

**ANHUI JINYAN KAOLIN NEW
MATERIALS CO., LTD.**

(Incorporated in the People's Republic of China
with limited liability)

Audited financial statements

For the years ended 31 December 2022, 2023
and 2024 and five months ended 31 May 2025

ANHUI JINYAN KAOLIN NEW MATERIALS CO., LTD.

CONTENTS	<u>Pages</u>
INDEPENDENT AUDITOR'S REPORT	1-3
AUDITED FINANCIAL STATEMENTS	
Statements of profit or loss and other comprehensive income	4
Statements of financial position	5
Statements of changes in equity	6-8
Statements of cash flows	9-10
Notes to financial statements	11-76

Independent auditor's report**To the directors of Anhui Jinyan Kaolin New Materials Co., Ltd.**

(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the financial statements of Anhui Jinyan Kaolin New Materials Co., Ltd. (the "Company") set out on pages 4 to 76, which comprise the statements of financial position as at 31 December 2022, 2023 and 2024 and 31 May 2025, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for each of the years ended 31 December 2022, 2023 and 2024 and the five months ended 31 May 2025 (the "Relevant Periods"), and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, 2023 and 2024 and 31 May 2025 and of the Company's financial performance and its cash flows for each of the Relevant Periods in accordance with the basis of preparation set out in notes 2.1 to the financial statements.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") as issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

Without modifying our opinion, we draw attention to the fact that the financial information for the five months ended 31 May 2024 (the "Interim Comparative Information") is unaudited.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of the financial statements, which also include the Interim Comparative Information, that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors of the Company are responsible for assessing the Company'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 of the Company either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements for the Relevant Periods 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. Our report is made solely to you, as a body, in accordance with our agreed terms of 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 financial statements.

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

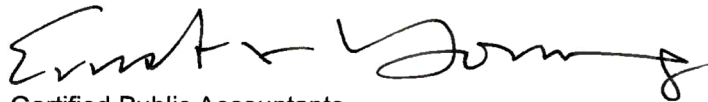
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors of the Company 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.

Restriction on distribution and use

These financial statements are prepared for the purpose of preparation of financial information for inclusion in the prospectus of the Company in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited and accordingly may not be suitable for another purpose.

Our report is intended solely for the information and use by the directors of the Company and should not be distributed to or used by parties other than the Company.



Certified Public Accountants
Hong Kong
25 November 2025



ANHUI JINYAN KAOLIN NEW MATERIALS CO., LTD.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Five months ended 31 May	
		2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
REVENUE	5	190,366	204,687	267,142	88,289	104,899
Cost of sales		(132,810)	(133,410)	(168,972)	(57,491)	(67,625)
GROSS PROFIT		57,556	71,277	98,170	30,798	37,274
Other income and gains	5	2,872	7,992	4,733	1,405	911
Research expenses		(7,282)	(6,978)	(12,638)	(4,518)	(4,131)
Selling and distribution expenses		(4,028)	(3,783)	(4,574)	(1,972)	(1,479)
Administrative expenses		(22,752)	(17,477)	(22,329)	(8,731)	(8,742)
Other expenses		(476)	(9)	-	-	-
Finance costs	7	(1,039)	(973)	(3,709)	(638)	(3,192)
Reversal of/(provision for) impairment losses on financial assets, net		1,752	(48)	(163)	(5)	(112)
PROFIT BEFORE TAX	6	26,603	50,001	59,490	16,339	20,529
Income tax expense	10	(2,180)	(6,384)	(6,888)	(1,869)	(2,497)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>24,423</u>	<u>43,617</u>	<u>52,602</u>	<u>14,470</u>	<u>18,032</u>
Attributable to owners of the parent		<u>24,423</u>	<u>43,617</u>	<u>52,602</u>	<u>14,470</u>	<u>18,032</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted (RMB)	12	<u>0.43</u>	<u>0.60</u>	<u>0.72</u>	<u>0.20</u>	<u>0.25</u>



ANHUI JINYAN KAOLIN NEW MATERIALS CO., LTD.

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 May
	Notes	2022	2023	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	179,277	385,701	493,516	480,628
Right-of-use assets	14(a)	94,068	91,305	88,542	87,390
Other intangible assets	15	138,912	134,104	128,405	125,570
Other non-current assets	17	736	-	-	-
Total non-current assets		412,993	611,110	710,463	693,588
CURRENT ASSETS					
Inventories	18	27,905	41,219	47,274	68,117
Trade and bills receivables	19	26,595	42,274	52,978	40,035
Prepayments, other receivables and other assets	20	5,161	10,383	25,121	31,623
Debt investments at fair value through other comprehensive income	21	12,401	1,453	19,185	18,576
Cash and cash equivalents	22	95,085	32,564	71,694	62,478
Total current assets		167,147	127,893	216,252	220,829
CURRENT LIABILITIES					
Trade and other payables	23	187,469	113,677	156,986	125,626
Tax payable		2,219	2,392	-	-
Interest-bearing bank and other borrowings	25	-	24,145	6,141	7,366
Total current liabilities		189,688	140,214	163,127	132,992
NET CURRENT (LIABILITIES)/ASSETS		(22,541)	(12,321)	53,125	87,837
TOTAL ASSETS LESS CURRENT LIABILITIES		390,452	598,789	763,588	781,425
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	25	-	153,000	258,100	258,100
Deferred income	26	14,701	13,033	12,503	12,200
Provision	24	21,824	22,765	25,463	26,117
Deferred tax liabilities	16	307	2,301	7,230	6,684
Total non-current liabilities		36,832	191,099	303,296	303,101
NET ASSETS		353,620	407,690	460,292	478,324
EQUITY					
Equity attributable to owners of the parent					
Share capital	27	70,887	72,894	72,894	72,894
Reserves	28	282,733	334,796	387,398	405,430
TOTAL EQUITY		353,620	407,690	460,292	478,324

Zhang Kuang
Chairman and Executive Director

Wang Wei
Chief Financial Officer



ANHUI JINYAN KAOLIN NEW MATERIALS CO., LTD.

STATEMENTS OF CHANGES IN EQUITY

	Share capital RMB'000 (note 27)	Paid-in capital RMB'000 (note 27)	Share premium* RMB'000 (note 28)	Capital reserve* RMB'000 (note 28)	Special reserve* RMB'000 (note 28)	Statutory surplus reserve* RMB'000 (note 28)	Retained profits* RMB'000	Total RMB'000
As at 1 January 2022 (unaudited)	-	31,145	-	43,392	-	8,526	98,884	181,947
Profit and total comprehensive income for the year	-	-	-	-	-	-	24,423	24,423
Capital contribution by shareholders before conversion into a joint stock company (note 27)	-	19,835	-	80,406	-	-	-	100,241
Convert to a joint stock company (note 27)	50,980	(50,980)	188,744	(123,798)	-	(8,526)	(56,420)	-
Issue of shares (note 27)	19,907	-	82,413	-	-	-	-	102,320
Transfer from retained profits	-	-	-	-	-	1,369	(1,369)	-
Dividends declared	-	-	-	-	-	-	(55,311)	(55,311)
Provision for safety fund surplus reserve	-	-	-	-	737	-	(737)	-
Utilisation of safety fund surplus reserve	-	-	-	-	(737)	-	737	-
As at 31 December 2022	70,887	-	271,157	-	-	1,369	10,207	353,620

	Share capital RMB'000 (note 27)	Share premium* RMB'000 (note 28)	Special reserve* RMB'000 (note 28)	Statutory surplus reserve* RMB'000 (note 28)	Retained profits* RMB'000	Total RMB'000
As at 1 January 2023	70,887	271,157	-	1,369	10,207	353,620
Profit and total comprehensive income for the year	-	-	-	-	43,617	43,617
Issue of shares (note 27)	2,007	8,993	-	-	-	11,000
Share issue expenses (note 27)	-	(547)	-	-	-	(547)
Transfer from retained profits	-	-	-	4,432	(4,432)	-
Provision for safety fund surplus reserve	-	-	2,366	-	(2,366)	-
Utilisation of safety fund surplus reserve	-	-	(1,988)	-	1,988	-
As at 31 December 2023	72,894	279,603	378	5,801	49,014	407,690

continued/...



STATEMENTS OF CHANGES IN EQUITY (continued)

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2024	72,894	279,603	378	5,801	49,014	407,690
Profit and total comprehensive income for the period (unaudited)	-	-	-	-	14,470	14,470
Provision for safety fund surplus reserve (unaudited)	-	-	1,105	-	(1,105)	-
Utilisation of safety fund surplus reserve (unaudited)	-	-	(224)	-	224	-
As at 31 May 2024 (unaudited)	72,894	279,603	1,259	5,801	62,603	422,160

continued/...



ANHUI JINYAN KAOLIN NEW MATERIALS CO., LTD.

STATEMENTS OF CHANGES IN EQUITY (continued)

	Share capital RMB'000 (note 27)	Share premium* RMB'000 (note 28)	Special reserve* RMB'000 (note 28)	Statutory surplus reserve* RMB'000 (note 28)	Retained profits* RMB'000	Total RMB'000
As at 1 January 2025	72,894	279,603	212	10,758	96,825	460,292
Profit and total comprehensive income for the period	-	-	-	-	18,032	18,032
Provision for safety fund surplus reserve	-	-	1,367	-	(1,367)	-
Utilisation of safety fund surplus reserve	-	-	(57)	-	57	-
As at 31 May 2025	72,894	279,603	1,522	10,758	113,547	478,324

* These reserve accounts represent the total reserves of RMB282,733,000, RMB334,796,000, RMB387,398,000 and RMB405,430,000 in the statements of financial position as at 31 December 2022, 2023 and 2024 and 31 May 2025, respectively.



ANHUI JINYAN KAOLIN NEW MATERIALS CO., LTD.

STATEMENTS OF CASH FLOWS

		Year ended 31 December			Five months ended 31 May	
	Notes	2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax	6	26,603	50,001	59,490	16,339	20,529
Adjustments for:						
Loss/(gain) on disposal of items of property, plant and equipment		9	(8)	-	-	-
Depreciation of items of property, plant and equipment	13	14,505	17,102	27,189	7,484	19,040
Depreciation of right-of-use assets	14	1,720	2,763	2,763	1,152	1,152
Amortisation of other intangible assets	15	2,988	4,808	5,699	2,404	2,835
Finance costs	7	1,039	973	3,709	638	3,192
Foreign exchange differences, net		(154)	(1)	(6)	(1)	1
(Reversal of)/provision for impairment losses on financial assets, net		(1,752)	48	163	5	112
Increase in inventories		(1,886)	(13,314)	(6,055)	(18,162)	(20,843)
(Increase)/decrease in trade and bills receivables and debt investments at fair value through other comprehensive income		(1,500)	(72,062)	(53,350)	(9,662)	11,081
Decrease in prepayments, other receivables and other assets		1,767	18,982	18,289	3,491	400
Decrease in deferred income		(857)	(1,668)	(530)	(82)	(303)
Increase/(decrease) in trade and other payables		7,824	8,564	(14,004)	(24,195)	(5,121)
Cash generated from/(used in) operations		50,306	16,188	43,357	(20,589)	32,075
Tax paid		(4,682)	(4,217)	(6,707)	(4,052)	(4,556)
Net cash flows from/(used in) operating activities		45,624	11,971	36,650	(24,641)	27,519
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(164,111)	(204,977)	(69,545)	(37,597)	(21,762)
Proceeds from disposal items of property, plant and equipment		-	21	-	-	-
Disposal of a subsidiary		32,798	-	-	-	-
Net cash flows used in investing activities		(131,313)	(204,956)	(69,545)	(37,597)	(21,762)

continued/...



ANHUI JINYAN KAOLIN NEW MATERIALS CO., LTD.

STATEMENTS OF CASH FLOWS (continued)

		Year ended 31 December			Five months ended 31 May	
	Notes	2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from capital contribution by shareholders	27(a)	100,241	-	-	-	-
Proceeds from issuance of shares	27	21,001	11,000	-	-	-
Share issue expenses	27(d)	-	(547)	-	-	-
Payment of listing expenses		-	-	(8,569)	-	(13,382)
New bank and other borrowings		-	177,000	131,100	51,100	-
Interest paid		-	(1,679)	(6,512)	(1,473)	(1,590)
Dividends paid		-	(55,311)	-	-	-
Repayment of bank loans		-	-	(44,000)	-	-
Net cash flows from/(used in) financing activities		<u>121,242</u>	<u>130,463</u>	<u>72,019</u>	<u>49,627</u>	<u>(14,972)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS						
		<u>35,553</u>	<u>(62,522)</u>	<u>39,124</u>	<u>(12,611)</u>	<u>(9,215)</u>
Cash and cash equivalents at beginning of year/period		59,378	95,085	32,564	32,564	71,694
Effect of foreign exchange rate changes, net		<u>154</u>	<u>1</u>	<u>6</u>	<u>1</u>	<u>(1)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u>95,085</u>	<u>32,564</u>	<u>71,694</u>	<u>19,954</u>	<u>62,478</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	22	<u>95,085</u>	<u>32,564</u>	<u>71,694</u>	<u>19,954</u>	<u>62,478</u>
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS						
		95,085	32,564	71,694	19,954	62,478

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability incorporated in the People's Republic of China ("PRC"). The registered office of the Company is located at Shuobei Road, Shuoli Town, Duji District, Huaibei City, Anhui Province, PRC.

The Company is a standalone company. During the Relevant Periods and the five months ended 31 May 2024, the Company was a company in China's kaolin industry, with high-quality mineral assets and integrated capabilities spanning the entire value chain, from mining and processing to production and sales of refined products. The parent company of the Company is Huaibei Mining (Group) Co., Ltd. ("Huaibei Mining Group"), which is incorporated in the PRC. The Company is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Anhui Province.

The statutory financial statements of the Company for the years ended 31 December 2022, 2023 and 2024 prepared in accordance with PRC Generally Accepted Accounting Principles were audited by RSM China Certified Public Accountants LLP (容诚会计师事务所(特殊普通合伙)), a certified public accounting firm registered in the PRC.

2.1 BASIS OF PREPARATION

The financial statements are prepared for the purpose of preparation of financial information for inclusion in the prospectus of the Company in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. They have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the "IASB"). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Company throughout the Relevant Periods.

The Company has previously prepared financial statements under Chinese Accounting Standards for Business Enterprises ("CASBE") as issued by the Ministry of Finance of the People's Republic of China. These financial statements are the first financial statements prepared by the Company in accordance with IFRS Accounting Standards. Accordingly, IFRS1 "First-time adoption of International Financial Reporting Standards" has been applied in preparing these financial statements and the transition date is 1 January 2022. Details of the first-time adoption of IFRS Accounting Standards are disclosed in Note 2.2 below.

These financial statements have been prepared under the historical cost convention, except for debt investments at fair value through other comprehensive which have been measured at fair value. They are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO FINANCIAL STATEMENTS (continued)**2.2 FIRST-TIME ADOPTION OF IFRS Accounting Standards**

In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 January 2022, being the date of transition to IFRS Accounting Standards.

Reconciliation of equity

The reconciliations of equity as at 1 January 2022 (date of transition to IFRS Accounting Standards) and 31 December 2024 (the end of the latest period of the most recent annual financial statements under CASBE) are as follows:

	As at 1 January 2022 RMB'000
Total equity under CASBE	183,937
Effect of transitions to IFRS Accounting Standards:	
Adjustment of uncertain tax treatment (note (a))	(1,990)
Total equity under IFRS Accounting Standards	<u>181,947</u>

As at 31 December 2024 (the end of the latest period of the most recent annual financial statements under CASBE), there were no reclassifications or remeasurements to equity arising from the transition from CASBE to IFRS Accounting Standards.

Reconciliation of total comprehensive income

The reconciliation of total comprehensive income for the year ended 31 December 2024 (the latest period of the most recent annual financial statements under CASBE) is as follows:

	Year ended 31 December 2024 RMB'000
Total comprehensive income under CASBE	49,573
Effect of transitions to IFRS Accounting Standards:	
Adjustment of uncertain tax treatment (note (a))	3,196
GAAP adjustment (note (b))	(167)
Total comprehensive income under IFRS Accounting Standards	<u>52,602</u>

Notes:

- (a) The income tax expenses were adjusted to the financial statements under IFRS Accounting Standards for uncertain tax treatments.
- (b) The unused safety production fee was recorded in profit and loss under CASBE while in equity under IFRS Accounting Standards.

Reconciliation of cash flows

The transition of CASBE to IFRS Accounting Standards did not have any material adjustments to the cash flows.

NOTES TO FINANCIAL STATEMENTS (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has not applied the following new and revised standards, that have been issued but are not yet effective, in this financial statements.

IFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ¹

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

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

Further information about the new and revised standards that are expected to be applicable to the Company is described below.

NOTES TO FINANCIAL STATEMENTS (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Company's financial statements.

Amendments to IFRS 9 and IFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other standards. IFRS 18 and the consequential amendments to other standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The new requirements are expected to impact the Company's presentation of the statement of profit or loss and statement of cash flows and disclosures of the Company's financial performance. So far, the Company considers that the new and amended standards are unlikely to have a significant impact on the Company's results of operations and financial position.

NOTES TO FINANCIAL STATEMENTS (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRS Accounting Standards. Earlier application is permitted. IFRS 19 is not expected to have any significant impact on the Company's financial statements.

Annual Improvements to IFRS Accounting Standards – Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying *Guidance on implementing IFRS 7*), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Company are as follows:

- **IFRS 7 *Financial Instruments: Disclosures*:** The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing IFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.
- **IFRS 9 *Financial Instruments*:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.
- **IFRS 10 *Consolidated Financial Statements*:** The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Company's financial statements.
- **IAS 7 *Statement of Cash Flows*:** The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Company's financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

2.4 MATERIAL ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

NOTES TO FINANCIAL STATEMENTS (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

NOTES TO FINANCIAL STATEMENTS (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depending on the nature of the item of property, plant and equipment, depreciation is calculated on the straight-line basis to write off the cost of each asset to its residual value over its estimated useful life or it is calculated using the units of production ("UOP") basis to write off the cost of the asset proportionately to the value obtained from the extraction of the mineral reserves.

The estimated useful lives of property, plant and equipment depreciated on the straight-line basis are as follows:

Buildings	15 to 20 years
Plant and machinery	5 to 10 years
Office equipment and other devices	3 years
Motor vehicles	3 to 5 years
Asset related to rehabilitation	Life of mine

Included in property, plant and equipment is the mining infrastructure located at the mining sites. Depreciation is provided to write off the cost of the mining infrastructure using the UOP method based on the mineral reserves.

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

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

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

Intangible assets (other than goodwill)

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

Mining right

Mining right is stated at cost less accumulated amortisation and any impairment losses. Mining right includes the cost of acquiring mining licence. The mining right is amortised over the estimated useful life of the mine, in accordance with the production plans of the Company concerned and the reserves of the mine using the UOP method. Mining right is written off to profit or loss if the mining property is abandoned.

Research expenses

All research costs are charged to profit or loss as incurred.

NOTES TO FINANCIAL STATEMENTS (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land

33 to 50 years

If ownership of the leased asset transfers to the Company by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Short-term leases

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Company as a lessor

When the Company acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Company allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in other income and gains in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other income and gains in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

NOTES TO FINANCIAL STATEMENTS (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

NOTES TO FINANCIAL STATEMENTS (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Periods, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Company considers a financial asset in default when contractual payments are past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

NOTES TO FINANCIAL STATEMENTS (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Company applies the practical expedient of not adjusting the effect of a significant financing component, the Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

NOTES TO FINANCIAL STATEMENTS (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above.

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provisions for the Company's obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with the rules and regulations of the PRC. The obligation generally arises when an asset is installed or the ground environment is disturbed at the production location. The Company estimates its liabilities for the final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related asset.

Over time, the discounted liability is increased for the change in the present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within finance costs in profit or loss. The asset is depreciated using the straight-line method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities) will be recognised as additions or charges to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate.

NOTES TO FINANCIAL STATEMENTS (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax

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

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

NOTES TO FINANCIAL STATEMENTS (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

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

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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 Company expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Company will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

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

NOTES TO FINANCIAL STATEMENTS (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customers, generally on receipt of the products by the customers.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Pension scheme

The Company contributes on a monthly basis to various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Company has no further obligations for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Company receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of each of the Relevant Periods, it will assess whether the information affects the amounts that it recognises in its financial statements. The Company will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Company will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

NOTES TO FINANCIAL STATEMENTS (continued)

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The financial statements is presented in RMB, which is the Company's functional currency. Foreign currency transactions recorded by the Company are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgement

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

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. Further details are included in note 16 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Environmental rehabilitation obligations

Environmental rehabilitation obligations are inherently imprecise and only represent approximate amounts because of the subjective judgements involved in the estimation of the costs. Environmental rehabilitation obligations are subject to considerable uncertainty which affects the Company's ability to estimate the ultimate cost of remediation efforts. These uncertainties include: (i) the exact nature and extent of the contamination at various sites including, but not limited to, mines and land development areas, whether operating, closed or sold, (ii) the extent of required clean-up efforts, (iii) varying cost of alternative remediation strategies, (iv) changes in environmental remediation requirements, and (v) the identification of new remediation sites. In addition, as prices and cost levels change from year to year, the estimation of environmental rehabilitation obligations also changes. Despite the inherent imprecision in these estimates, these estimates are used in assessing the provision for rehabilitation. The carrying amounts of provision for rehabilitation at 31 December 2022, 2023 and 2024 and 31 May 2025 were RMB21,824,000, RMB22,765,000, RMB25,463,000 and RMB26,117,000, respectively. Further details are included in note 24.

Useful lives of property, plant and equipment

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. Useful lives are determined based on management's past experience with similar assets, estimated changes in technologies and, in the case of mining-related property, plant and equipment, estimated life of mine. If the estimated useful lives change significantly, adjustments to depreciation will be provided in the future year. The carrying amounts of property, plant and equipment on the straight-line basis at 31 December 2022, 2023 and 2024 and 31 May 2025 were RMB131,216,000, RMB132,982,000, RMB466,697,000 and RMB449,584,000, respectively. Further details are included in note 13.

Provision for expected credit losses on financial assets

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 Company's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

Mineral reserves

Asset related to environmental rehabilitation obligation is depreciated based on the UOP method where mineral reserves are an important parameter. Engineering estimates of the Company's mineral reserves are inherently imprecise and only represent approximate amounts because of the significant judgements involved in developing such information. Mineral reserve estimates are updated at regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of mineral reserves also changes. This change is considered a change in estimates for accounting purposes and is reflected on a prospective basis at related depreciation rates.

NOTES TO FINANCIAL STATEMENTS (continued)**4. OPERATING SEGMENT INFORMATION**

For management purposes, the Company has one reportable operating segment which is the mining and processing to production and sales of refined products. Management monitors the operating results of its business units as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	Year ended 31 December			Five months ended 31 May	
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Chinese Mainland	189,173	203,733	266,267	87,722	104,362
Overseas	1,193	954	875	567	537
Total revenue	<u>190,366</u>	<u>204,687</u>	<u>267,142</u>	<u>88,289</u>	<u>104,899</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

All of the non-current assets of the Company are located in Chinese Mainland.

Information about major customers

No revenue from sales to a single customer or a group of customers under common control amounted to 10% or more of the Company's revenue during the Relevant Periods and the five months ended 31 May 2024.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Five months ended 31 May	
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Revenue from contracts with customers	<u>190,366</u>	<u>204,687</u>	<u>267,142</u>	<u>88,289</u>	<u>104,899</u>

NOTES TO FINANCIAL STATEMENTS (continued)**5. REVENUE, OTHER INCOME AND GAINS (continued)**Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December			Five months ended 31 May	
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Types of goods or services					
Sale of industrial products	190,366	204,687	267,142	88,289	104,899
Geographical markets					
Chinese Mainland	189,173	203,733	266,267	87,722	104,362
Overseas	1,193	954	875	567	537
Total	190,366	204,687	267,142	88,289	104,899
Timing of revenue recognition					
Recognised at a point in time	190,366	204,687	267,142	88,289	104,899

The following table shows the amounts of revenue recognised during the Relevant Periods and the five months ended 31 May 2024 that were included in the contract liabilities at the beginning of the Relevant Periods and the five months ended 31 May 2024:

	Year ended 31 December			Five months ended 31 May	
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Sales of industrial products	5,528	4,313	3,060	2,536	1,694

(b) Performance obligations

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

Sale of industrial products

The performance obligation of the sale of industrial products is recognised at the point in time when control of the assets is transferred to the customers, generally on receipt of the goods by the customers, and payment is generally due within one to two months from the date of billing. All the amounts of transaction prices are allocated to the remaining performance obligation, which is expected to be satisfied within one year. The Company has elected the practical expedient for not to disclose the remaining performance obligations for this type of contract.

NOTES TO FINANCIAL STATEMENTS (continued)**5. REVENUE, OTHER INCOME AND GAINS (continued)**Other income and gains

	Year ended 31 December			Five months ended 31 May	
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Sale of scrap	864	1,220	211	139	150
Government grants*	1,108	5,001	2,835	608	325
Income from value-added tax super deduction**	-	1,429	1,555	648	313
Interest income	361	140	54	9	15
Gain on disposal of items of property, plant and equipment	-	8	-	-	-
Others	539	194	78	1	108
Total	2,872	7,992	4,733	1,405	911

* The government grants have been received from local government authorities to support the Company's daily operations. During the years ended 31 December 2022, 2023 and 2024, and the five months ended 31 May 2024 and 2025, government grants amounting to RMB857,000, RMB1,668,000, RMB736,000, RMB307,000 (unaudited) and RMB303,000, respectively, were released from deferred income (note 26).

** Tax incentives on value-added tax ("VAT") are related to an additional 5% VAT input tax deduction for taxpayers of advanced manufacturing industries from 1 January 2023 to 31 December 2027.

NOTES TO FINANCIAL STATEMENTS (continued)

6. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December			Five months ended 31 May	
		2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Cost of inventories sold		132,810	133,410	168,972	57,491	67,625
Depreciation of property, plant and equipment*	13	14,505	17,102	27,189	7,484	19,040
Depreciation of right-of-use assets*	14(a)	1,720	2,763	2,763	1,152	1,152
Expenses relating to short-term and low-value leases	14(b)	992	84	157	16	133
Amortisation of other intangible assets*	15	2,988	4,808	5,699	2,404	2,835
Employee benefit expense (including directors' and chief executive's remuneration):						
Wages, salaries and other benefits		39,155	40,688	44,627	19,179	17,257
Pension scheme contributions		10,986	13,995	15,269	6,752	5,908
Loss/(gain) on disposal of items of property, plant and equipment		9	(8)	-	-	-
Provision for impairment losses on trade and bills receivables, net		68	236	124	5	112
Reversal of impairment losses on other receivables, net		(1,820)	(188)	39	-	-
Auditor's remuneration		660	142	283	283	189
Foreign exchange differences, net		(528)	(18)	(7)	(1)	1
Listing expenses		-	-	467	-	41

* The depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets and employee benefit expense for the year/period are included in "Cost of inventories sold", "Selling and distribution expenses", "Research expenses" and "Administrative expenses" in the statement of profit or loss and other comprehensive income.

NOTES TO FINANCIAL STATEMENTS (continued)**7. FINANCE COSTS**

An analysis of finance costs is as follows:

	Year ended 31 December			Five months ended 31 May	
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Interest on borrowings	-	1,824	6,508	2,364	2,815
Increase in discounted amounts of provisions arising from the passage of time	<u>1,039</u>	<u>941</u>	<u>833</u>	<u>267</u>	<u>377</u>
Less: Interest capitalised	<u>-</u>	<u>(1,792)</u>	<u>(3,632)</u>	<u>(1,993)</u>	<u>-</u>
Total	<u>1,039</u>	<u>973</u>	<u>3,709</u>	<u>638</u>	<u>3,192</u>

During the years ended 31 December 2022, 2023 and 2024, and the five months ended 31 May 2024 and 2025, the capitalisation rates used to determine the amount of borrowing costs eligible for capitalisation were nil, 3%, 2.6%, 2.6% (unaudited) and nil, respectively.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the years ended 31 December 2022, 2023 and 2024, and the five months ended 31 May 2024 and 2025, is as follows:

	Year ended 31 December			Five months ended 31 May	
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Fees	<u>-</u>	<u>9</u>	<u>135</u>	<u>51</u>	<u>89</u>
Other emoluments:					
Salaries, allowances and benefits in kind	607	442	859	290	695
Pension scheme contributions and social welfare	<u>72</u>	<u>187</u>	<u>308</u>	<u>130</u>	<u>130</u>
Total	<u>679</u>	<u>638</u>	<u>1,302</u>	<u>471</u>	<u>914</u>

NOTES TO FINANCIAL STATEMENTS (continued)**8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)****(a) Independent non-executive directors**

The fees paid to independent non-executive directors at the end of each of the years ended 31 December 2022, 2023 and 2024, and the five months ended 31 May 2024 and 2025 were as follows:

	Year ended 31 December			Five months ended 31 May	
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
-Mr. Li Chenhui	-	3	40	17	17
-Mr. Jiang Weidong	-	3	40	17	17
-Mr. Miao Guanghong	-	3	40	17	17
-Mr. Chan Ngai Fan	-	-	15	-	38
Total	-	9	135	51	89

There were no other emoluments payable to the independent non-executive directors at the end of each of the Relevant Periods and the five months ended 31 May 2024. Mr. Li Chenhui, Mr. Jiang Weidong and Mr. Miao Guanghong were appointed as independent non-executive directors in November 2023. Mr. Chan Ngai Fan was appointed as an independent non-executive director in October 2024.

(b) Executive directors, non-executive directors and the chief executive

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Year ended 31 December 2022			
Executive director:			
-Ms. Wang Yuli	322	22	344
Non-executive directors:			
-Mr. Jiao Daojie	-	-	-
-Mr. Yang Chong	-	-	-
-Mr. Li Zhuangzhi	-	-	-
Chief executive:			
-Mr. Shu Chunpeng	285	50	335
Total	607	72	679

NOTES TO FINANCIAL STATEMENTS (continued)

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive (continued)

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Year ended 31 December 2023			
Executive directors:			
-Ms. Wang Yuli	219	87	306
-Ms. Chen Yan	19	16	35
Non-executive directors:			
-Mr. Jiao Daojie	-	-	-
-Mr. Yang Chong	-	-	-
-Mr. Li Zhuangzhi	-	-	-
Chief executives:			
-Mr. Shu Chunpeng	144	60	204
-Mr. Zhang Kuang	60	24	84
Total	442	187	629
	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Year ended 31 December 2024			
Executive directors:			
-Ms. Wang Yuli	379	104	483
-Ms. Chen Yan	231	103	334
Non-executive directors:			
-Mr. Jiao Daojie	-	-	-
-Mr. Yang Chong	-	-	-
-Mr. Li Zhuangzhi	-	-	-
Chief executive:			
-Mr. Zhang Kuang	249	101	350
Total	859	308	1,167

NOTES TO FINANCIAL STATEMENTS (continued)

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors and the chief executive (continued)

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Five months ended 31 May 2024 (unaudited)			
Executive directors:			
-Ms. Wang Yuli	110	44	154
-Ms. Chen Yan	70	45	115
Non-executive directors:			
-Mr. Jiao Daojie	-	-	-
-Mr. Yang Chong	-	-	-
-Mr. Li Zhuangzhi	-	-	-
Chief executive:			
-Mr. Zhang Kuang	110	41	151
Total	290	130	420
	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Five months ended 31 May 2025			
Executive directors:			
-Ms. Wang Yuli	362	42	404
-Ms. Chen Yan	216	41	257
Non-executive directors:			
-Mr. Jiao Daojie	-	-	-
-Mr. Yang Chong	-	-	-
-Mr. Li Zhuangzhi	-	-	-
Chief executive:			
-Mr. Zhang Kuang	117	47	164
Total	695	130	825

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration at the end of each of the Relevant Periods and 31 May 2024.

Mr. Shu Chunpeng was appointed as chief executive of the Company in June 2022. Ms. Wang Yuli was appointed as executive director in July 2022. Mr. Jiao Daojie, Mr. Yang Chong and Mr. Li Zhuangzhi were appointed as non-executive directors in June 2022. In October 2023, Mr. Shu Chunpeng resigned from his position as chief executive of the Company and Mr. Zhang Kuang was appointed as chief executive of the Company. Ms. Chen Yan was appointed as an executive director in November 2023.

Mr. Jiao Daojie, Mr. Yang Chong and Mr. Li Zhuangzhi were appointed and paid by Huaibei Mining Group to serve as non-executive directors of the Company.

NOTES TO FINANCIAL STATEMENTS (continued)**9. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the years ended 31 December 2022, 2023 and 2024, and the five months ended 31 May 2024 and 2025 included two, nil, one, nil (unaudited) and two director, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining highest paid employees who are neither a director nor chief executive of the Company for the years ended 31 December 2022, 2023 and 2024, and the five months ended 31 May 2024 and 2025 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Salaries, allowances and benefits in kind	919	1,633	1,709	964	673
Pension scheme contributions and social welfare	220	409	436	292	186
Total	1,139	2,042	2,145	1,256	859

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees				
	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024 (unaudited)	2025
Nil to HK\$500,000	3	4	-	5	3
HK\$500,001 to HK\$1,000,000	-	1	4	-	-

NOTES TO FINANCIAL STATEMENTS (continued)**10. INCOME TAX**

The Company is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions.

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the Company which operates in Chinese Mainland is subject to CIT at a rate of 25% on the taxable income.

The Company was identified as a "High and New Technology Enterprise" on 21 October 2016 and renewed the qualification on 18 October 2022, and such status will expire on 18 October 2025. Based on the CIT Law and related regulations, the applicable tax rate of the Company is 15% provided that the Company complies with the conditions set out in the relevant requirements.

	Year ended 31 December			Five months ended 31 May	
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Current tax	-	4,390	1,959	2,977	3,043
Deferred tax (note 16)	2,180	1,994	4,929	(1,108)	(546)
Total tax charge for the year/period	2,180	6,384	6,888	1,869	2,497

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company is domiciled to the income tax expense at the effective income tax rate is as follows:

	Year ended 31 December			Five months ended 31 May	
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Profit before tax	26,603	50,001	59,490	16,339	20,529
At the statutory income tax rate of 25%	6,651	12,500	14,872	4,085	5,132
Effect of preferential income tax rates	(2,661)	(5,000)	(5,949)	(1,636)	(2,053)
Expenses not deductible for tax	273	123	23	8	16
Additional deductible allowance for qualified research costs	(1,092)	(1,239)	(2,058)	(588)	(598)
Additional deductible allowance for purchase of property, plant and equipment	(991)	-	-	-	-
Tax charge at the Company's effective rate	2,180	6,384	6,888	1,869	2,497

NOTES TO FINANCIAL STATEMENTS (continued)

11. DIVIDENDS

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Dividends	55,311	-	-	-	-

All the dividends declared in 2022 were paid in August 2023.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year or the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the Relevant Periods and the five months ended 31 May 2024.

As described in note 27(b), the Company was converted into a joint stock company with limited liability. The Company's paid-in capital of RMB50,980,400 was converted into 50,980,400 shares of RMB1.00 each accordingly. For the purpose of computing basic and diluted earnings per share, the weighted average number of ordinary shares deemed to be outstanding before the Company's conversion into a joint stock company was determined assuming the conversion had occurred since 1 January 2022, at the exchange ratio established in the conversion in June 2022.

The Company had no potentially dilutive ordinary shares outstanding during the Relevant Periods and the five months ended 31 May 2024.

The calculations of basic earnings per share are based on:

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
				(unaudited)	
Earnings					
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation(RMB'000)	24,423	43,617	52,602	14,470	18,032
Shares					
Weighted average number of ordinary shares deemed to be outstanding during the year/period used in the basic earnings per share calculation('000)	57,105	72,251	72,894	72,894	72,894

NOTES TO FINANCIAL STATEMENTS (continued)

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2022

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment and other devices RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Asset related to rehabilitation RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2022:								
Cost (unaudited)	50,938	82,538	574	1,774	26,737	20,784	1,705	185,050
Accumulated depreciation (unaudited)	(11,051)	(24,476)	(523)	(1,204)	-	-	-	(37,254)
Net carrying amount (unaudited)	39,887	58,062	51	570	26,737	20,784	1,705	147,796
At 1 January 2022, net of accumulated depreciation (unaudited)	39,887	58,062	51	570	26,737	20,784	1,705	147,796
Additions	955	13,660	360	-	1,337	-	29,683	45,995
Disposals	(9)	-	-	-	-	-	-	(9)
Transfer from construction in progress	-	10,535	162	152	-	-	(10,849)	-
Depreciation provided during the year	(2,868)	(9,871)	(80)	(147)	(552)	(987)	-	(14,505)
At 31 December 2022, net of accumulated depreciation	37,965	72,386	493	575	27,522	19,797	20,539	179,277
At 31 December 2022:								
Cost	51,875	104,300	1,096	1,926	28,074	20,784	20,539	228,594
Accumulated depreciation	(13,910)	(31,914)	(603)	(1,351)	(552)	(987)	-	(49,317)
Net carrying amount	37,965	72,386	493	575	27,522	19,797	20,539	179,277

NOTES TO FINANCIAL STATEMENTS (continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2023

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment and other devices RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Asset related to rehabilitation RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2023:								
Cost	51,875	104,300	1,096	1,926	28,074	20,784	20,539	228,594
Accumulated depreciation	(13,910)	(31,914)	(603)	(1,351)	(552)	(987)	-	(49,317)
Net carrying amount	37,965	72,386	493	575	27,522	19,797	20,539	179,277
At 1 January 2023, net of accumulated depreciation	37,965	72,386	493	575	27,522	19,797	20,539	179,277
Additions	-	-	-	-	-	-	223,538	223,538
Disposals	-	-	-	(12)	-	-	-	(12)
Transfer from construction in progress	6,557	10,304	288	763	-	-	(17,912)	-
Depreciation provided during the year	(2,969)	(11,666)	(198)	(313)	(968)	(988)	-	(17,102)
At 31 December 2023, net of accumulated depreciation	41,553	71,024	583	1,013	26,554	18,809	226,165	385,701
At 31 December 2023:								
Cost	58,432	114,605	1,384	2,430	28,074	20,784	226,165	451,874
Accumulated depreciation	(16,879)	(43,581)	(801)	(1,417)	(1,520)	(1,975)	-	(66,173)
Net carrying amount	41,553	71,024	583	1,013	26,554	18,809	226,165	385,701

NOTES TO FINANCIAL STATEMENTS (continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2024

At 1 January 2024:

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment and other devices RMB'000	Motor vehicles RMB'000	Mining infrastructure RMB'000	Asset related to rehabilitation RMB'000	Construction in progress RMB'000	Total RMB'000
Cost	58,432	114,605	1,384	2,430	28,074	20,784	226,165	451,874
Accumulated depreciation	(16,879)	(43,581)	(801)	(1,417)	(1,520)	(1,975)	-	(66,173)
Net carrying amount	41,553	71,024	583	1,013	26,554	18,809	226,165	385,701
At 1 January 2024, net of accumulated depreciation	41,553	71,024	583	1,013	26,554	18,809	226,165	385,701
Additions	-	-	-	-	-	-	133,139	133,139
Effect on change of provision for environmental rehabilitation	-	-	-	-	-	1,865	-	1,865
Transfer from construction in progress	135,080	221,106	1,717	13	-	-	(357,916)	-
Depreciation provided during the year	(5,632)	(18,452)	(407)	(328)	(1,124)	(1,246)	-	(27,189)
At 31 December 2024, net of accumulated depreciation	171,001	273,678	1,893	698	25,430	19,428	1,388	493,516
At 31 December 2024:								
Cost	193,512	335,711	3,101	2,443	28,074	22,649	1,388	586,878
Accumulated depreciation	(22,511)	(62,033)	(1,208)	(1,745)	(2,644)	(3,221)	-	(93,362)
Net carrying amount	171,001	273,678	1,893	698	25,430	19,428	1,388	493,516

NOTES TO FINANCIAL STATEMENTS (continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 May 2025

At 1 January 2025:

Cost	193,512	335,711	3,101	2,443	28,074	22,649	1,388	586,878
Accumulated depreciation	(22,511)	(62,033)	(1,208)	(1,745)	(2,644)	(3,221)	-	(93,362)
Net carrying amount	171,001	273,678	1,893	698	25,430	19,428	1,388	493,516

At 1 January 2025, net of accumulated depreciation

Additions	171,001	273,678	1,893	698	25,430	19,428	1,388	493,516
Effect on change of provision for environmental rehabilitation	-	-	-	-	-	-	5,875	5,875
Transfer from construction in progress	-	1,079	8	-	-	-	(1,087)	277
Depreciation provided during the period	(3,922)	(13,725)	(222)	(132)	(562)	(477)	-	(19,040)

At 31 May 2025, net of accumulated depreciation

	167,079	261,032	1,679	566	24,868	19,228	6,176	480,628
--	---------	---------	-------	-----	--------	--------	-------	---------

At 31 May 2025:

Cost	193,512	336,790	3,109	2,443	28,074	22,926	6,176	593,030
Accumulated depreciation	(26,433)	(75,758)	(1,430)	(1,877)	(3,206)	(3,698)	-	(112,402)
Net carrying amount	167,079	261,032	1,679	566	24,868	19,228	6,176	480,628

The ownership certificates of certain property, plant and equipment with aggregate net carrying values of RMB7,715,000, RMB5,062,000, RMB83,189,000 and nil, have not yet been obtained as at 31 December 2022, 2023 and 2024 and 31 May 2025, respectively.

NOTES TO FINANCIAL STATEMENTS (continued)**14. LEASES****The Company as a lessee**

The Company has lease contracts for leasehold land used in its operations. Lump sum payments were made upfront to lease the leasehold land with lease periods of 33 to 50 years, and no ongoing payments will be made under the terms of the lease.

(a) Right-of-use assets

The carrying amounts of the Company's right-of-use assets and the movements during the Relevant Periods are as follows:

	Leasehold land RMB'000
As at 1 January 2022 (unaudited)	12,146
Additions	83,642
Depreciation charge	<u>(1,720)</u>
As at 31 December 2022 and 1 January 2023	94,068
Depreciation charge	<u>(2,763)</u>
As at 31 December 2023 and 1 January 2024	91,305
Depreciation charge	<u>(2,763)</u>
As at 31 December 2024	88,542
Depreciation charge	<u>(1,152)</u>
As at 31 May 2025	<u>87,390</u>

(b) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation charge of right-of-use assets	1,720	2,763	2,763	1,152	1,152
Expenses relating to short-term and low-value leases	<u>992</u>	<u>84</u>	<u>157</u>	<u>16</u>	<u>133</u>
Total amount recognised in profit or loss	<u>2,712</u>	<u>2,847</u>	<u>2,920</u>	<u>1,168</u>	<u>1,285</u>

NOTES TO FINANCIAL STATEMENTS (continued)

14. LEASES (continued)

The Company as a lessor

The Company leases certain of its warehouses to a third party under operating lease arrangements. Rental income recognised by the Company during the years ended 31 December 2022, 2023 and 2024, and the five months ended 31 May 2024 and 2025 were nil, RMB69,000, RMB40,000, RMB17,000(unaudited) and RMB17,000 respectively.

As at the end of each of the Relevant Periods and 31 May 2024, the undiscounted lease payments receivable by the Company in future periods under non-cancellable operating leases with its tenants are as follows:

	Year ended 31 December			Five months ended 31 May	
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Within one year	96	40	20	40	3
After one year but within two years	40	20	-	3	-
After two years but within three years	20	-	-	-	-
Total	156	60	20	43	3

NOTES TO FINANCIAL STATEMENTS (continued)

15. OTHER INTANGIBLE ASSETS

	Mining rights RMB'000
31 December 2022	
Cost at 1 January 2022, net of accumulated amortisation (unaudited)	141,900
Amortisation provided during the year	<u>(2,988)</u>
At 31 December 2022	<u>138,912</u>
At 31 December 2022	
Cost	141,900
Accumulated amortisation	<u>(2,988)</u>
Net carrying amount	<u>138,912</u>
31 December 2023	
Cost at 1 January 2023, net of accumulated amortisation	138,912
Amortisation provided during the year	<u>(4,808)</u>
At 31 December 2023	<u>134,104</u>
At 31 December 2023	
Cost	141,900
Accumulated amortisation	<u>(7,796)</u>
Net carrying amount	<u>134,104</u>
31 December 2024	
Cost at 1 January 2024, net of accumulated amortisation	134,104
Amortisation provided during the year	<u>(5,699)</u>
At 31 December 2024	<u>128,405</u>
At 31 December 2024	
Cost	141,900
Accumulated amortisation	<u>(13,495)</u>
Net carrying amount	<u>128,405</u>
31 May 2025	
Cost at 1 January 2025, net of accumulated amortisation	128,405
Amortisation provided during the period	<u>(2,835)</u>
At 31 May 2025	<u>125,570</u>
At 31 May 2025	
Cost	141,900
Accumulated amortisation	<u>(16,330)</u>
Net carrying amount	<u>125,570</u>

NOTES TO FINANCIAL STATEMENTS (continued)

16. DEFERRED TAX

The movements in deferred tax assets and liabilities during each of the Relevant Periods are as follows:

Deferred tax assets

	Impairment of assets RMB'000	Provision for rehabilitation RMB'000	Deferred income RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2022 (unaudited)	347	3,118	1,526	-	4,991
Deferred tax (charged)/credited to profit or loss during the year	(263)	156	(56)	1,613	1,450
Gross deferred tax assets at 31 December 2022	84	3,274	1,470	1,613	6,441
At 1 January 2023	84	3,274	1,470	1,613	6,441
Deferred tax credited/(charged) to profit or loss during the year	6	141	(168)	(1,613)	(1,634)
Gross deferred tax assets at 31 December 2023	90	3,415	1,302	-	4,807
At 1 January 2024	90	3,415	1,302	-	4,807
Deferred tax credited/(charged) to profit or loss during the year	4	404	(4)	-	404
Gross deferred tax assets at 31 December 2024	94	3,819	1,298	-	5,211
At 1 January 2025	94	3,819	1,298	-	5,211
Deferred tax credited/(charged) to profit or loss during the period	16	99	(16)	-	99
Gross deferred tax assets at 31 May 2025	110	3,918	1,282	-	5,310

NOTES TO FINANCIAL STATEMENTS (continued)

16. DEFERRED TAX (continued)

The movements in deferred tax assets and liabilities during each of the Relevant Periods are as follows:
(continued)

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000	Asset related to rehabilitation RMB'000	Total RMB'000
At 1 January 2022 (unaudited)	-	3,118	3,118
Deferred tax charged/(credited) to profit or loss during the year	3,779	(149)	3,630
Gross deferred tax liabilities at 31 December 2022	3,779	2,969	6,748
At 1 January 2023	3,779	2,969	6,748
Deferred tax charged/(credited) to profit or loss during the year	508	(148)	360
Gross deferred tax liabilities at 31 December 2023	4,287	2,821	7,108
At 1 January 2024	4,287	2,821	7,108
Deferred tax charged to profit or loss during the year	5,240	93	5,333
Gross deferred tax liabilities at 31 December 2024	9,527	2,914	12,441
At 1 January 2025	9,527	2,914	12,441
Deferred tax credited to profit or loss during the period	(417)	(30)	(447)
Gross deferred tax liabilities at 31 May 2025	9,110	2,884	11,994

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of financial position as at 31 December 2022, 2023 and 2024 and 31 May 2025. The following is an analysis of the deferred tax balances of the Company for financial reporting purposes:

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the statements of financial position	-	-	-	-
Net deferred tax liabilities recognised in the statements of financial position	307	2,301	7,230	6,684

NOTES TO FINANCIAL STATEMENTS (continued)

17. OTHER NON-CURRENT ASSETS

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for construction in progress	736	-	-	-

18. INVENTORIES

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	9,104	11,256	13,155	10,952
Work in progress	6,717	15,395	17,963	34,485
Finished goods	12,084	14,568	16,156	22,680
Total	27,905	41,219	47,274	68,117

19. TRADE AND BILLS RECEIVABLES

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivable	24,801	38,380	46,745	31,939
Trade receivables	2,012	4,344	6,807	8,782
Impairment	(218)	(450)	(574)	(686)
Net carrying amount	26,595	42,274	52,978	40,035

The Company generally requires the customers to pay in advance of delivery. However, based on their scale, fiscal condition, operational results and historical contractual performance, the Company engaged in credit sales with certain customers and granted credit terms up to 90 days, of which each customer has a maximum credit limit. The Company seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at 31 December 2022, 2023 and 2024 and 31 May 2025, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	1,577	3,671	5,313	6,190
3 to 6 months	33	157	897	1,373
6 to 12 months	120	17	1	520
1 to 3 years	54	47	-	1
Over 3 years	10	2	22	12
Total	1,794	3,894	6,233	8,096

NOTES TO FINANCIAL STATEMENTS (continued)**19. TRADE AND BILLS RECEIVABLES (continued)**

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 31 May
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
At beginning of year/period	150	218	450	574
Impairment losses, net	68	236	124	112
Amount written off as uncollectible	-	(4)	-	-
At end of year/period	<u>218</u>	<u>450</u>	<u>574</u>	<u>686</u>

An impairment analysis was made based on expected credit loss model on the recoverability of trade receivables and performed using a provision matrix to measure expected credit losses. The identification of impairment requires management's judgements and estimates by considering the age of the balance, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and influence from macroeconomy.

Set out below is the information about the credit risk exposure on the Company's trade receivables:

As at 31 December 2022

	Within 1 year	1 to 3 years	Over 3 years	Total
Expected credit rate	5.05%	8.47%	92.37%	10.83%
Gross carrying amount (RMB'000)	1,822	59	131	2,012
Expected credit losses (RMB'000)	<u>92</u>	<u>5</u>	<u>121</u>	<u>218</u>

As at 31 December 2023

	Individual basis	Within 1 year	1 to 3 years	Over 3 years	Total
Expected credit rate	100.00%	5.01%	27.69%	98.35%	10.36%
Gross carrying amount (RMB'000)	110	4,048	65	121	4,344
Expected credit losses (RMB'000)	<u>110</u>	<u>203</u>	<u>18</u>	<u>119</u>	<u>450</u>

As at 31 December 2024

	Individual basis	Within 1 year	1 to 3 years	Over 3 years	Total
Expected credit rate	100.00%	5.00%	32.07%	86.59%	8.43%
Gross carrying amount (RMB'000)	105	6,538	-	164	6,807
Expected credit losses (RMB'000)	<u>105</u>	<u>327</u>	<u>-</u>	<u>142</u>	<u>574</u>

As at 31 May 2025

	Individual basis	Within 1 year	1 to 3 years	Over 3 years	Total
Expected credit rate	100.00%	5.02%	50.00%	92.73%	7.81%
Gross carrying amount (RMB'000)	105	8,510	2	165	8,782
Expected credit losses (RMB'000)	<u>105</u>	<u>427</u>	<u>1</u>	<u>153</u>	<u>686</u>

NOTES TO FINANCIAL STATEMENTS (continued)**19. TRADE RECEIVABLES (continued)**

Set out below is the information about the credit risk exposure on the Company's trade receivables: (continued)

The expected credit losses for bills receivable were minimal since the settlement was made from creditworthy banks with no recent history of default as at 31 December 2022, 2023 and 2024 and 31 May 2025. The maturity term of bills receivable is generally one to six months.

The Company endorsed certain bills receivable included in bills receivable and debt investments at fair value through other comprehensive income, which were all accepted by banks in the Chinese Mainland to certain suppliers in order to settle the trade and other payables due to such suppliers. Further details are included in note 34 to the financial statements.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December			As at 31 May
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
Other receivables	1,071	211	285	250
Advance to suppliers	3,308	3,376	2,403	3,166
Recoverable value-added tax	984	6,810	801	1,280
Income tax recoverable	-	-	2,356	3,869
Deferred listing expenses	-	-	19,329	23,111
Impairment	(202)	(14)	(53)	(53)
Total	<u>5,161</u>	<u>10,383</u>	<u>25,121</u>	<u>31,623</u>

Other receivables are unsecured, non-interest-bearing and repayable on demand.

The Company has applied the general approach in calculating the expected credit loss for other receivables. The Company considers the historical loss rate and adjusts for forward-looking macroeconomic data in calculating the expected credit loss rate.

The following table provides information about the exposure to credit risk and ECLs for other receivables from third parties which are assessed collectively based on an estimated average credit loss rate as at 31 December 2022, 2023 and 2024 and 31 May 2025:

	31 December 2022		
	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Other receivables	<u>18.86%</u>	<u>1,071</u>	<u>202</u>
	31 December 2023		
	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Other receivables	<u>6.64%</u>	<u>211</u>	<u>14</u>
	31 December 2024		
	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Other receivables	<u>18.60%</u>	<u>285</u>	<u>53</u>

NOTES TO FINANCIAL STATEMENTS (continued)**20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)**

		31 May 2025	
	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Other receivables	21.20%	250	53

21. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Debt investments at fair value through other comprehensive income:				
Bills receivable	12,401	1,453	19,185	18,576

For the bills receivable that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, they are measured at "financial assets at fair value through other comprehensive income" ("financial assets at FVTOCI").

The Company considers the credit risk is limited because counterparties are banks with good credit standing and are highly likely to be paid, and the ECLs are considered as insignificant.

22. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	95,085	32,564	71,694	62,478
Cash and cash equivalents	95,085	32,564	71,694	62,478

As at 31 December 2022, 2023 and 2024 and 31 May 2025, the cash and cash equivalents of the Company denominated in United States dollars ("USD") amounted to approximately RMB177,000, nil, RMB779,000 and RMB1,458,000, respectively. The remaining cash and cash equivalents held by the Company are denominated in RMB.

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

NOTES TO FINANCIAL STATEMENTS (continued)**23. TRADE AND OTHER PAYABLES**

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Payable for purchase of property, plant and equipment and other intangible assets	85,352	42,765	80,723	61,812
Dividends payable	55,311	-	-	-
Trade payables (a)	18,269	49,676	43,635	38,902
Contract liabilities (b)	4,313	3,060	2,407	4,277
Payroll and welfare payables	9,434	6,820	7,458	6,854
Other tax payables	9,609	2,852	1,415	3,317
Other payables (c)	3,014	5,869	18,774	7,861
Deposits	1,606	2,237	2,262	2,046
Other current liabilities	561	398	312	557
Total	187,469	113,677	156,986	125,626

(a) An ageing analysis of the trade payables as at 31 December 2022, 2023 and 2024 and 31 May 2025, based on the invoice date, is as follows:

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	17,631	49,192	43,561	38,587
1 to 2 years	510	248	6	252
2 to 3 years	3	166	4	-
Over 3 years	125	70	64	63
Total	18,269	49,676	43,635	38,902

(b) Contract liabilities include short-term advances received from customers regarding to sales of goods.

(c) Other payables are non-interest-bearing.

24. PROVISION

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Provision for rehabilitation	21,824	22,765	25,463	26,117
Less: current portion	-	-	-	-
Non-current portion	21,824	22,765	25,463	26,117

The Company recognised a provision for environmental rehabilitation on the estimation of the life of mining tenement, timing of mine closure and costs of rehabilitation to be incurred in the future periods. Such provision will be re-estimated based on the updated plans of rehabilitating mine sites.

NOTES TO FINANCIAL STATEMENTS (continued)**24. PROVISION (continued)**

The movements in the present value of the provision for rehabilitation are as follows:

	Year ended 31 December			As at 31 May
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
As at the beginning of the year/period	20,785	21,824	22,765	25,463
Interest increments	1,039	941	833	377
Change in discount rate	-	-	1,626	277
Change in estimated rehabilitation cost	-	-	239	-
As at the end of the year/period	<u>21,824</u>	<u>22,765</u>	<u>25,463</u>	<u>26,117</u>

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2022		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank borrowings - unsecured	-	-	-
Non-current			
Bank borrowings - unsecured	-	-	-
Total			<u>-</u>

	As at 31 December 2023		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank borrowings - unsecured	2.50	2024	<u>24,145</u>
Non-current			
Bank borrowings - unsecured	2.90-3.00	2025-2030	<u>153,000</u>
Total			<u>177,145</u>

	As at 31 December 2024		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank borrowings - unsecured	2.50	2025	<u>6,141</u>
Non-current			
Bank borrowings - unsecured	2.30-2.90	2026-2030	<u>178,100</u>
Other borrowings - unsecured*	2.30-2.55	2032	<u>80,000</u>
Total			<u>264,241</u>

NOTES TO FINANCIAL STATEMENTS (continued)**25. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)**

	As at 31 May 2025		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank borrowings - unsecured	2.30	2025	7,097
Other borrowings - unsecured*	2.30	2025	269
Non-current			
Bank borrowings - unsecured	2.30-2.90	2026-2030	178,100
Other borrowings - unsecured*	2.30	2032	80,000
Total			265,466

* As at 31 December 2024 and 31 May 2025, unsecured other borrowing of RMB80,000,000 was from Huaibei Mining Group, our parent company, with interest paid quarterly. The Company will not repay the borrowing of RMB80,000,000 until September 2032 and the other borrowing of RMB269,000 has been paid in June 2025. Further details are included in note 32 to the financial statements.

All borrowings were unsecured at the end of each of the Relevant Periods.

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed into:				
Bank and other borrowings repayable:				
Within one year	-	24,145	6,141	7,366
In the second year	-	6,000	24,000	24,000
In the third to fifth years, inclusive	-	132,000	186,000	186,000
Beyond five years	-	15,000	48,100	48,100
Total	-	177,145	264,241	265,466

The Company's borrowings are all denominated in RMB with floating interest rates.

26. DEFERRED INCOME

The movements in deferred income at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of year/period	15,558	14,701	13,033	12,503
Grants received during the year/period	-	-	206	-
Credited to profit or loss during the year/period	(857)	(1,668)	(736)	(303)
At the end of year/period	14,701	13,033	12,503	12,200

Government grants received relating to assets are recognised in deferred income and released to profit or loss over the expected or remaining useful lives of the relevant assets.

NOTES TO FINANCIAL STATEMENTS (continued)

27. SHARE CAPITAL

	Number of ordinary shares	Paid-in capital RMB'000	Share capital RMB'000
At 1 January 2022 (unaudited)	-	31,145	-
Capital contribution from shareholders (Note a)	-	19,835	-
Issue of ordinary shares upon conversion into a joint stock company (Note b)	50,980,400	(50,980)	50,980
Issue of ordinary shares (Note c)	19,906,617	-	19,907
	<u>70,887,017</u>	<u>-</u>	<u>70,887</u>
At 31 December 2022 and 1 January 2023	70,887,017	-	70,887
Issue of ordinary shares (Note d)	2,007,299	-	2,007
	<u>72,894,316</u>	<u>-</u>	<u>72,894</u>
At 31 December 2023, 2024 and 31 May 2025	<u>72,894,316</u>	<u>-</u>	<u>72,894</u>

Notes:

- a) In December 2021, the Company entered into a capital injection agreement with Huaibei Jiantou Transportation Investment Co., Ltd. ("Huaibei Jiaotou"), pursuant to which total capital of RMB126,241,000 was injected into the Company. The consideration of RMB26,000,000 was paid in 2021, with RMB5,145,000 and RMB20,855,000 credited to the Company's paid-in capital and capital reserve during the year ended 31 December 2021, respectively. The remaining consideration of RMB100,241,000 was paid in March 2022, with RMB19,835,000 and RMB80,406,000 credited to the Company's paid-in capital and capital reserve during the year ended 31 December 2022, respectively.
- b) In June 2022, the Company converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company as of the conversion base date, including paid-in capital, other reserves and retained profits, amounting to approximately RMB239,724,000 were converted into 50,980,000 ordinary shares at RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares with RMB188,744,000 was credited to the Company's share premium.
- c) On 20 June 2022, the Company entered into capital injection agreements with two shareholders, Huaibei Mining Group and Huaibei Jiaotou, pursuant to which total capital of RMB102,320,000 was injected into the Company. Huaibei Mining Group made capital contributions in land use rights based on the appraised value of RMB81,319,000, with RMB15,821,000 and RMB65,498,000 credited to the Company's share capital and share premium, respectively. The transfers of the land use rights certificates were completed in August 2022. Huaibei Jiaotou made capital contributions in cash of RMB21,001,000, with RMB4,086,000 and RMB16,915,000 credited to the Company's share capital and share premium, respectively. The consideration was fully paid in cash by June 2022.
- d) In April 2023, the Company issued 2,007,299 ordinary shares directionally to Huaibei Wanhui Investment Co., Ltd. on the National Equities Exchange and Quotations at an offer price of RMB5.48 per share. The final par value of the share capital (RMB1.00 per share) of RMB2,007,000 was credited to the share capital of the Company. The gross proceeds from the issuance with RMB11,000,000 deducting share issue expenses of RMB547,000, in excess of the par value of the share capital of RMB8,446,000 were credited to share premium of the Company.

NOTES TO FINANCIAL STATEMENTS (continued)

28. RESERVES

The amounts of the Company's reserves and the movements therein during the Relevant Periods and the five months ended 31 May 2024 are presented in the statements of changes in equity.

Share premium

The share premium of the Company represents the share premium contributed by the shareholders of the Company after its conversion into a joint stock company.

Capital reserve

The capital reserve of the Company represents the share premium contributed by the shareholders of the Company before its conversion into a joint stock company.

Statutory surplus reserve

In accordance with the Company Law of the PRC and the articles of association of the Company, the Company is required to allocate 10% of its profit after tax determined under PRC Accounting Standards to the statutory surplus reserve until such reserve reaches 50% of the authorised paid-in capital of the Company. Subject to certain restrictions set out in the Company Law of the PRC, part of this reserve may be converted to offset losses or increase the paid-in capital/share capital, provided that the remaining balance after the capitalisation is not less than 25% of the authorised paid-in capital.

Special reserve

Pursuant to a notice regarding safety production expenditure jointly issued by the Ministry of Finance and the State Administration of Work Safety of the PRC in February 2012 and revised in November 2022, the Company is required to establish a safety fund surplus reserve based on the volume of mine extracted. The safety fund can only be transferred to retained earnings to offset safety related expenses as and when they are incurred, including expenses related to safety protection facilities and equipment maintenance as well as safety production inspection, consultation and training.

NOTES TO FINANCIAL STATEMENTS (continued)**29. NOTES TO THE STATEMENTS OF CASH FLOWS****(a) Major non-cash transactions**

The Company had non-cash additions to right-of-use assets of RMB81,319,000 resulting from capital contribution during the year ended 31 December 2022.

The Company has endorsed certain bills receivable accepted by banks in Chinese Mainland to certain of its suppliers in order to settle the trade and other payables due to such suppliers with carrying amounts of RMB46,426,000, RMB115,193,000, RMB112,945,000, RMB44,244,000 (unaudited) and RMB66,933,000 of which non-cash additions to property, plant and equipment and other intangible assets were RMB6,495,000, RMB82,637,000, RMB33,105,000, RMB13,486,000 (unaudited) and RMB3,687,000 during the the years ended 31 December 2022, 2023 and 2024, and the five months ended 31 May 2024 and 2025 , respectively.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Included in trade and other payables RMB'000
At 1 January 2022 (unaudited)	-	-
Dividends declared	-	55,311
At 31 December 2022 and 1 January 2023	-	55,311
Cash flows from/(used in) financing activities	175,321	(55,311)
Interest expense	1,824	-
At 31 December 2023 and 1 January 2024	177,145	-
Cash flows from financing activities	80,588	(8,569)
Interest expense	6,508	-
Additions	-	19,608
At 31 December 2024	264,241	11,039
Cash flows from financing activities	(1,590)	(13,382)
Interest expense	2,815	-
Additions	-	4,725
At 31 May 2025	265,466	2,382
At 1 January 2024	177,145	-
Cash flows from financing activities	49,627	-
Interest expense	2,364	-
At 31 May 2024(unaudited)	229,136	-

(c) Total cash outflow for leases

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Within operating activities	21	68	80	20	45
Total	21	68	80	20	45

NOTES TO FINANCIAL STATEMENTS (continued)**30. CONTINGENT LIABILITIES**

There were no contingent liabilities of the Company at the end of each of the Relevant Periods.

31. COMMITMENTS

The Company had the following capital commitments at the end of each of the Relevant Periods.

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
Plant and machinery	304,920	135,565	-	80
Total	304,920	135,565	-	80

32. RELATED PARTY TRANSACTIONS**(1) Name and relationship**

Name of related parties	Relationship with the Company
Huaibei Mining Group	The parent
Huaibei Mining Holdings Co., Ltd. and its subsidiaries ("Huaibei Mining Holdings")	Controlled by the parent
Anhui Xiangwang Medical & Health Co., Ltd. and its subsidiaries ("Anhui Xiangwang")	Controlled by the parent
Anhui Zishuo Environmental Technology Co., Ltd. ("Anhui Zishuo")	Controlled by the parent
Huaibei Industry Architecture Design Institute Co., Ltd. ("Huaibei Industry")	Controlled by the parent
Huaibei Mining Media Technology Co., Ltd. ("Huaibei Mining Media Tech.")	Controlled by the parent
Huaibei Shuoli Mining Co., Ltd. ("Huaibei Shuoli Mining")	Controlled by the parent
Anhui Fuyan Environmental Protection Equipment Technology Co., Ltd. ("Anhui Fuyan")	Controlled by the parent
Huaibei Shitai Mining Co., Ltd. ("Huaibei Shitai")	Controlled by the parent
Huaibei Jiaotou	A shareholder which has significant influence

NOTES TO FINANCIAL STATEMENTS (continued)

32. RELATED PARTY TRANSACTIONS (continued)

(2) Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the Relevant Periods and the five months ended 31 May 2024:

	Notes	Year ended 31 December			Five months ended 31 May	
		2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Sales to a related party:						
Huaibei Mining Holdings	(i)	657	489	2,010	120	-
Anhui Zishuo	(i)	-	-	2,973	-	2,757
Purchase of services from related parties:						
Anhui Xiangwang	(ii)	516	60	164	40	20
Anhui Zishuo	(ii)	443	-	-	-	-
Huaibei Industry	(ii)	142	-	1,168	300	-
Huaibei Mining Group	(ii)	-	38	21	4	84
Huaibei Mining Media Tech.	(ii)	-	51	15	11	18
Huaibei Mining Holdings	(ii)	5,133	847	675	225	137
Purchase of materials from related parties:						
Anhui Xiangwang	(ii)	2	135	-	-	-
Huaibei Mining Holdings	(ii)	4,762	7,656	18	-	-
Huaibei Shuoli Mining	(ii)	9,434	-	-	-	-
Purchase of equipment from related parties:						
Anhui Zishuo		-	4,204	-	-	-
Huaibei Mining Holdings	(ii)	13,133	903	802	-	-
Huaibei Shuoli Mining	(ii)	-	491	-	-	-
Interest income from a related party:						
Huaibei Mining Holdings	(iii)	308	37	2	1	-
Fund transfers from a related party:						
Huaibei Mining Holdings	(iii)	39,977	10,450	3,472	3,395	-
Interest expense to a related party:						
Huaibei Mining Group	(iv)	-	-	583	-	673
Leases from related parties:						
Huaibei Mining Group	(v)	158	-	-	-	-
Huaibei Shuoli Mining	(v)	600	-	-	-	-
Borrowing from a related party:						
Huaibei Mining Group	(iv)	-	-	80,000	-	-
Receipt of consideration of disposal of a subsidiary:						
Huaibei Mining Group	(vi)	32,798	-	-	-	-

NOTES TO FINANCIAL STATEMENTS (continued)

32. RELATED PARTY TRANSACTIONS (continued)

(2) Significant related party transactions (continued)

Notes:

- (i) The sales transaction prices with the related party were determined on normal commercial terms and negotiated on an arm's length basis and on the similar basis as the Company conducted businesses with major customers.
- (ii) The purchase transaction prices were determined on terms mutually agreed between the parties with reference to the actual cost and fees for similar transactions in the market.
- (iii) The fund transfers from a related party mainly represented the net cash flows from the Huaibei Mining Group Finance Co., Ltd., which is a subsidiary of Huaibei Mining Holdings. The interest income was according to the published interest rate of Huaibei Mining Group Finance Co., Ltd. which was similar to those offered to other companies.
- (iv) The borrowings from related parties were unsecured, bore interest with floating interest rates and repayable with a repayment term.
- (v) The transaction prices were made according to the published prices and conditions similar to those offered to other companies.
- (vi) In December 2021, the Company disposed of its equity interest in Anhui Fuyan to Huaibei Mining Group for a consideration of RMB32,798,000, resulting in a gain on disposal of RMB12,349,000. The consideration was received in full in 2022.

(3) Other transactions with related parties

Details of other transactions with related parties are set out in note 27 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)

32. RELATED PARTY TRANSACTIONS (continued)

(4) Outstanding balances with related parties

Balances relating to trade activities

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables:				
Huaibei Industry	20	-	120	-
Huaibei Mining Holdings	135	931	863	98
Huaibei Jiaotou	4,174	-	-	-
Huaibei Mining Group	51,138	5	20	95
Anhui Zishuo	-	627	9	9
Huaibei Mining Media Tech.	-	-	5	-
Huaibei Shitai	395	-	-	-
Huaibei Shuoli Mining	64,200	-	-	-
Trade and bills receivables:				
Huaibei Mining Holdings	-	321	335	-
Anhui Zishuo	-	-	3,360	-
Prepayments, other receivables and other assets:				
Anhui Fuyan	239	-	-	-
Huaibei Mining Holdings	365	121	121	121
Huaibei Mining Group	-	146	170	170

Balances relating to non-trade activities

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings:				
Huaibei Mining Group	-	-	80,000	80,269
Cash and cash equivalents:				
Huaibei Mining Holdings	13,922	3,472	-	-

(5) Compensation of key management personnel of the Company

	Year ended 31 December			Five months ended 31 May	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Short-term employee benefits	1,257	1,107	2,378	753	1,410
Pension scheme contributions	208	509	912	333	398
Total compensation paid to key management personnel	1,465	1,616	3,290	1,086	1,808

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

NOTES TO FINANCIAL STATEMENTS (continued)**33. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

31 December 2022

Financial assets

	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	-	869	869
Debt investments at fair value through other comprehensive income (note 21)	12,401	-	12,401
Trade and bills receivables (note 19)	-	26,595	26,595
Cash and cash equivalents (note 22)	-	95,085	95,085
Total	12,401	122,549	134,950

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in trade and other payables	163,552

31 December 2023

Financial assets

	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	-	197	197
Debt investments at fair value through other comprehensive income (note 21)	1,453	-	1,453
Trade and bills receivables (note 19)	-	42,274	42,274
Cash and cash equivalents (note 22)	-	32,564	32,564
Total	1,453	75,035	76,488

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in trade and other payables	100,547
Interest-bearing bank and other borrowings (note 25)	177,145
Total	277,692

NOTES TO FINANCIAL STATEMENTS (continued)**33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows: (continued)

31 December 2024

Financial assets

	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	-	232	232
Debt investments at fair value through other comprehensive income (note 21)	19,185	-	19,185
Trade and bills receivables (note 19)	-	52,978	52,978
Cash and cash equivalents (note 22)	-	71,694	71,694
Total	19,185	124,904	144,089

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in trade and other payables	145,394
Interest-bearing bank and other borrowings (note 25)	264,241
Total	409,635

31 May 2025

Financial assets

	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	-	197	197
Debt investments at fair value through other comprehensive income (note 21)	18,576	-	18,576
Trade and bills receivables (note 19)	-	40,035	40,035
Cash and cash equivalents (note 22)	-	62,478	62,478
Total	18,576	102,710	121,286

NOTES TO FINANCIAL STATEMENTS (continued)**33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)**

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows: (continued)

31 May 2025 (continued)

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in trade and other payables	110,621
Interest-bearing bank and other borrowings (note 25)	<u>265,466</u>
Total	<u><u>376,087</u></u>

34. TRANSFERS OF FINANCIAL ASSETSTransferred financial assets that are not derecognised in their entirety

The Company endorsed certain bills receivable included in bills receivable, which were all accepted by banks in the Chinese Mainland (the “Endorsed Bills”) to certain suppliers in order to settle the trade and other payables due to such suppliers (the “Endorsement”). The aggregate amounts of the Endorsed Bills that were not due were RMB9,265,000, RMB37,711,000, RMB25,184,000 and RMB23,375,000 as at 31 December 2022, 2023 and 2024 and 31 May 2025, respectively. In the opinion of the directors, the Company has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Company did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.

Transferred financial assets that are derecognised in their entirety

The Company endorsed certain bills receivable included in debt investments at fair value through other comprehensive income, which were all accepted by banks in the Chinese Mainland (the “Derecognised Bills”) to certain suppliers in order to settle the trade and other payables due to such suppliers. The aggregate amounts of the Derecognised Bills that were not due were RMB6,363,000 and RMB26,744,000, RMB21,596,000 and RMB32,688,000 as at 31 December 2022, 2023 and 2024 and 31 May 2025, respectively. The Derecognised Bills had a maturity term from one to six months as at 31 December 2022, 2023 and 2024 and 31 May 2025. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Company, in disregard of the order of precedence (the “Continuing Involvement”). In the opinion of the directors, the risk of the Company being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Company has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Company's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Company's Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2022, 2023 and 2024, and the five months ended 31 May 2024 and 2025, the Company has not recognised any gain or loss on the date of transfer of the Endorsed Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

NOTES TO FINANCIAL STATEMENTS (continued)

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts				Fair values			
	As at 31 December		As at 31 May		As at 31 December		As at 31 May	
	2022	2023	2024	2025	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets								
Debt investments at fair value through other comprehensive income	12,401	1,453	19,185	18,576	12,401	1,453	19,185	18,576
Financial liabilities								
Non-current portion of interest-bearing bank and other borrowings	-	153,000	258,100	258,100	-	141,221	247,999	257,317

NOTES TO FINANCIAL STATEMENTS (continued)**35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)**

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, trade and bills receivables, financial liabilities included in trade and other payables, and interest-bearing bank and other borrowings (current portion) approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Company's financial department headed by the financial manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the financial department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Company's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2022, 2023 and 2024 and 31 May 2025 were assessed to be insignificant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Company's financial instruments:

Assets measured at fair value:

31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Debt investments at fair value through other comprehensive income	-	12,401	-	12,401

NOTES TO FINANCIAL STATEMENTS (continued)

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)Assets measured at fair value: (continued)

31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Debt investments at fair value through other comprehensive income	-	1,453	-	1,453

31 December 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Debt investments at fair value through other comprehensive income	-	19,185	-	19,185

31 May 2025

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Debt investments at fair value through other comprehensive income	-	18,576	-	18,576

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

NOTES TO FINANCIAL STATEMENTS (continued)

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)Liabilities for which fair values are disclosed:

The Company did not have any financial liabilities measured at fair value as at 31 December 2022.

31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings	-	141,221	-	141,221

31 December 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings	-	247,999	-	247,999

31 May 2025

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Interest-bearing bank and other borrowings	-	257,317	-	257,317

NOTES TO FINANCIAL STATEMENTS (continued)**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's principal financial instruments comprise interest-bearing bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as trade and bills receivables, financial assets included in prepayments, other receivables and other assets, and financial liabilities included in trade and other payables which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the Company introduces conservative strategies on its risk management. To keep the Company's exposure to these risks to a minimum, the Company has not used any derivatives and other instruments for hedging purposes. The Company does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The Company's exposure to risk for changes in market interest rates relates primarily to the Company's interest-bearing bank and other borrowings with a floating rate set out in note 25. The Company does not use derivative financial instruments to hedge interest rate risk, and obtains all bank borrowings with a floating rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax and the Company's equity.

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax RMB'000	Increase/(decrease) in equity* RMB'000
31 December 2022			
If interest rate increases	25	-	-
If interest rate decreases	(25)	-	-
31 December 2023			
If interest rate increases	25	(383)	-
If interest rate decreases	(25)	383	-
31 December 2024			
If interest rate increases	25	(660)	-
If interest rate decreases	(25)	660	-
31 May 2025			
If interest rate increases	25	(271)	-
If interest rate decreases	(25)	271	-

* Excluding retained profits

NOTES TO FINANCIAL STATEMENTS (continued)**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(b) Credit risk**

The Company trades only with recognised and creditworthy customers with no requirement for collateral. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In order to minimise the credit risk, the Company reviews the recoverable amount of each individual trade receivable periodically and management also has monitoring procedures to ensure the follow-up action is taken to recover overdue receivables. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2022, 2023 and 2024 and 31 May 2025.

The amounts presented are gross carrying amounts for financial assets.

31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage1 RMB'000	Stage2 RMB'000	Stage3 RMB'000	Simplified approach RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets					
- Normal**	1,071	-	-	-	1,071
Trade and bills receivables*	-	-	-	26,813	26,813
Debt investments at fair value through other comprehensive income	12,401	-	-	-	12,401
Cash and cash equivalents					
- Not yet past due	95,085	-	-	-	95,085
Total	108,557	-	-	26,813	135,370

NOTES TO FINANCIAL STATEMENTS (continued)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk (continued)

Maximum exposure and year-end staging (continued)

31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage1 RMB'000	Stage2 RMB'000	Stage3 RMB'000	Simplified approach RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets - Normal**	211	-	-	-	211
Trade and bills receivables*	-	-	-	42,724	42,724
Debt investments at fair value through other comprehensive income	1,453	-	-	-	1,453
Cash and cash equivalents - Not yet past due	32,564	-	-	-	32,564
Total	34,228	-	-	42,724	76,952

31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage1 RMB'000	Stage2 RMB'000	Stage3 RMB'000	Simplified approach RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets - Normal**	285	-	-	-	285
Trade and bills receivables*	-	-	-	53,552	53,552
Debt investments at fair value through other comprehensive income	19,185	-	-	-	19,185
Cash and cash equivalents - Not yet past due	71,694	-	-	-	71,694
Total	91,164	-	-	53,552	144,716

NOTES TO FINANCIAL STATEMENTS (continued)**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(b) Credit risk (continued)***Maximum exposure and year-end staging (continued)*

31 May 2025

	12-month ECLs	Lifetime ECLs			
	Stage1 RMB'000	Stage2 RMB'000	Stage3 RMB'000	Simplified approach RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets					
- Normal**	250	-	-	-	250
Trade and bills receivables*	-	-	-	40,721	40,721
Debt investments at fair value through other comprehensive income	18,576	-	-	-	18,576
Cash and cash equivalents					
- Not yet past due	62,478	-	-	-	62,478
Total	81,304	-	-	40,721	122,025

* For trade and bills receivables to which the Company applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

(c) Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. Cash flows are closely monitored on an ongoing basis.

NOTES TO FINANCIAL STATEMENTS (continued)**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(c) Liquidity risk (continued)**

The maturity profile of the Company's financial liabilities as at 31 December 2022, 2023 and 2024 and 31 May 2025, based on contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
31 December 2022						
Financial liabilities included in trade and other payables	163,552	-	-	-	-	163,552
Total	163,552	-	-	-	-	163,552
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
31 December 2023						
Interest-bearing bank and other borrowings	-	1,419	27,816	38,573	128,163	195,971
Financial liabilities included in trade and other payables	100,547	-	-	-	-	100,547
Total	100,547	1,419	27,816	38,573	128,163	296,518
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
31 December 2024						
Interest-bearing bank and other borrowings	-	1,890	8,238	90,680	191,668	292,476
Financial liabilities included in trade and other payables	145,394	-	-	-	-	145,394
Total	145,394	1,890	8,238	90,680	191,668	437,870

NOTES TO FINANCIAL STATEMENTS (continued)**36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(c) Liquidity risk (continued)**

The maturity profile of the Company's financial liabilities as at 31 December 2022, 2023 and 2024 and 31 May 2025, based on contractual undiscounted payments, is as follows: (continued)

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
31 May 2025						
Interest-bearing bank and other borrowings	-	5,960	7,684	82,616	190,318	286,578
Financial liabilities included in trade and other payables	110,621	-	-	-	-	110,621
Total	110,621	5,960	7,684	82,616	190,318	397,199

(d) Capital management

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes, within net debt, interest-bearing bank and other borrowings, financial liabilities included in trade and other payables, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at 31 December 2022, 2023 and 2024 and 31 May 2025 were as follows:

	As at 31 December			As at 31 May
	2022	2023	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	-	177,145	264,241	265,466
Financial liabilities included in trade and other payables	163,552	100,547	145,394	110,621
Less: Cash and cash equivalents	(95,085)	(32,564)	(71,694)	(62,478)
Net debt	68,467	245,128	337,941	313,609
Equity attributable to owners of the parent	353,620	407,690	460,292	478,324
Capital and net debt	422,087	652,818	798,233	791,933
Gearing ratio	16%	38%	42%	40%

NOTES TO FINANCIAL STATEMENTS (continued)

37. EVENTS AFTER THE RELEVANT PERIODS

No significant subsequent events the Company have occurred after 31 May 2025 and up to the date of this report.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 31 May 2025.