At 31 December 2023	136,701	3,917	135,282	–	(152,168)	123,732
At 1 January 2024	136,701	3,917	135,282	–	(152,168)	123,732
Total comprehensive income for the year	–	–	–	–	(21,157)	(21,157)
Placing of new shares (note 31)	55,874	–	–	–	–	55,874
At 31 December 2024	192,575	3,917	135,282	–	(173,325)	158,449

(b) Nature and purpose of reserves

(i) Capital reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

33. Other Reserves (Continued)

(b) Nature and purpose of reserves (Continued)

(ii) Distributable reserve

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

(iii) Future development fund

Pursuant to the relevant PRC regulations, the Group is required to set aside an amount to a future development fund at RMB10.5 (2023: RMB10.5) per tonne of raw coal mined. The fund can be used for future development of the coal mining operations, and is not available for distribution to shareholders. Upon incurring qualifying development expenditure, an equivalent amount is transferred from future development fund to accumulated losses.

(iv) Safety fund

Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC, the Group is required to set aside an amount to a safety fund at RMB15 (2023: RMB15) per tonne of raw coal mined. The fund can be used for improvements of safety at the mines, and is not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to accumulated losses.

(v) Foreign currency translation reserve

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

(vi) Convertible bonds reserve

The convertible bonds reserve represents the value of the equity conversion component of the convertible bonds issued in July 2022. The amount was released upon the conversion of convertible bonds during the year ended 31 December 2023. Items included in convertible bonds reserve will not be reclassified subsequently to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

34. Notes to the Consolidated Statement of Cash Flows

Reconciliation of liabilities arising from financing activities

	Lease liabilities (note 21) HK\$'000	Convertible bonds HK\$'000
At 1 January 2023	86	39,582
Change in cash flows:		
Repayment of principal portion of lease liabilities	(922)	–
Repayment of interest portion of lease liabilities	(23)	–
Total changes in financing cash flows	(945)	–
Other changes:		
Lease modification	922	–
Effective interest recognised	–	353
Interest expenses	23	–
Conversion of the convertible bonds	–	(39,935)
Total other changes	945	(39,582)
At 31 December 2023 and 1 January 2024	86	–
Change in cash flows:		
Repayment of principal portion of lease liabilities	(399)	–
Repayment of interest portion of lease liabilities	(36)	–
Total changes in financing cash flows	(435)	–
Other changes:		
Addition	2,101	–
Interest expenses	36	–
Total other changes	2,137	–
At 31 December 2024	1,788	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

35. Related Party Transactions

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

36. Principal Subsidiaries

Particulars of the principal subsidiaries as at 31 December 2024 and 2023 are as follow:

Name	Place of registration and operation	Paid up capital	Percentage of ownership interest/ voting power/profit sharing	Principal activities
Inner Mongolia Jinyuanli ⁽¹⁾	The PRC	USD45,000,000	2024: 56.2% (2023: 56.2%)	Coal mining
Jilin Province De Feng Commodity Economics and Trading Co., Limited ("Jilin De Feng") ⁽¹⁾	The PRC	RMB20,000,000	2024: 51% (2023: 51%)	Inactive
Grand Ocean Group Management Limited	Hong Kong	HK\$10,000	2024: 100% (2023: 100%)	Provision of management services
Big Wish Group Limited	British Virgin Islands	US\$4,713,475	2024: 100% (2023: 100%)	Investment holding

(1) Sino-foreign equity joint venture

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

36. Principal Subsidiaries (Continued)

The following table shows information of subsidiaries that have NCI material to the Group. The summarised financial information represents amounts before inter-company elimination.

	Jilin De Feng		Inner Mongolia Jinyuanli	
	2024	2023	2024	2023
Principal place of business/country of incorporation	The PRC/The PRC		The PRC/The PRC	
% of ownership interests/voting rights held by NCI	49%/49%	49%/49%	43.8%/43.8%	43.8%/43.8%
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December:				
Non-current assets	–	–	130,651	167,252
Current assets	37,782	41,615	30,202	48,292
Non-current liabilities	–	–	(4,652)	(4,818)
Current liabilities	(133)	(137)	(100,520)	(123,294)
Net assets	39,649	41,478	55,681	87,432
Accumulated NCI	19,420	20,316	24,667	38,574
Year ended 31 December:				
Revenue	–	–	180,934	187,960
Loss for the year	(407)	(355)	(29,259)	(22,150)
Total comprehensive income for the year	(1,829)	(1,293)	(31,751)	(24,567)
Total comprehensive income allocated to NCI	(896)	(634)	(13,907)	(10,761)
Dividends paid to NCI	–	–	–	–
Net cash (used in)/generated from operating activities	(455)	(390)	3,639	44,035
Net cash generated from/(used in) investing activities	49	89	(9,019)	(28,292)
Net cash generated from/(used in) financing activities	7,578	–	–	(16)
Net increase/(decrease) in cash and cash equivalents	7,172	(301)	(5,380)	15,727

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

37. Capital Commitments

As at 31 December 2024, the Group's capital expenditure contracted for but not provided in the consolidated financial statements in respect of property, plant and equipment amounted to approximately HK\$1,213,000 (2023: HK\$1,989,000).