



滙力集團
HUILI GROUP

Huili Resources (Group) Limited
滙力資源（集團）有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1303

2025 ANNUAL
REPORT

CONTENTS

Corporate Information	2
Principal Subsidiaries of the Group	4
Management Discussion and Analysis	5
Profiles of Directors and Senior Management	15
Report of the Directors	20
Report on Corporate Governance	32
Independent Auditor's Report	47
Consolidated Statement of Comprehensive Income	51
Consolidated Statement of Financial Position	53
Consolidated Statement of Changes in Equity	55
Consolidated Statement of Cash Flows	56
Notes to the Consolidated Financial Statements	58
Five Years Financial Summary	128

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cui Yazhou (*Chairman*)
Mr. Ye Xin
Ms. Wang Qian
Mr. Zhou Jianzhong

Non-Executive Director

Mr. Cao Ye

Independent Non-Executive Directors

Ms. Xiang Siying
Mr. Yuen Koon Tung
Mr. Chan Ping Kuen

AUDIT COMMITTEE

Mr. Yuen Koon Tung (*Chairman*)
Ms. Xiang Siying
Mr. Chan Ping Kuen

REMUNERATION COMMITTEE

Ms. Xiang Siying (*Chairlady*)
Ms. Wang Qian
Mr. Yuen Koon Tung

NOMINATION COMMITTEE

Ms. Xiang Siying (*Chairlady*)
Ms. Wang Qian
Mr. Yuen Koon Tung

AUTHORISED REPRESENTATIVES

Mr. Cui Yazhou
Mr. Sin Lik Man

COMPANY SECRETARY

Mr. Sin Lik Man

INDEPENDENT AUDITOR

ZHONGHUI ANDA CPA Limited
23/F., Tower 2
Enterprise Square Five
38 Wang Chiu Road
Kowloon Bay
Hong Kong

LEGAL ADVISERS

as to laws of the Hong Kong Special Administrative Region
["Hong Kong"]

CLKW Lawyers LLP in association with Michael Li & Co.

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

In the PRC
Unit 01C, 20/F, Block A
East Pacific International Center
Futian, Shenzhen
China

In Hong Kong
Rooms 36-40, 50/F.
Sun Hung Kai Center
30 Harbour Road
Wan Chai
Hong Kong

CORPORATE INFORMATION (CONTINUED)

SHARE REGISTRAR AND TRANSFER OFFICE

In the Cayman Islands

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

In Hong Kong

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

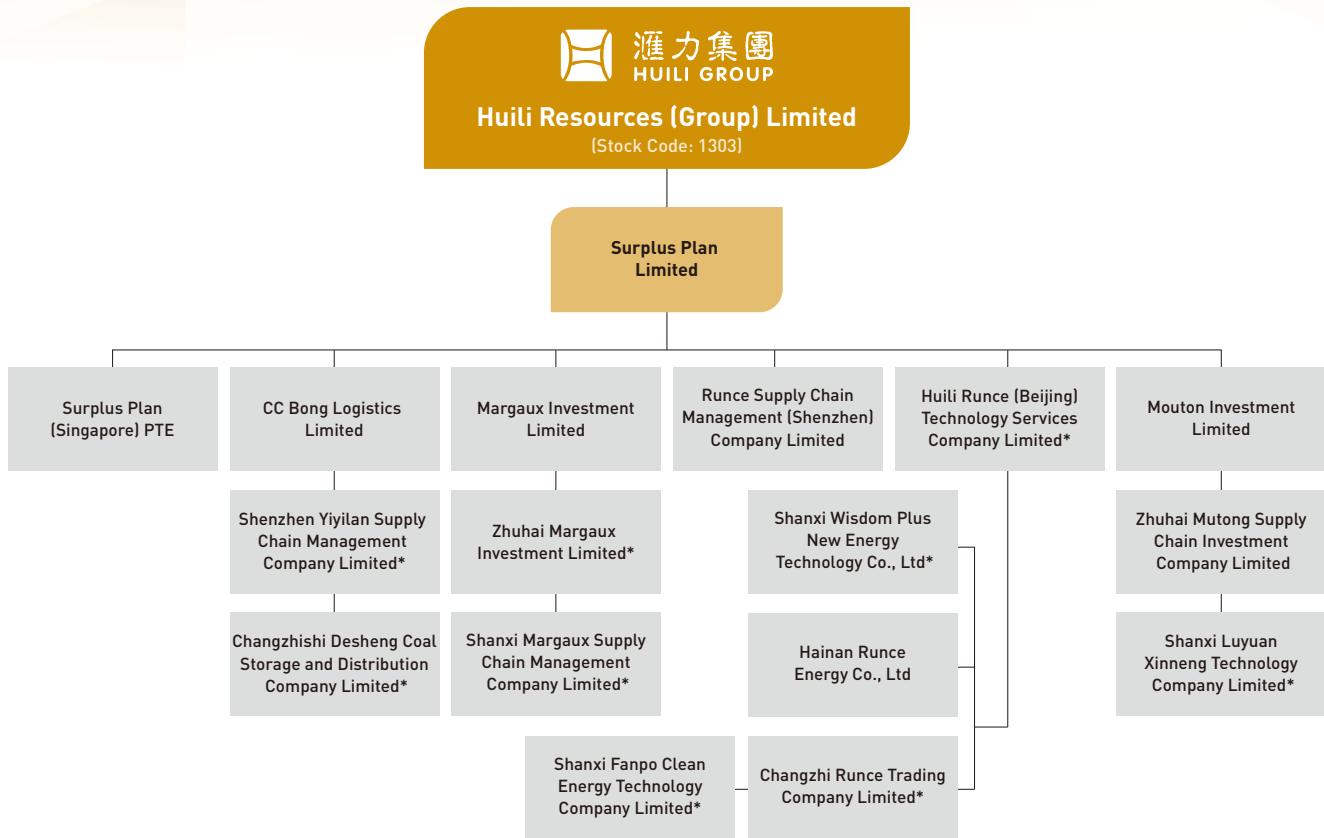
COMPANY WEBSITE

www.huili.hk

STOCK CODE

1303

PRINCIPAL SUBSIDIARIES OF THE GROUP



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Huili Resources (Group) Limited (the “Company”) and its subsidiaries (together with the Company, the “Group”) mainly participate in the coal business, which includes coal processing, supply chain management services and trading businesses. Unless otherwise specified, references to the figures in the annual report are figures of continuing operations of the Group.

Coal business

The coal industry is a typical pro-cyclical industry, where the demand for coal is closely linked to economic growth. According to the National Bureau of Statistics (國家統計局), the preliminary result of the gross domestic product (“GDP”) of the PRC during the year ended 31 December 2025 (the “Year”) grew at approximately 5.0% year-on-year, which is the same as the year ended 31 December 2024 (the “Prior Year”).

Meanwhile, the National Energy Administration (國家能源局), in its Annual Guiding Opinions on Energy Work, explicitly stipulates the need to continuously deepen the clean and efficient utilization of coal and to promote the high-quality development of coal processing.

From a supply perspective, according to the National Bureau of Statistics, in December 2025, the PRC achieved raw coal production of approximately 0.44 billion tonnes, representing a year-on-year decrease of approximately 1.0%, and a cumulative annual production of approximately 4.83 billion tonnes, representing a year-on-year increase of approximately 1.2%, which is at the same level of increase in the Prior Year.

Looking at the demand side, downstream demand of coal had mainly stemmed from electricity and steel.

- Electricity: During the Year, the PRC achieved power generation of approximately 10,575.3 billion kilowatt hours, representing a year-on-year increase of approximately 4.8%. During the Year, thermal power remains the main force of power generation, while the portion for thermal power decreases. In 2025, thermal power generation reached approximately 6,327.2 billion kilowatt hours, representing a year-on-year decrease of approximately 0.7% while accounting for 60% of the total power generation (63% in 2024) (source: the National Bureau of Statistics (國家統計局)).
- Steel: During the Year, the PRC achieved approximately 836 million tonnes of pig iron production, a year-on-year decrease of 3.0%, following the decrease of 2.3% in the Prior Year. The real estate sector continued struggling in its adjustment phase, with the real estate development investment and new construction area decreasing by approximately 17.2% and 20.4% year-on-year, respectively (10.6% and 23.0% year-on-year decrease in the Prior Year). Conversely, investment in car manufacturing maintained robust momentum, recording year-on-year growth rates of 11.7% (year on year increase 7.5% in the Prior Year). Furthermore, automobile production for the Year increased by 9.8% year-on-year, reaching a record high. New power generation installed capacity increased by approximately 16.1% year-on-year (14.6% year-on-year increase in the Prior Year, source: The National Bureau of Statistics), shipbuilding completion orders increased by 11.4% year-on-year (Source: Ministry of Industry and Information Technology 中華人民共和國工業和信息化部), and the quantity of steel exports increased by 7.5% year-on-year (Source: General Administration of Customs, the PRC 中華人民共和國海關總署).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the Year, the market price of coal continued its downward trend. According to the China coal index 5500K (“CCI 5500K”), a gauge of coal prices in the PRC, the price declined from approximately RMB 770 per tonne at the beginning of the Year to about RMB 681 per tonne as at 31 December 2025, representing an annual decrease of 11.6%. However, viewed from a longer perspective, this price adjustment cycle commenced in the fourth quarter of 2022 and has persisted for three years. Compared to the historical peak of around RMB 1,600 per tonne at that time, the current price has accumulated a drop of more than 50% (Source: sxcoal.com 中國煤炭資源網). As coal prices continue to decline and gradually approach the industry’s average production cost level, the profitability of the coal mining and washing industry has been significantly compressed. Industry data show that the total profit of the industry fell by 22.2% in 2024 compared to 2023, and then experienced a further sharp decline of 41.8% in 2025 (Source: National Bureau of Statistics), highlighting substantial operational pressures within the industry.

During the Year, the customers of the Company’s coal business segment were mainly local coal traders, steel companies and energy companies in the PRC. The Group carried out the coal trading business through two indirectly wholly-owned subsidiaries, Changzhi Runce Trading Company Limited* (長治潤策貿易有限公司) (“Changzhi Runce”) and Hainan Runce Energy Co., Ltd.* (海南潤策能源有限公司) (“Hainan Runce”) in the PRC. The Group provided coal processing services through an indirectly wholly-owned subsidiary, Shanxi Fanpo Clean Energy Technology Company Limited* (山西反坡清潔能源科技有限公司) (“Shanxi Fanpo”). The Group also provided coal supply chain management service through an indirectly wholly-owned subsidiary, Runce Supply Chain Management (Shenzhen) Co., Ltd (潤策供應鏈管理(深圳)有限公司) (“Shenzhen Runce”) in the PRC, and coal storage and coal mixing services, which is part of its coal supply chain management service business, through three indirect wholly-owned subsidiaries, Shanxi Margaux Supply Chain Management Company Limited* (山西瑪高供應鏈管理有限公司) (“Shanxi Margaux”), Changzhishi Desheng Coal Storage and Distribution Company Limited* (長治市德勝煤炭儲配有限公司) (“Changzhishi Desheng”), Shanxi Luyuan Xinneng Technology Company Limited* (山西潞源新能科技有限公司) (“Luyuan Xinneng”).

Shanxi Fanpo is principally engaged in the sale of coal and coal washery. The coal washery is to remove impurities in raw coal, and to classify high quality coal and inferior coal to improve coal utilization efficiency and reduce coal pollutant emission. The coal washery is designed to have a maximum throughput capacity of approximately 14,000 tonnes per day.

Shanxi Margaux is principally engaged in supply chain management services and general cargo storage services. The coal shed that is owned by Shanxi Margaux has the storage capacity of 250,000 tonnes of coal with a construction area of approximately 16,746 sq.m. and is located approximately 7.0 km from the Group’s washery plant and approximately 2.5 km to 3.0 km from the key highways in Shanxi province, the PRC, which the Company considers is a prime location from an operational perspective.

Changzhishi Desheng is principally engaged in supply chain management services and general cargo storage services. Changzhishi Desheng owns two coal sheds and the associated machineries of such coal sheds. The expected total storage capacity of the two coal sheds is 1 million tonnes of coal. The coal sheds are located in a logistics park in Shanxi province, the PRC, which has storage and logistics supporting facilities such as cylindrical silos, train dumpers, and coal storage yards. The logistics park is located approximately 1.5 km from a railway station, which is connected to Changzhi South Station of the Central-South Railway, and is also adjunct to the National Highway 228, Erguang Expressway, county and township roads, which the Company considers is a prime location from an operational perspective and would provide a stable source of demand and may potentially provide an additional source of supply to the Group’s trading businesses.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Luyuan Xinneng is principally engaged in supply chain management services and general cargo storage services. Luyuan Xinneng owns two coal sheds and the associated machineries of such coal sheds in Shanxi province, the PRC. The expected total storage capacity of the two coal sheds is 120,000 tonnes of coal. The coal sheds are located in Shanxi province, the PRC, which is close to the Group's existing coal washery plant. Within around 5 km range, it's connected to several National Highway, Expressway and Railway Lines and Coal Transportation Station, thus has very convenient road and rail transportation. From an operational perspective, this location is a prime location and can provide an additional source of supply for the Group's trading business. The coal shed and the specialised equipment allows the Company to fulfill the storage, loading and coal mixing demand of the customers in Shanxi province, the PRC.

Riding on the relatively stable demand for coal in the foreseeable future, the Group will continue to actively seek opportunities to develop its coal business, either through value-added mergers and acquisitions or strategically re-allocating its internal resources to expand the current coal business or diversify into other business scopes within the coal industry.

Meanwhile, despite that the energy security role of coal will remain stable in the near term, low carbonization and clean and efficient productions are still the main development direction of the coal industry. Thus, the Company has commenced a photovoltaic project, aiming to promote low carbonization, integrate development of coal-based energy and green energy, and expand green transformation channels for the coal business. The Company strives and is committed to the green development of the Company's business, and ultimately achieving balanced operations between coal business development and ecological protection.

The coal business segment has contributed approximately RMB2.26 billion (2024: RMB4.03 billion) to the Group's revenue during the Year.

Discontinued mining business

In order to concentrate its resources and capital on its high-growth coal supply chain management services business, on 19 July 2024, the Group entered into an equity transfer agreement with an independent third party, to dispose (the "Disposal") of its entire equity interest in Hami Jinhua Mineral Resource Exploiture Ltd* (哈密市錦華礦產資源開發有限責任公司) ("Hami Jinhua"), being 95% of the total equity interest of Hami Jinhua, which owned a mining right of non-ferrous metals in the Xinjiang Uyghur Autonomous Region, the PRC, namely Baiganhu Mine, which produced lead and zinc ores, at a consideration of RMB94,000,000 and recorded a gain of approximately RMB18,341,000 from such Disposal during the Prior Year. The transfer of 95% equity interest in Hami Jinhua was completed in September 2024 and the Group has discontinued its mining business since then.

RESULTS REVIEW

Revenue and gross profit

The Group has made remarkable progress and results in the past few years. Since the launch of the coal business in 2019, the revenue has increased from approximately RMB86 million in 2019 to RMB4.03 billion in the Prior Year. During the Year, due to pressure from the challenging macro economy and the decreasing coal price, the revenue has dropped to RMB2.26 billion, representing year-on-year decrease of 43.9%.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The cost of sales was approximately RMB2.13 billion for the Year, as compared with approximately RMB3.81 billion in the Prior Year, representing a year-on-year decrease of approximately 44.1%. The decrease was mainly contributed by the coal business as a result of the decreased sales of coal products during the Year.

Although the sustained decrease in coal prices precipitated a scaling down of the coal business, the Group has made a remarkable effort to maintain the gross profit margin of 5.9% during the Year (2024: 5.5%). The Group recorded a gross profit of approximately RMB132.5 million for the Year, representing a year-on-year decrease of 40.5%. Nonetheless, the Group has also recorded an increase in its gross profit margin for the Year as compared to the Prior Year.

Administrative expenses

Administrative expenses for the Year, which mainly included depreciation charges, professional fees, staff costs and office overheads, amounted to approximately RMB69.2 million for the Year (the Prior Year: RMB60.4 million). The increase was primarily driven by time-related factors in depreciation of property, plant and equipment charged to administrative expenses. Specifically, assets acquired during the Prior Year did not incur a full year of depreciation, and coal shed commissioned in the second half of the Prior Year have now contributed to a full-period depreciation charge in the Year.

Other (losses)/gains – net

Other losses for the Year of approximately RMB9.0 million (the Prior Year: other gains RMB9.6 million) mainly represented government subsidies, foreign exchange loss, net, and income from photovoltaic project of approximately RMB2.4 million (the Prior Year: RMB5.8 million), RMB14.7 million (the Prior Year: foreign exchange gains, net RMB0.9 million) and RMB2.6 million (the Prior Year: RMB1.0 million) respectively.

The government subsidies are mainly unconditional subsidies received by the Group from relevant government bodies for the purpose of giving incentive to enterprises, including but not limited to refund of taxes.

The foreign exchange loss, net mainly arose from the financial assets denominated in USD and Hong Kong dollars (“HK\$”) as a result of the depreciation of USD and HK\$ against RMB, being the Group’s functional and presentation currency.

Finance income – net

Finance income – net of approximately RMB4.7 million (the Prior Year: finance costs – net of approximately RMB4.5 million) during the Year mainly represented the interest income of approximately RMB12.7 million (the Prior Year: RMB3.0 million) earned from the Group’s cash at bank, and netted by the interest expenses on loan from ex-shareholder of a subsidiary, interest expenses on loan from a shareholder of the Company and interest expenses on lease liabilities of approximately RMB4.4 million (the Prior Year: RMB4.0 million), RMB2.5 million (the Prior Year: RMB1.3 million) and RMB1.0 million (the Prior Year: RMB1.0 million) respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Income tax expense

During the Year, income tax expense was approximately RMB11.1million (the Prior Year: RMB25.8 million). It mainly represented the tax provision of approximately RMB12.4 million (the Prior Year: RMB28.0 million) for operations in the PRC, and deferred tax credit of approximately RMB1.3 million (the Prior Year: deferred tax credit of RMB2.2 million) during the Year. No provision for profits tax in Hong Kong was made during both the Year and the Prior Year.

SIGNIFICANT INVESTMENTS HELD

As of 31 December 2025, the Group did not hold any material investment, which refer to an investment with investment amounts in an investee company that accounted for 5% or more of the Group's total assets. There was no plan authorised by the Board for any material investments or divestments at the date of this annual report.

MATERIAL ACQUISITIONS AND DISPOSALS

There were no material acquisitions and disposals during the Year.

CAPITAL EXPENDITURE

For the Year, the Group incurred capital expenditure of approximately RMB12.0 million (the Prior Year: RMB54.0 million) on property, plant and equipment, and nil (the Prior Year: RMB8.9 million) on right-of-use assets. For the Year, the Group disposed approximately RMB0.03 million (the Prior Year: RMB0.02 million) of property, plant and equipment.

LIQUIDITY AND FINANCIAL RESOURCES

The equity attributable to owners of the Company as at 31 December 2025 increased to RMB1.08 billion, an increase of approximately 1.1% over that as at 31 December 2024 of RMB1.06 billion while the Group's total assets employed decreased by 20.1% to RMB2.14 billion as at 31 December 2025 as compared to RMB2.67 billion as at 31 December 2024.

The Group continues to maintain a strong financial position. To preserve funds for future capital expenditure and new business opportunities, the Group invests surplus cash in low risk fixed deposits to generate additional returns for the Group and the shareholders of the Company.

During the Year, the Group's investment in debt securities recorded RMB0.3 million loss in fair value (the Prior Year: RMB0.01 million gain in fair value), which was presented as "Fair value change of financial assets (debt instruments) at fair value through other comprehensive income" in the consolidated statement of comprehensive income.

The Group financed its day-to-day operations mainly by internally generated cash flows during the Year. Primary uses of funds during the Year was mainly the payment of operating expenses.

The total borrowings increased from approximately RMB129.3 million as of 31 December 2024 to approximately RMB130.0 million as of 31 December 2025, and the balance was represented by the loan from an ex-shareholder of a subsidiary acquired during the Prior Year, the loan from a shareholder of the Company made during the Prior Year and one bank loan from a local bank in the PRC made during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Save as the loan disclosed above, as at 31 December 2025 and 31 December 2024, there was no outstanding interest-bearing bank loan and other borrowings.

The Company entered into a credit facility with Nanyang Commercial Bank consisting of letters of credit and line of credit in November 2022, and the credit facility limit has been further revised to USD90 million in April 2024. The letter of credit (up to USD30 million) is for issuance of Back-to-Back LCs, and the remaining line of credit limit (up to USD60 million) for issuance of LCs is charged against 100% bank deposits from time to time up to the amount utilised. As at 31 December 2025, the Company did not utilise any letter of credit (the Prior Year: nil) and there are no outstanding borrowings (the Prior Year: RMB nil) on the line of credit.

The Company entered into a credit facility with Agricultural Bank of China consisting of letters of credit and line of credit in November 2024, with total credit facility limit of USD100 million. The letter of credit (up to USD80 million) is for issuance of Back-to-Back LCs, and the remaining line of credit limit (up to USD20 million) for insurance of LCs is charged against 100% bank deposits from time to time up to the amount utilised. As at 31 December 2025, the Company did not utilise any of the facility (the Prior Year: nil).

The Company entered into a credit facility with China CITIC Bank International of line of credit in April 2025, with credit facility limit of USD30 million. The line of credit limit (up to USD30 million) for insurance of LCs is charged against 100% bank deposits from time to time up to the amount utilised. As at 31 December 2025, the Company did not utilise any of the facility (the Prior Year: nil).

The Company entered into a credit facility with The Hong Kong and Shanghai Banking Corporation consisting of letters of credit and line of credit in May 2025, with total credit facility limit of USD65 million. The letter of credit (up to USD45 million) is for issuance of Back-to-Back LCs, and the remaining line of credit limit (up to USD20 million) for insurance of LCs is charged against 100% bank deposits from time to time up to the amount utilised. As at 31 December 2025, the Company did not utilise any of the facility (the Prior Year: nil).

As at 31 December 2025, the Group maintained bank and cash balances of approximately RMB896.3 million (the Prior Year: RMB655.8 million).

Treasury policy

The Group continues to adopt a conservative treasury policy in liquidity and financial management. The Group conducted its continuing operational business transactions mainly in RMB and USD. Surplus cash is generally placed in fixed deposits denominated in USD and RMB. The Group arranged certain foreign currency forward contracts to mitigate against the fluctuation of exchange rate between RMB and USD, the fair value of such forward contracts as at 31 December 2025 is nil (the Prior Year: RMB1.5 million).

Gearing ratio

Gearing ratio of the Group is calculated based on the net debt divided by total equity. Net debt is calculated based on total interest-bearing borrowings (including current and non-current borrowings) less cash and cash equivalents. As at 31 December 2025 and 31 December 2024, the Group has recorded a net cash position of RMB766.4 million and RMB526.5 million respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PRINCIPAL RISKS

The Group's activities are exposed to a variety of risks as set out below.

Foreign exchange exposure

The Group's businesses are mainly conducted in RMB. The Group has not experienced any material difficulties with its operations or liquidity as a result of fluctuations in currency exchange rates during the Year. However the Group started to explore the business opportunity in international coal trading since 2024, which involves import of foreign coals and sales to PRC customers. In such transactions, the purchase may be made in USD while the sales proceed may be in RMB. The Group currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. Thus, the Group will monitor its foreign currency exposure closely and will consider hedging foreign currency exposure if necessary. As at 31 December 2025, no financial instrument was used for hedging purposes, and we did not commit to any financial instruments to hedge our exposure to foreign exchange risk.

Credit risk exposure

The Group is exposed to credit risks in its coal business and is primarily attributable to its trade and bills receivables in this business segment. The Group's trading terms with its customers are mainly on credit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. The carrying amounts of its trade and bills receivables represent the Group's maximum exposure to credit risk in this business segment. The Group applies the simplified approach to provide for ECLs as prescribed by HKFRS 9, which permits the use of the lifetime ECLs provision for all trade and bills receivables.

As at 31 December 2025, the expected credit loss allowance of approximately RMB60.1 million (the Prior Year: RMB18.8 million) were made against the gross amount of trade and bills receivables.

The Group separately assesses trade and bills receivables that are individually significant for impairment at each reporting date. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience. Trade and bills receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 365 days past due. Impairment losses on trade and bills receivables are presented as net impairment losses within operating results. Subsequent recoveries of amounts previously written off are credited against the same line item. As at the end of the reporting period, none of the trade receivables of the Group was impaired.

To further enhance the recovery of the Group's trade receivables, the Group commenced a legal action during the Year against one of our coal business customers and its guarantor for the outstanding receivables in the amount of approximately RMB115 million. During the Year, the relevant court in the PRC handed down a civil mediation statement setting out a repayment schedule to settle the outstanding receivables of approximately RMB115 million by instalments until July 2026. Despite such coal business customer having repaid RMB4.3 million in November 2025, the repayment schedule was not strictly followed by such coal business customer. As at 31 December 2025, the outstanding receivables amounted to approximately RMB111 million. Based on the latest financial statements of such coal business customer obtained by the Group, it is not insolvent. Based on the public information, such business customer is still subsisting and the guarantor is not a discredited person subject to enforcement. The Group has already obtained preservation order against certain assets and real properties of the guarantor and such business customer.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Upon negotiations with the guarantor in March 2026, the guarantor intended to charge additional assets to secure the repayment of the outstanding receivables. The Group will continue to take enforcement actions to recover the outstanding receivables including but not limited to taking steps to realise the relevant assets of the guarantor. It is expected that the overdue status of such outstanding receivables will not have a material impact on the Group's business operations and liquidity.

CHARGES ON COMPANY'S ASSETS, COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 44 to this annual report, the Group had no other contracted capital expenditure, commitments and charge on the Company's assets as at 31 December 2025 and 2024.

No charge on the Company's assets as at 31 December 2025, and no cash and cash equivalents was pledged (the Prior Year: nil).

The Group may be subject to new environmental laws and regulations that may result in contingent liabilities for the Group in the future. The Group may also be subject to the effect of under-insurance on future accidents incurred by the employees. Such (i) new environmental laws and regulations; and (ii) under insurance on the employees may impose costs and liabilities on the Group.

The Group had no other material contingent liability as at 31 December 2025 and 2024.

HUMAN RESOURCES AND SHARE OPTION SCHEME

As at 31 December 2025, the Group employed 614 employees (31 December 2024: 999). The total staff costs (including Directors' emoluments) for the Year (including continuing operations only) was approximately RMB105.7 million (the Prior Year: RMB93.2 million). The emolument policy for the salaries of employees largely depend on their job nature, performance and length of service with the Group. The Directors' emolument policy for the remuneration is determined with reference to salaries paid by comparable companies, their experience and responsibilities and the performance of the Group. Discretionary bonuses are also available to the Group's employees depending on the overall performance of the Group. In addition to the basic remuneration, the Group also provides employees with employee benefits, including pension, medical scheme and other applicable social insurance as required by applicable laws and regulations.

Apart from regular on-the-job training, the Group encourages its employees to attend external job-related training and provides training to new employees including an introduction to relevant regulations and general safety awareness and a workshop specific training to the work area and the role of individual within the workshop. Directors and employees, among others, are entitled to participate in the share option scheme at the discretion of the Board. No share option was granted, exercised, lapsed or outstanding during the Year and as at 31 December 2025.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FUTURE OUTLOOK AND PROSPECTS

In 2025, the coal market price center shifted significantly downward due to the combined effects of slowing macroeconomic growth, weak downstream demand, and accelerated energy structure transformation. Facing a challenging market environment, the Group adhered to the prudent business principle of “profit over scale,” proactively scaling back low-margin trading operations. Although this resulted in a significant year-on-year decline in both revenue and net profit, it successfully stabilized the overall gross profit margin, demonstrating robust risk resilience and operational tenacity. Looking ahead to 2026, with the marginal improvement in the industry’s supply-demand dynamics and positive shifts in the policy environment, we cautiously anticipate a market recovery, which is expected to lead to a rebound in the Group’s performance. The Group will also seize opportunities arising from industry transformation, actively explore trade opportunities in markets beyond mainland China, and build a more resilient business footprint.

At the industry level it is expected that, the supply-demand relationship will gradually improve by 2026.

On the supply side, China’s anti-overcapacity policies are intensifying, with strict enforcement against illegal overproduction. Annual net new domestic raw coal output is projected to reach approximately 28 million tons, representing a 0.6% growth rate (“Coal Industry Investment Strategy 2026–Emerging from the Price Trough, Recovery in Sight” (《煤炭行業2026年投資策略–走出價格低谷，景氣修復可期》), CITIC Securities, 9 January 2026). Regarding imported coal, Indonesia has significantly reduced production quotas, with annual coal imports expected to decrease by 40 million tons (“Indonesia cuts production quotas, disrupting global coal trade” (《印尼削減產量配額，攪動全球煤炭貿易》), Guotai Haitong Securities, 4 February 2026). Overall, domestic supply remains stable while overseas imports have slightly declined.

On the demand side, coal’s position as the “ballast stone” of energy remains solid. Thermal power generation is expected to bottom out and rebound, with rigid demand for power coal supporting coal prices at their floor. In non-power sectors, chemical coal consumption may grow by 6% amid expectations of new coal chemical projects coming online and a temporary widening of the oil-coal price spread. Weighted across all industries, domestic coal consumption growth is projected to be around +0.6% in 2026 (“Coal Industry Investment Strategy 2026–Emerging from the Price Trough, Recovery in Sight” (《煤炭行業2026年投資策略–走出價格低谷，景氣修復可期》), CITIC Securities, 9 January 2026).

Regarding coal prices, the price center is projected to rise slightly in 2026, with the price centers for port thermal coal/main coking coal potentially increasing to 750 and 1,550 per ton, respectively (“2026 Coal Supply and Demand to Tighten; Thermal Coal Price Center May Rise to 750” (《2026年煤炭供需趨緊動力煤價中樞或升至750元》) Guohai Securities, 7 January 2026). Compared to the sustained decline in coal prices in 2025, this price projection indicates that coal prices will stabilize at low levels and experience a moderate rebound afterwards, leading to a recovery in gross profit margins for the coal washing and trading industries.

The Group will anchor its operations in the coal business and optimize its development strategy: for core operations, leveraging premium coal resources, it will focus on high-calorific thermal coal, low-sulfur pulverized coal injection coal, and other products to consolidate gross profit margins. It will enhance supply chain management, expand high-margin clientele, and hedge against price volatility risks.

In terms of overseas expansion, the Group will leverage Hong Kong’s strategic location to focus on exploring emerging markets such as Southeast Asia. The Group will establish overseas trade channels to reduce reliance on single market, enhance risk resilience and competitiveness, and prudently advance the steady development of overseas operations.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In summary, 2026 will be a pivotal year for the Group to recuperate and build momentum. We are confident that with our robust financial structure, flexible supply chain strategy and forward-looking international expansion, we will seize opportunities arising from market recovery to achieve significant performance recovery and sustainable growth.

DIVIDEND

The Directors do not recommend the payment of any final dividend in respect of the Year (the Prior Year: nil). There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of the operations of the Group contained in this report are historical in nature, and past performance is no guarantee of the future results of the Group. This report contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Company's current expectations, beliefs, assumptions or projections concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Forward-looking statements involve inherent risks and uncertainties.

Readers should be cautioned that a number of factors could cause actual results to differ, in some instances materially, from those expressed, implied or anticipated in any forward-looking statement or assessment of risk. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this report; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Cui Yazhou (崔亞洲)

Mr. Cui, aged 35, obtained a bachelor's degree in science of business administration from Gabelli School of Business of Fordham University. From May 2014 to November 2014, he served as the assistant investment manager in Everbright Financial Holding Asset Management Co. Ltd. (光大金控資產管理有限公司). From August 2015 to September 2019, he was the investment manager and the committee member of investment committee of Guangda Fuzun Investment Co., Ltd.* (光大富尊投資有限公司), a wholly-owned subsidiary of Everbright Securities Company Limited (光大證券股份有限公司), a company listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 6178), and then served as the head of the energy industry research team and the investment manager in the equity investment trading department of Everbright Securities Company Limited from October 2019 to July 2021.

Mr. Cui was appointed as an executive Director on 10 November 2021 and as the chairman of the Board and an authorised representative of the Company (the "Authorised Representative") on 1 June 2022.

Mr. Ye Xin (葉欣)

Mr. Ye, aged 50, obtained a bachelor's degree in accounting from Xi'an Jiaotong University, a master's degree in management from Xi'an University of Technology and an executive master of business administration from Cheung Kong Graduate School of Business. He has obtained the qualification certificate of the company secretary from the Shenzhen Stock Exchange. From July 1995 to October 2003, he served as the accountant in the finance department of the Northwest Civil Aviation Administration of Civil Aviation* (民航西北管理局). From October 2003 to July 2006, he was the deputy director of the strategic development department in Unisplendour Corporation Limited (清華紫光股份有限公司), an A-shares listed technology company (stock code: 000938) specializing in electronics and information technology, and Tsinghua Holding Group Co., Ltd.* (清華控股集團公司). He served as deputy director of investment and project management center, deputy manager of the financial management department, and director of the Beijing office successively from August 2006 to December 2011 in Shenzhen Cozhou Electronics Co., Ltd. (深圳市同洲電子股份有限公司), an A-shares listed technology company (stock code: 002052) focusing on providing leading smart home products and services to users worldwide, and from January 2012 to February 2015, he was promoted to the deputy general manager, and served as the company secretary from February 2012 to January 2015. He then served as the general manager of Shenzhen Cozhou Electronics Co., Ltd. from February 2015 to January 2016. In January 2016, he established T-Rock Fund Management (Shenzhen) Company Limited (天石基金管理(深圳)有限公司), which focuses on private equity investment, and is currently the legal representative, general manager, and the director of T-Rock Fund Management (Shenzhen) Company Limited. Mr. Ye has held the position as the independent non-executive director of Wuhu 37 Interactive Entertainment Network Technology Group Co., Ltd. (蕪湖三七互娛網絡科技集團股份有限公司) from 24 December 2019 to 8 August 2025, a company listed in Shenzhen Stock Exchange (stock code: 002555) and is a leading game publisher and developer that principally engaged in the publication and development of mobile, browser and html games.

Mr. Ye was appointed as an executive Director on 12 July 2021.

* For identification purpose only

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Ms. Wang Qian (王茜)

Ms. Wang, aged 50, has over 15 years of experience in finance, investment and management areas. From October 2001 to June 2002, Ms. Wang was employed by PricewaterhouseCoopers Consulting, a company principally engaged in the provision of management consulting services, where she served as a consultant and was primarily responsible for enterprise strategy and financial management consultation. Ms. Wang successively acted as a senior manager of the finance strategy & business development department at the US headquarters of Goodyear Tire & Rubber Company and the Asia-Pacific region Finance Director of Goodyear Engineered Products Company from July 2004 to March 2009. Goodyear's principal business is manufacturing tires and rubber products, where she was primarily in charge of mergers and acquisitions, and annual operation planning, as well as organising and supervising the financial activities for the Asia Pacific region. After Goodyear Engineered Products Company was acquired by The Carlyle Group, Ms. Wang had led several acquisitions and restructuring projects. Since March 2009, Ms. Wang has served as the president of HIXIH Investment, a company principally engaged in the business of equity and securities investment, and Ms. Wang is primarily responsible for company management and investment business in which she has accomplished and participated in several initial public offering projects on the New York Stock Exchange, the Stock Exchange and Shanghai Stock Exchange for companies in finance, energy and resources and culture industries. Ms. Wang received a certificate of Certified Public Accountant granted by the Accountancy Board in the USA in October 2005. Ms. Wang received her bachelor's degree of economics from the Central University of Finance and Economics in July 1998. Ms. Wang received her Master of Business Administration degree from the Carnegie Mellon University in the USA in May 2004. Since 31 May 2022, she has been appointed as an executive director, and promoted to the chairlady on 31 July 2024 of Future World Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 0572).

Ms. Wang was appointed as an executive Director on 26 January 2016. She is also a member of each of the Nomination Committee and Remuneration Committee.

Mr. Zhou Jianzhong (周建忠)

Mr. Zhou, aged 53, has over 20 years of experience in the construction and engineering management field. Mr. Zhou joined the Group in May 2017 and was the legal representatives of Hami Jinhua, Hami Jiatai, responsible for general operations of the Company's mines in the PRC. From 2008 to 2017, Mr. Zhou held the position of the general manager and executive director of Shanxi Zi Feng Technology Company Limited* (山西紫峰科技有限公司) responsible for corporate management and technical services in respect of lands involved in various projects. During the period from 1998 to 2008, Mr. Zhou was an engineer at China Railway 17th Bureau Group Co., Ltd. (中鐵十七局集團建築公司). Mr. Zhou obtained a bachelor's degree in industrial and civil architecture from Hebei University of Architecture (河北建築科技學院) and certificate of completion of postgraduate course of Road and railway construction from 石家莊鐵道學院 (Shijiazhuang Tiedao University). Mr. Zhou is a constructor (一級建造師) recognized by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) in 2008.

Mr. Zhou was appointed as an executive Director on 11 March 2019.

* For identification purpose only

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

NON-EXECUTIVE DIRECTOR

Mr. Cao Ye (曹野)

Mr. Cao, aged 31, obtained a bachelor's degree in investment from the School of Banking and Finance, University of International Business and Economics (對外經濟貿易大學金融學院). He has extensive experience in investment and coal trading business. Since March 2015, he has held the position of the partner of 北京正略才誠資產管理有限公司 (Beijing Zhenglve Caicheng Asset Management Co, Ltd.*) responsible for managing the fund that in acquisition, management and disposal of non-performing assets. Starting from November 2015, he has served as the assistant general manager of 山西昌盛鑫隆供應鏈管理服務有限公司 (Shanxi Changsheng Xinlong Supply Chain Service Co., Ltd.*), which is a coal trading company, to assist the general manager in developing business strategy and is in charge of the sales and marketing department of the company. Since November 2018, Mr. Cao has joined 博通能源銷售(寧波)有限公司 (Botong Energy Trading (Ningbo) Co., Ltd.*), which engages in coal trading business, as general manager and is mainly responsible for formulating the strategy of the company's business, overseeing the finance function of the company, and monitoring and coordinating the business development of the company's coal trading business.

Mr. Cao was appointed as a non-executive Director on 14 June 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Xiang Siying (項思英)

Ms. Xiang, aged 63, holds a Bachelor's Degree in Agriculture Economics from China Agriculture University (now known as China Agricultural University) in 1986 and Master's Degree in Finance and Economics from Zhongnan University of Economics, Finance and Laws, China as well as The Research Institute of Finance and Economics of China in 1988. Ms. Xiang also holds a Master's Degree in Business Administration from London Business School in 1999. She is currently a consultant for CDH Investments ("CDH") and has had a long career in investment, banking and financial advisory services. From June 2010 to April 2016, Ms. Xiang had worked for CDH as an executive director; and before that from March 2004 to June 2010 she worked for China International Capital Corporation in its direct investment department and investment banking department as an executive director. Prior to returning to China in early 2004, Ms. Xiang was an investment officer of Global Manufacturing and Service Department and East Asia and Pacific Department of International Finance Corporation ("IFC"), the World Bank Group, in Washington DC from August 1996 to March 2004, and before that Ms. Xiang was an investment analyst of IFC's representative office in China. From July 1988 to July 1991 Ms. Xiang served as an officer of the Ministry of Agriculture China, in its Department of World Bank Agriculture Project Management and Department of Rural Reform Research and Farm Management. Ms. Xiang also held the position of an independent non-executive director of Titan Petrochemicals Group Limited, a company listed on the main board of the Stock Exchange (stock code: 1192), from July 2015 to July 2018. Ms. Xiang was the independent non-executive director of China Ocean Industry Group Limited, a company which was listed on the main board of the Stock Exchange (stock code: 651) from May 2008 to August 2023.

Ms. Xiang was appointed as an independent non-executive Director on 6 September 2017, and was appointed as the chairlady of the Board and the Authorised Representative on 11 March 2019. Ms. Xiang then resigned on 31 May 2022 from her role as the chairlady of the Board and the Authorised Representative. She is also the chairlady of each of the Nomination Committee and the Remuneration Committee and a member of the Audit Committee. The Company has received an annual confirmation from Ms. Xiang of her independence pursuant to Rule 3.13 of the Listing Rules and is of the view that Ms. Xiang remains independent.

* For identification purpose only

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Yuen Koon Tung (阮觀通)

Mr. Yuen, aged 53, obtained the Degree of Bachelor of Business Administration with a major in finance from the Chinese University of Hong Kong in December 1994. He was admitted as a regular member of the American Institute of Certified Public Accountants on 30 April 2000.

Mr. Yuen worked in the audit department of Ernst & Young (Hong Kong) from September 1994 to April 1997 and the Listing Division of the Stock Exchange from September 1997 to June 2000. Between June 2000 to October 2001, Mr. Yuen also worked in the compliance department and corporate finance department in Credit Agricole Indosuez (Hong Kong) and in the corporate finance department of Core Pacific-Yamaichi Capital Limited (Hong Kong) from November 2001 to October 2002. From January 2003 to January 2023, Mr. Yuen acted as the associate director of Convoy Financial Services Limited. Mr. Yuen was appointed as an independent non-executive director of hmvod Limited (stock code: 8103), a company whose shares are listed on GEM of the Stock Exchange, from November 2017 to July 2018 and was re-designated to an executive director from July 2018 to October 2019. Mr. Yuen was the business development director of AID Partners Capital Limited, a private equity firm, from October 2015 to June 2022. From June 2025 to September 2025, Mr. Yuen was appointed as an independent non-executive director of FEG Holdings Corporation Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1413).

Mr. Yuen was appointed as an independent non-executive Director on 1 December 2024. He is also the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee. The Company has received an annual confirmation from Mr. Yuen of his independence pursuant to Rule 3.13 of the Listing Rules and is of the view that Mr. Yuen remains independent.

Mr. Chan Ping Kuen (陳炳權)

Mr. Chan, aged 40, has over 10 years of experience in the mining and material trading industry. Mr. Chan is currently the trading director of a coal trading company which is mainly engaged in the coal import business in the PRC. From April 2013 to October 2022, Mr. Chan was the trading director of Ares Asia Limited, a company listed on the main board of the Stock Exchange (stock code: 645), and was responsible for coal, iron ore and rice imports to the PRC. From April 2011 to March 2013, Mr. Chan held the position of assistant manager of trading department in Best Power Holdings (HK) Ltd., responsible for trading of iron ore and coal. From February 2009 to January 2011, Mr. Chan joined Hangpo Investment (Macau) Group Co., Ltd. as the assistant trading manager, responsible for procurement and coal, iron ore and manganese trading transactions. Mr. Chan obtained a bachelor's degree in accounting from Jinan University in 2009.

Mr. Chan was appointed as an independent non-executive Director on 11 March 2019. He is also a member of the Audit Committee. The Company has received an annual confirmation from Mr. Chan of his independence pursuant to Rule 3.13 of the Listing Rules and is of the view that Mr. Chan remains independent.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

SENIOR MANAGEMENT

Mr. Sin Lik Man (洗力文)

Mr. Sin, aged 47, joined the Group on September 2023 and was appointed as the company secretary and the authorized representative of the Company on 1 November 2024. Mr. Sin holds a bachelor's degree of Business Administration with a major in accounting from the Hong Kong University of Science and Technology in 2000 and further received a master's degree in accounting from Curtin University of Technology Australia in 2007. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a fellow member of the Association of Chartered Certified Accountants (ACCA).

Mr. Sin possesses over 20 years of experience in auditing, accounting, financial management and company secretarial matters through his past working history. Mr. Sin worked in international accounting firms for auditing, and then joined a HK listed group as Senior finance manager in 2006 and then joined another HK listed group as company secretary and authorized representative in 2010.

REPORT OF THE DIRECTORS

The directors (the "Directors") of Huili Resources (Group) Limited (the "Company") present their report and these audited consolidated financial statements of the Group for the year ended 31 December 2025 (the "Year").

CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 19 February 2010 as an exempted company with limited liability under Companies Law (Cap 22, as amended and revised) of the Cayman Islands in preparation for a listing of the Company's shares on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the name of Realty Resources (Group) Limited. On 13 May 2010, the Company changed its name to Huili Resources (Group) Limited. The Company issued 250,000,000 ordinary new shares of HK\$0.1 each at a subscription price of HK\$1.7 per share pursuant to the public offering. The Company's shares including these new shares were listed on the main board of the Stock Exchange on 12 January 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries (together with the Company, the "Group") are principally engaged in the trading of coal, provision of coal processing services, coal supply chain management services in the People's Republic of China (the "PRC"), details of which are set out in note 36 to these consolidated financial statements.

Since 2021, the Group has set the coal business as the strategic business segment of the Group and allocated more resources in developing the Group's coal business. The Group has made remarkable progress and results in the recent years. The Group's coal supply chain management services business has demonstrated exceptional revenue growth and profitability, positioning it as the Company's promising growth engine for the future. Since the launch of the coal business in 2019, the revenue has increased from approximately RMB86 million in 2019 to approximately RMB2.26 billion in 2025. Riding on the success and momentum made, the Group continued to move horizontally and further diversify in to coal storage services in the Prior Year. The Group, through a direct wholly-owned subsidiary of the Company, Surplus Plan Limited ("Surplus Plan"), acquired the entire issued share capital of CC Bong Logistics Limited ("CC Bong HK") and Mouton Investment Limited ("Mouton HK") in the Prior Year.

CC Bong HK, through its indirect wholly-owned subsidiary in the PRC, Changzhishi Desheng Coal Storage and Distribution Company Limited* (長治市德勝煤炭儲配有限公司) ("Changzhishi Desheng"), owns two coal sheds and the associated machineries of such coal sheds in Shanxi province, the PRC. The expected total storage capacity of the two coal sheds is 1 million tonnes of coal. The coal sheds are located in a logistics park in Shanxi province, the PRC, which has storage and logistics supporting facilities such as cylindrical silos, train dumpers, and coal storage yards. The logistics park is located approximately 1.5 km from a railway station, which is connected to Changzhi South Station of the Central-South Railway, and is also adjunct to the National Highway 228, Erguang Expressway, county and township roads, which the Company considers is a prime location from an operational perspective and would provide a stable source of demand for the Group's businesses and may potentially provide an additional source of supply to the Group's trading businesses. The acquisition of CC Bong HK was completed on 24 January 2024.

Mouton HK, through its indirect wholly-owned subsidiary in the PRC, Shanxi Luyuan Xinneng Technology Company Limited* (山西潞源新能科技有限公司) ("Luyuan Xinneng"), owns two coal sheds and the associated machineries of such coal sheds in Shanxi province, the PRC. The expected total storage capacity of the two coal sheds is 120,000 tonnes of coal. The coal sheds are located in Shanxi province PRC, which is close to the Group's existing coal washery plant. Within around 5 km range, it's connected to several National Highway, Expressway and Railway Lines and Coal Transportation Station, thus has very convenient road and rail transportation. From an operational perspective, this location is a prime location and can provide an additional source of supply for the Group's trading business. The coal shed and the specialised equipment allow the Company to fulfill the storage, loading and coal mixing demand of the customers in Shanxi province, the PRC. The acquisition of Mouton HK was completed on 24 July 2024.

* For identification purpose only

REPORT OF THE DIRECTORS (CONTINUED)

The acquisitions of CC Bong HK and Mouton HK will allow the Group to enhance the value chain of the coal business through providing additional storage and coal mixing services to the Group's customers, and in turn strengthen the competitiveness of the Group.

In order to concentrate its resources and capital on its high-growth coal supply chain management services business, on 19 July 2024, the Group entered into an equity transfer agreement with an independent third party, to dispose (the "Disposal") of 95% of the entire equity interest of Hami Jinhua Mineral Resource Exploiture Ltd* (哈密市錦華礦產資源開發有限責任公司) ("Hami Jinhua"), being the entire equity interest of Hami Jinhua held by the Group. Hami Jinhua owned a mining right of non-ferrous metals in the Xinjiang Uyghur Autonomous Region, the PRC, namely Baiganhu Mine, which produced lead and zinc ores. The Disposal was made at the consideration of RMB94,000,000 and recorded a gain of approximately RMB18,341,000 from such Disposal during the Prior Year. By divesting the Hami Jinhua mentioned above, the Company would be able to redeploy the sale proceeds to fund the expansion of the coal supply chain management services business and accelerate its trajectory. The transfer of 95% equity interest in Hami Jinhua was completed in September 2024 and the Group has discontinued its mining business since then. The consideration of RMB94,000,000 was received by the Group in November 2025.

Save as disclosed herein, there were no significant changes in the nature of the Group's principal activities during the Year.

BUSINESS REVIEW

Details of the business review, financial performance and future development of the Group's business are set out in the section headed "Management Discussion and Analysis" from pages 5 to 14 of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

There are various risks and uncertainties including business risks, operational risks, and financial risks that may have different levels of impact on the Group's financial performance, operations, business as well as future prospects.

For the risks and uncertainties of the Group's coal business, any significant disruption and volatility in the financial and commodities markets, and restrictions on the conduct of the business in the place of the Group's operation that may have caused general economic uncertainty, any of which may have a significant adverse effect on the Group's operations, business and financial condition. Fluctuations in the market price of coal products may also significantly and adversely affect the results of the Group's coal business operations. The Group's coal business solely operates in the PRC market and the PRC market is a significant source of demand for coal products, thus sustained slowdown in the PRC's growth or demand could have an adverse effect on the price and/or demand for the Group's product. The nature of the Group's coal business is subject to numerous policies and regulations, including but not limited to health, safety, environmental, etc., and any changes to these policies and regulations may cause a significant impact on the Group's coal business.

The Group is also exposed to certain financial risk, including market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk. Details of financial risks are set out in note 43 to these consolidated financial statements and the section headed "Principal Risks" under the "Management Discussion and Analysis" to this annual report.

* For identification purpose only

REPORT OF THE DIRECTORS (CONTINUED)

KEY FINANCIAL PERFORMANCE INDICATORS

An analysis of the Group's financial performance in terms of key indicators are set out in the section headed "Liquidity and Financial Review" under the "Management Discussion and Analysis" to this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates.

The Group's operations are subject to a variety of PRC environmental laws and regulations, as well as local environmental regulations promulgated by local authorities on environmental protection. These laws and regulations govern a broad range of environmental matters, such as air emissions, noise control, discharge of wastewater and pollutants, waste disposal. The PRC government has taken an increasingly stringent stance on the adoption and enforcement of rigorous environmental laws and regulations, which could have a material adverse effect on financial condition and results of operations and could incur additional costs.

The Group was in compliance with all relevant PRC laws and regulations regarding environmental protection in all material respects and was not subject to any environmental claims, lawsuits, penalties or administrative sanctions during the Year. The Group is also committed to allocating operating and financial resources to ensure environment protection compliance as required by applicable PRC laws and regulations.

In accordance with Rule 13.91 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Company will publish an environmental, social and governance ("ESG") report separately at the same time as the publication of this annual report on the Stock Exchange's website and the Company's website in compliance with the provisions set out in the ESG Reporting Guide in Appendix C2 to the Listing Rules.

In compliance with the Rule 13.91 of the Listing Rules, the ESG report will not be provided in printed form. For shareholders of the Company (the "Shareholder(s)") who wish to receive a printed version of the ESG Report, please send your request in writing to the registered office and principal place of business of the Company at Rooms 36-40, 50/F, Sun Hung Kai Center, 30 Harbour Road, Wan Chai, Hong Kong.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with applicable rules and regulations. The Group's operations are mainly carried out in the PRC and Hong Kong while the shares of the Company are listed on the Stock Exchange in Hong Kong. Hence, the Group shall comply with relevant laws and regulations in the PRC, Hong Kong and the respective places of incorporation of the Company and its subsidiaries. In addition, the Company is required to comply with the Listing Rules and other relevant regulations.

The Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group during the Year. There was no material breach of or non-compliance with the applicable laws and regulations by the Group for the Year.

REPORT OF THE DIRECTORS (CONTINUED)

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

A full corporate governance report is set out on pages 32 to 46 of this annual report.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS AND OTHER STAKEHOLDERS

The Group understands the success of the Group's business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and Shareholders. There was no material and significant dispute between the Group and its key stakeholders that had a significant impact on the Group during the Year.

The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

RESULTS AND DIVIDENDS

The Group's profit for the Year is set out in the consolidated statement of comprehensive income on page 51 and 52 and the state of affairs of the Group as at 31 December 2025 are set out in the consolidated statement of financial position on pages 53 and 54.

The Directors do not recommend the payment of any final dividend for the Year.

DISTRIBUTABLE RESERVES

The Company's distributable reserves consist of share premium and retained earnings, if any.

Under the Companies Law of the Cayman Islands, the share premium account is distributable to Shareholders if immediately following the date on which the Company proposes to distribute the dividend, the Company will be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2025, the Company had a reserve balance of approximately RMB251.5 million, representing share premium of approximately RMB789.8 million and capital reserve of approximately RMB0.7 million, net of investment revaluation reserve of approximately negative RMB6.0 million and accumulated losses of approximately RMB533.1 million, available for distribution to the Shareholders.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 128. This summary does not form part of these audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in note 29 to these consolidated financial statements.

No treasury shares were held by the Company as at 31 December 2025 (2024: Nil).

REPORT OF THE DIRECTORS (CONTINUED)

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of such securities.

PURCHASE, REDEMPTION OR SALE OF SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's securities during the Year.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for 44.9% (2024: 61.4%) of the total sales for the Year and sales to the largest customer included therein amounted to 13.6% (2024: 20.6%) of the total sales. During the Year, the purchases from Group's five largest suppliers and the largest supplier accounted for 79.8% (2024: 67.2%) and 28.5% (2024: 33.2%) of the total purchases, which solely contributed by the Group's new trading of coals business during the Year, respectively.

None of the Directors or any of their respective close associates within the meaning of the Listing Rules, or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital (excluding treasury shares)) had any beneficial interest in the Group's above-mentioned customers and suppliers.

DIRECTORS

The Directors during the Year and up to the date of this report are:

Executive Directors

Mr. Cui Yazhou (*Chairman*)

Mr. Ye Xin

Ms. Wang Qian

Mr. Zhou Jianzhong

Non-Executive Director

Mr. Cao Ye

Independent non-executive Directors

Ms. Xiang Siying

Mr. Yuen Koon Tung

Mr. Chan Ping Kuen

REPORT OF THE DIRECTORS (CONTINUED)

In accordance with article 84(1) of the Company's articles of association, at each annual general meeting one-third of Directors (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. In accordance with the Company's articles of association, Ms. Wang Qian, Mr. Ye Xin and Ms. Xiang Siying will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 15 to 19.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION POLICY AND DIRECTORS' REMUNERATION

The remuneration policy of the Group is established and implemented to encourage employee behaviour that supports the objectives, business strategies and long-term goals of the Group and structured in a way that allows the Group to attract and retain employees with relevant skills, knowledge and expertise to discharge their specific functions.

The remuneration of the Directors are determined by the remuneration committee of the Company with reference to the Directors' duties, responsibilities and performance and the results of the Group. Details of the Directors' remuneration are set out in the note 12 to these consolidated financial statements.

PERMITTED INDEMNITY

Pursuant to the articles of association of the Company, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

The Company has arranged appropriate insurance cover in respect of relevant actions against its Directors during the Year.

REPORT OF THE DIRECTORS (CONTINUED)

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

No Director or his associate has engaged in any business which competes or is likely to compete directly or indirectly with that of the Group.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the Year or subsisting at the end of the Year are set out below:

Share Option Scheme

The old share option scheme, which was adopted by the Company on 16 December 2011 was terminated upon the conclusion of the annual general meeting of the Company held on 28 May 2021 (the "2021 AGM") and no share options can be further granted under the old share option scheme. A new share option scheme (the "Share Option Scheme") was adopted by the shareholders of the Company at the 2021 AGM. The Share Option Scheme shall continue in force for a period commencing from the date of adoption of the Share Option Scheme (the "Date of Adoption"), which is 28 May 2021, and expire at the close of business on the date which falls ten (10) years after the Date of Adoption (that is from 28 May 2021 to 27 May 2031). As at the date of this annual report, there is approximately 5 years remaining of the life of the Share Option Scheme.

The purpose of the Share Option Scheme is to enable the Company to grant Share Options (as defined below) to select Eligible Participants (as defined below) as incentives and/or rewards for their contribution or potential contribution to and continuing efforts to promote the interests of, the Group and to enable the Group to recruit and retain high-calibre persons and attract human resources that are valuable to the Group or any associated company in which the Group holds any equity interest (the "Invested Entity").

The Share Option Scheme intends to cover eligible participants (the "Eligible Participants") including (i) any directors, whether executive or non-executive and whether independent or not, of the Group or any Invested Entity; (ii) any full time or part time employees of the Group or any Invested Entity; and (iii) persons who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group.

The subscription price for shares of the Company (the "Share(s)") under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the highest of: (i) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the date on which an offer(s) (the "Offer(s)") of the grant of an option(s) to Eligible Participant(s) to subscribe for Share(s) under the Share Option Scheme (the "Share Option(s)") is/are made to an Eligible Participant(s) (the "Offer Date"), which must be a day on which the Stock Exchange is open for the business of dealing in securities listed thereon ("Business Day"); (ii) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) Business Days immediately preceding the Offer Date; and (iii) the nominal value of the Share on the Offer Date.

REPORT OF THE DIRECTORS (CONTINUED)

An Offer of the grant of an Option shall be made to Eligible Participants in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of twenty-one (21) days inclusive of, from the date upon which it is made provided that no such Offer shall be open for acceptance after the earlier of the 10th anniversary of the Date of Adoption or the termination of the Share Option Scheme or the Eligible Participant to whom such Offer is made has ceased to be an Eligible Participant. A non-refundable nominal consideration of HK\$1.00 is payable by the grantee upon acceptance of an Option.

The Share Option Scheme does not specify a minimum period for which a share option must be held before it can be exercised. The exercise period of the share options granted is determinable by the directors of the Company at the time of making an Offer provided that such period shall not exceed the period of 10 years from the date of the grant of the particular Option but subject to the provisions for early termination. The exercise of any share option may be subject to any vesting schedule or condition(s) to be determined by the Board.

The total number of Shares which may be issued upon exercise of all Share Options to be granted under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the Shares in issue as at the date of the approval of the Share Option Scheme (the "Scheme Mandate Limit"), unless approval from shareholders of the Company (the "Shareholder(s)") has been obtained. Share Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. The Company may refresh the Scheme Mandate Limit at any time subject to approval of the Shareholders in general meeting, provided that the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of passing the relevant resolution. Share Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised Share Options) will not be counted for the purpose of calculating this limit.

The total number of shares available for issue under the Share Option Scheme is 162,000,000 Shares, representing approximately 10% of the total number of Shares in issue as at the date of passing of an ordinary resolution by the Shareholders at the 2021 AGM to approve the adoption of the Share Option Scheme. As at 31 December 2025 and as at the date of this annual report respectively, 162,000,000 Shares were available for issue under the Share Option Scheme, representing, 7.7% of the Shares in issue as at 31 December 2025 and 7.7% of the Shares in issue as at the date of this annual report.

The total number of Shares issued and to be issued upon exercise of the Share Options granted to each Eligible Participant or grantee (including exercised and outstanding options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the Shares in issue.

As at 31 December 2025, there were no outstanding Share Options and no Share Options were granted, exercised or cancelled or lapsed during the Year. Further details of the Share Option Scheme are set out in the circular of the Company dated 23 April 2021.

REPORT OF THE DIRECTORS (CONTINUED)

CONTRACT OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Group's business in which the Company or any of its subsidiaries, fellow subsidiaries and parent company was a party and in which a Director and the Director's connected party had a material interest, whether directly or indirectly, subsisted during or at the end of the Year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

So far as was known to the Directors and the chief executive of the Company, as at 31 December 2025, the following Directors or the chief executives of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

Name	Nature of interests	Total interests in shares	Approximate percentage of the Company's issued share capital
Sky Circle International Limited ("Sky Circle")	Beneficial owner (Note 1)	521,000,000 (L)	24.77%
Mr. Cui Yazhou ("Mr. Cui")	Interest in a controlled corporation (Note 1)	521,000,000 (L)	24.77%
Prosper Union Holdings Limited	Beneficial owner (Note 2)	137,792,017 (L)	6.55%
Mr. Ye Xin ("Mr. Ye")	Interest in a controlled corporation (Note 2)	137,792,017 (L)	6.55%

Remarks: (L): Long position; (S): Short position

REPORT OF THE DIRECTORS (CONTINUED)

Notes:

1. Mr. Cui, the chairman of the Board and an executive Director, is the legal and beneficial owner of the entire issued share capital of Sky Circle which holds 521,000,000 Shares, and thus Mr. Cui is deemed to be interested in such shares of the Company under the SFO.
2. Mr. Ye, an executive Director is the legal and beneficial owner of the entire issued share capital of Prosper Union Holdings Limited which holds 137,792,017 Shares, and thus Mr. Ye is deemed to be interested in such shares of the Company under the SFO.

Save as disclosed above, as at 31 December 2025, the Directors and the chief executive of the Company were not aware of any other Directors and chief executive of the Company who had, or is deemed to have, interests or short positions in the Shares, and underlying Shares which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

So far as was known to the Directors and the chief executive of the Company, as at 31 December 2025, the following persons (not being a Director or chief executive of the Company) had or is deemed to have an interest and short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Nature of interests	Total interests in shares	Approximate percentage of the Company's issued share capital
Mr. Feng Yuantao	Beneficial owner	306,522,040 (L)	14.57%
Mr. Bong Chin Chung	Beneficial owner	242,419,957 (L)	11.53%
China Clean Energy Technology Limited	Beneficial owner (Note 1)	170,000,000 (L)	8.08%
Mr. Lai Long Wai	Interest in a controlled corporation (Note 1)	170,000,000 (L)	8.08%
Pine Success International Holdings Limited	Beneficial owner (Note 2)	147,000,000 (L)	6.99%
Ms. Gao Miaomiao	Interest in a controlled corporation (Note 2)	147,000,000 (L)	6.99%
Mr. Cao Jiawei	Interest in a controlled corporation (Note 2)	147,000,000 (L)	6.99%

Remarks: (L): Long position; (S): Short position

REPORT OF THE DIRECTORS (CONTINUED)

Notes:

1. Mr. Lai Long Wai is the legal and beneficial owner of the entire issued share capital of China Clean Energy Technology Limited which holds 170,000,000 Shares and thus Mr. Lai Long Wai is deemed to be interested in such shares of the Company under the SFO.
2. Ms. Gao Miaomiao and Mr. Cao Jiawei holds 85% and 15% of the issued share capital of Pine Success International Holdings Limited, respectively and thus are each deemed to be interested in such shares of the Company under the SFO.

Save as disclosed above, as at 31 December 2025, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and chief executive of the Company) who had, or was deemed to have an interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR PURCHASE OF CAPITAL ASSETS

Save as disclosed in this report, the Group had no future plan for material investments or purchase of capital assets during the year ended 31 December 2025.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for 2026 will be held on 18 June 2026 (the "AGM"). A notice of meeting together with the circular for the AGM will be despatched to the shareholders of the Company according to the Articles of Association and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 15 June 2026 to 18 June 2026, both days inclusive, in order to determine the entitlement to attend the AGM. The record date for attendance and voting at the AGM is Thursday, 18 June 2026. In order to qualify for attending and voting at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on 12 June 2026.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event after the reporting period of the Group up to the date of this annual report.

REPORT OF THE DIRECTORS (CONTINUED)

AUDITORS

The consolidated financial statements of the Group for the Year and for the years ended 31 December 2025 and 2024 were audited by ZHONGHUI ANDA CPA Limited, who will retire at the end of the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of ZHONGHUI ANDA CPA Limited as auditor of the Company is to be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Cui Yazhou

Chairman

Hong Kong, 27 March 2026

REPORT ON CORPORATE GOVERNANCE

INTRODUCTION

Huili Resources (Group) Limited (the “Company”) is committed to maintain a high standard of corporate governance and has taken appropriate steps to adopt and comply with the provisions of the Corporate Governance Code (the “Code”) as set out in Appendix C1 to the Rules (the “Listing Rules”) Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the year ended 31 December 2025 (the “Year”) except for code provision C.2.1 of the Code as explained in this Corporate Governance Report (the “CG Report”).

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules as its own code for dealing in securities of the Company by the directors of the Company (the “Directors”). Having made specific enquiries with all of the Directors, the Directors confirm that they have complied with the required standard as set out in the Model Code during the Year.

SECURITIES TRANSACTIONS BY RELEVANT EMPLOYEES

The board of the Directors (the “Board”) of the Company has also adopted a policy with no less exacting terms than the Model Code for the relevant employees of the Company (the “Relevant Employees”) in respect of their dealings in securities of the Company. Having made specific enquiries with all of the Relevant Employees, each of them confirmed that this policy has been complied in full throughout the Year.

BOARD OF DIRECTORS

As at 31 December 2025, the Board comprised eight Directors, including four executive Directors, being Mr. Cui Yazhou (chairman of the Board (the “Chairman”)), Ms. Wang Qian, Mr. Ye Xin and Mr. Zhou Jianzhong; one non-executive Director, being Mr. Cao Ye; and three independent non-executive Directors, being Ms. Xiang Siying, Mr. Yuen Koon Tung and Mr. Chan Ping Kuen. At least one of the independent non-executive Directors possesses appropriate professional qualifications (or accounting or related financial management expertise) as required by the Listing Rules. The biographical details of the Directors are set out on pages 15 to 18 to this annual report.

During the Year and up to the date of this report, there is no change to the information of the members of the Board.

The Board is principally accountable to the shareholders of the Company (the “Shareholders”) and is responsible for the leadership and control of the Company and its subsidiaries (the “Group”) including overseeing the Group’s businesses, strategic directions, financial performance, setting objectives and business development plans, and monitoring the performance of the senior management.

The Board, with balance of skills and experience, meets regularly to formulate overall strategy, monitor business development as well as the financial performance of the Group and has formal procedures on matters for consideration and decision. The Board has delegated certain authorities to the senior management for the day-to-day management of the Group’s operation.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

To the best knowledge of the Board, the Directors have no financial, business, family or other material/relevant relationship among themselves. All of the Directors have confirmed that they have sufficient time and attention to deal with the affairs of the Group.

The Board complied with Rule 3.10A of the Listing Rules to appoint at least one-third of its Directors as independent non-executive Directors. The Company has received the annual confirmation of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors, namely Ms. Xiang Siying, Mr. Yuen Koon Tung and Mr. Chan Ping Kuen, to be independent of the Company during the Year.

During the Year, the independent non-executive Directors held a closed-session with the Chairman where issues were discussed in the absence of the other executive Directors, the non-executive Director and the management.

The Board is also responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, and practices on corporate governance; reviewing and monitoring the training and continuous professional development of Directors and senior managements and the Company's policies and practices on compliance with legal and regulatory requirements, etc. It is also the practice of the Group to engage and consult financial advisors and legal advisors in conducting its various transactions and in its daily operations in order to ensure compliance with legal and regulatory requirements. The Group has also adopted the policy that all business transactions conducted by the Group must strictly comply with relevant laws and regulations. The Board also develops policy and practices, and reviews and monitors whether such policy and practices have been followed by the management and employees of the Group from time to time.

To facilitate effective oversight and decision making by the Board, the Company established a mechanism to ensure independent views and input are available to the Board, and such mechanism includes:

- upon the request of the Board, engaging a valuer to provide advice to the Board on any matters in relation to valuations of any business transactions;
- upon the request of the Board, engaging a financial advisor to provide financial advice to the Board on any business transactions;
- establishing communication channels to ensure the independent views from the aforementioned professional parties are communicated to the Board; and
- appointing at least one-third of its Directors as independent non-executive Directors.

On an annual basis, the Board will review the implementation and effectiveness of such mechanism.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

Regular Board meetings are held to review the financial and operating results of the Group and to propose interim and final dividends, if appropriate. Meetings are also held as and when necessary to discuss significant matters. Sufficient notice of not less than 14 days has been given to all Directors for regular Board meetings and reasonable notice has been given for other meetings. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association (the "Articles of Association"). All Directors are given an opportunity to include matters in the agenda for Board meetings and have access to the company secretary of the Company (the "Company Secretary") to ensure that all board procedures and all applicable rules and regulations are followed. The Board also enables Directors to seek independent professional advice at the Company's expense in appropriate circumstances.

All minutes of the meetings are kept by the Company Secretary and are open for inspection by the Directors at any time. The meetings are structured to allow open discussion. All of the Directors can participate in discussing the strategy, operational and financial performance and internal control of the Group.

The Company Secretary assists the Chairman to prepare the agenda of the meeting and each Director may request to include any matters in the agenda. All substantive agenda items have comprehensive briefing papers, which are distributed by the Company Secretary to the Directors within reasonable time before the Board meetings so as to ensure that the Directors may receive accurate, timely and clear information to make informed decisions regarding the matters discussed in the meetings. Directors who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions.

Under code provision C.5.1 of the Code, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the Year, the Board held 4 meetings within the meaning of the Code.

The attendance of each Director at the Board meetings, certain committee meetings and general meetings during the Year is as follows:

	Board meeting	Attended/Eligible to attend			Annual general meeting
		Audit committee meeting	Remuneration committee meeting	Nomination committee meeting	
Executive Directors					
Mr. Cui Yazhou (<i>Chairman</i>)	4/4	N/A	N/A	N/A	1/1
Mr. Ye Xin	4/4	N/A	N/A	N/A	1/1
Ms. Wang Qian	3/4	N/A	1/1	1/1	1/1
Mr. Zhou Jianzhong	4/4	N/A	N/A	N/A	1/1
Non-Executive Director					
Mr. Cao Ye	4/4	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Ms. Xiang Siying	4/4	3/3	1/1	1/1	0/1
Mr. Yuen Koon Tung	4/4	3/3	1/1	1/1	1/1
Mr. Chan Ping Kuen	4/4	3/3	N/A	N/A	1/1

Remarks: N/A: Not applicable

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

ROLES AND RESPONSIBILITIES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under code provision C.2.1 of the Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the Year, Mr. Cui was the Chairman. The Company does not maintain the office of chief executive officer and the duties of a chief executive officer have been taken up by other executive Directors and senior management of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable to those in the Code.

The Company will issue a further announcement regarding the appointment of a new chief executive officer at the appropriate time.

TERMS OF NON-EXECUTIVE DIRECTORS

Neither the non-executive Director nor the independent non-executive Directors are employees of the Company. The non-executive Director and the independent non-executive Directors are all appointed for a term of three years. The terms of appointment of the non-executive Director and the independent non-executive Directors may be renewed upon expiry usually for a period of three years. Each non-executive Director and independent non-executive Director has committed that they will devote sufficient time and make contributions to the Company on the Board matters.

All of the Directors including the non-executive Director and the independent non-executive Directors are subject to retirement by rotation in accordance with the Articles of Association. The Board considers that sufficient measures were taken to ensure the corporate governance practices of the Company are not less than those in the Code.

REMUNERATION OF THE MEMBERS OF THE SENIOR MANAGEMENT BY BAND

The remuneration of the members of the senior management by band for the Year is set out below:

Remuneration bands	Number of persons
Nil to HK\$1,000,000 (Nil to RMB922,424 equivalents)	3
HK\$1,000,001 to HK\$1,500,000 (RMB922,425 to RMB1,383,636 equivalents)	1
HK\$1,500,001 to HK\$2,000,000 (RMB1,383,637 to RMB1,844,848 equivalents)	1
HK\$2,000,001 to HK\$2,500,000 (RMB1,844,849 to RMB2,306,060 equivalents)	0

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with revised written terms of reference which were adopted on 30 December 2022 and are in line with the code provisions set out in the Code. The Audit Committee meets at least twice a year for reviewing the reporting of annual and interim results and other information to the Shareholders, and the effectiveness and objectivity of the audit process. Additional meetings may be held by the Audit Committee from time to time to discuss special projects or other issues which the Audit Committee considers necessary. The auditor of the Company (the "Auditor") may request a meeting if they consider that one is necessary. The Audit Committee also provides an important link between the Board and the Auditor in matters coming within the scope of its terms of reference and keeps under review the independence and objectivity of the Auditor.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

The Audit Committee comprises three independent non-executive Directors, namely Mr. Yuen Koon Tung (chairman of the Audit Committee), Ms. Xiang Siying and Mr. Chan Ping Kuen. During the Year, the Audit Committee held 3 meetings.

The Audit Committee is also responsible for performing the functions set out in the code provision D.3.3 of the Code. During the Year, the Audit Committee had performed the works as follows:

1. reviewed the Company's corporate governance policies and practices;
2. reviewed the training and continuous professional development of Directors and senior management;
3. reviewed the Company's policies and practices on compliance with legal and regulatory requirements;
4. reviewed the code of conduct and compliance manual (if any) applicable to employees and Directors;
5. reviewed the compliance of the Listing Rules, and the Company's compliance with the Code and disclosure in this CG Report;
6. reviewed and monitored the Auditor's independence and objectivity;
7. reviewed the policy on engaging the Auditor in the provision of non-audit services;
8. reviewed the reports from the Auditor, accounting principles and practices adopted by the Group in relation to the annual results for the year ended 31 December 2025 and the interim results for the six months ended 30 June 2025;
9. reviewed the financial reports for the year ended 31 December 2025 and for the six months ended 30 June 2025 and recommended the same to the Board for approval;
10. made recommendations to the Board regarding the selection, appointment, reappointment, remuneration, removal, resignation or dismissal of the Auditor;
11. reviewed the Group's internal control based on the information obtained from the external risk management and internal control review advisor of the Company (the "IC Advisor") and Company's management and Audit Committee was of the opinion that there are adequate internal controls in place in the Group; and
12. reviewed the financial reporting system, compliance procedures, risk management and internal control systems (including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function).

The Audit Committee has reviewed with the management and the Auditor, the audited consolidated financial statements of the Group for the Year. The Audit Committee reviewed the Group's audited results for the Year and recommended its adoption to the Board.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the “Remuneration Committee”) with revised written terms of reference adopted on 30 December 2022 and are in line with the Code. The responsibilities of the Remuneration Committee include considering and recommending to the Board the Group’s remuneration policy and structure, assessing the performance of the executive Directors, approving the terms of the executive Directors’ service contracts and the share schemes of the Company and reviewing and determining the remuneration packages of the Directors and senior management.

The Remuneration Committee currently comprises two independent non-executive Directors, Ms. Xiang Siying (chairlady of the Remuneration Committee) and Mr. Yuen Koon Tung, and one executive Director, Ms. Wang Qian. During the Year, the Remuneration Committee held 1 meeting.

The Remuneration Committee is also responsible for performing the functions set out in the code provision E.1.2 of the Code. During the Year, the Remuneration Committee held one meeting and had performed the works as follows:

1. reviewed the Group’s remuneration policy and structure;
2. reviewed the terms of service contracts of all Directors;
3. assessed performance of executive Directors and reviewed remuneration packages of the Directors and senior management; and
4. reviewed the matters relating to the Share Option Scheme of the Company.

The Directors are remunerated with Directors’ fees and only executive Directors are remunerated with discretionary cash bonuses and/or share options. All Directors are covered by directors’ and officers’ liability insurance. Directors’ fees are determined with reference to their respective duties and responsibility with the Company, the Company’s performance, current market situation and the Group’s remuneration policy.

As for the senior management of the Group, the senior management are remunerated with basic salary, discretionary cash bonuses and/or share options. The basic salary is a fixed-cash component of the total remuneration benchmarked against comparable peers to recruit and retain key leaders and managers, while the discretionary cash bonus is the variable cash component of the total remuneration to drive and reward performance. The senior management also participate in the Mandatory Provident Fund scheme of the Group and are also remunerated with other benefits such as annual leave, medical insurance, reimbursement of professional memberships and seminar course fees, etc.

Details of remunerations of the Directors for the Year are disclosed in note 12 to these consolidated financial statements.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

NOMINATION COMMITTEE

A nomination committee (the "Nomination Committee") of the Group had a written terms of reference revised on 30 June 2025 and are in line with the Code. The Nomination Committee is also responsible for performing the functions set out in the code provision B.3.1 of the Code, and is mainly responsible for:

1. reviewing and recommending the structure, size, composition (including the skills, knowledge and experience) of the Board at least annually;
2. identifying and nominating candidates qualified to become Directors for the Board's approval;
3. reviewing the implementation and effectiveness of the Company's policy on board diversity on an annual basis;
4. assessing the independence of independent non-executive Directors; and
5. making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executive.

According to the board diversity policy (further elaborated under the section headed "Board Diversity Policy") to this CG Report adopted by the Nomination Committee (the "Board Diversity Policy"), board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The final decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee currently comprises, two independent non-executive Directors, Ms. Xiang Siying (chairlady of the Nomination Committee) and Mr. Yuen Koon Tung, and one executive Director, Ms. Wang Qian. During the Year, the Nomination Committee held one meeting to review the Board composition and the Board Diversity Policy.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2025, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records with reasonable accuracy for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The Board has not taken any different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of Auditor.

Auditor's Responsibilities and Remuneration

An analysis of remuneration in respect of services provided by the Auditor, ZHONGHUI ANDA CPA Limited, is as follows.

	RMB'000
Audit services	1,310
Other non-audit services including but not limited to agreed-upon procedures	240

The statement of the Auditor regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 47 to 50 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the risk management and internal control systems of the Company and reviewing their effectiveness. The Board oversees the overall risk management of the Group and endeavors to identify, control impact of the identified risks and facilitate implementation of coordinated mitigating measures. During the Year, the Company has adopted and reviewed the effectiveness of the Group's internal control and risk management procedures which include the policies, procedures, monitoring and communication activities and standard of behavior established for safeguarding the interests of the Shareholders. The risk management and internal control systems of the Company aim to help achieving the Group's business objectives, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. However, the design of systems is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage, rather than eliminate, the risks of failure to achieve business objectives.

The Board reviews the effectiveness of the Group's internal control and risk management procedures annually and considers the Group's internal control and risk management systems effective and adequate. The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact and consequence on the business and the likelihood of their occurrence.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness during the Year. In order to strengthen the risk management and internal control systems of the Group, the following measures are adopted:

- established one internal compliance officer (the "Internal Compliance Officer"), Mr. Sin Lik Man ("Mr. Sin"), the Company Secretary of the Company, and Internal Compliance Officer. Mr. Sin shall, take into consideration the information provided by the Company's IC Advisor, report to the Board directly from time to time to assist the Board in ensuring that operations of the Group are in compliance with applicable laws, rules and regulations, strengthen the existing internal control framework and recommend remedial plans to the Board should there be any internal control deficiencies;
- engaged a Hong Kong legal advisor to advise the Board and the Company Secretary on an ongoing basis in respect of the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong); and
- engaged Metis Professional Services Limited as the IC Advisor to conduct the annual review of the risk management and internal control systems for the Year. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board through the Audit Committee. The IC Advisor has reported findings and areas for improvement to the Audit Committee and management. The Audit Committee are of the view that there are no material internal control defects noted. All recommendations from the IC Advisor are properly followed up by the Group to ensure that they are implemented within a reasonable period of time.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

TRAINING AND CONTINUING DEVELOPMENT FOR DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board on an informed and relevant basis.

Each newly appointed Director will receive comprehensive, formal and tailored induction and legal advice referred to in Rule 3.09D of the Listing Rules on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. There are also arrangements in place for providing continuing briefing and professional development to Directors at the Company's expenses whenever necessary. The Company arranges relevant training for Directors, and provides them with reading materials relating to the Company's business and the roles and responsibilities of Directors, as well as up-to-date information on applicable laws, corporate governance and regulations applicable to the Group from time to time for their study and reference. During the Year, all Directors have confirmed that they have participated in continuous professional development by attending training course or reading relevant materials on the topics related to roles, functions and duties of a director of a listed company. All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices.

DIVERSITY

Board Diversity Policy

The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Board and the Nomination Committee has adopted the Board Diversity Policy which sets out the approach to achieve and maintain diversity on the Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other qualities. The Company also takes into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board. The Nomination Committee has considered measurable objectives based on four focus areas: gender, age, professional experience and ethnicity to implement the Board Diversity Policy. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

Measurable Objectives

The Company noted that people from different backgrounds and with different professional and life experiences are likely to approach problems in different ways and accordingly, members of the Board with diverse backgrounds will bring different concerns and questions to the table, and allow the Board to consider a wider range of options and solutions when deciding on corporate issues and formulating policies for the Group. In determining the Board's composition and selection of candidates to the Board, the Nomination Committee will consider factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, industry knowledge and length of service.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

Composition of the Diversified Board

As at 31 December 2025, the Board comprised eight Directors. The following table further illustrates the composition and diversity of the Board in terms of age, length of service with the Group, educational background and professional experience as of the date of this annual report:

Name of Directors	Age Group			Educational background		Professional Experience			Years of serving the Board
	25 to 35	35 to 45	Over 45	Science	Accounting and Finance	Science	Accounting and Finance	Management	
Mr. Cui Yazhou	✓				✓		✓		4 years
Mr. Ye Xin			✓		✓		✓		4.5 years
Ms. Wang Qian			✓		✓		✓		10 years
Mr. Zhou Jianzhong			✓	✓		✓			7 years
Mr. Cao Ye	✓				✓			✓	7 years
Ms. Xiang Siying			✓		✓		✓		8 years
Mr. Yuen Koon Tung			✓		✓		✓		1.1 years
Mr. Chan Ping Kuen		✓			✓			✓	7 years

The Company believes that the current Board composition is well-balanced and of a diverse mix appropriate for the business of the Company. The Board will review and monitor the implementation of board diversity on a regular basis to ensure its effectiveness on determining the optimal composition of the Board.

Gender Diversity

The Board recognised the importance of the gender diversity to bring different voices to the Board and support the attainment of the Company's strategic objective and substantiable development, with the ultimate goal of achieving gender parity on the Board. The Company currently has two female Directors and six male Directors, and depending on the business needs of the Group, the Board will take opportunities to increase the proportion of female members over time as and when appropriate candidates are identified.

Workforce Diversity

The Company also considers relevant factors in the recruitment and selection of key management and other personnel, and strives to maintain gender diversity. As at 31 December 2025, the male and female ratio of all staff members (including the senior management) of the Company accounted for 90% and 10% of the total number of staff respectively. The Company will continue to maintain gender diversity among all its staff as the goal and review its policies on employee recruitment and management in a timely manner in accordance with the Company's business development and needs.

Details of the Group's gender diversity at workforce level are set out in the Group's ESG report published separately.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

DIRECTOR NOMINATION POLICY

The Company adopted the Board Nomination Policy, which establishes written guidelines to the Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Process

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required. The Nomination Committee utilises various methods for identifying candidates, including recommendations from Board members, management, and professional search firms. All candidates, including incumbents and candidates nominated by Shareholders are evaluated by the Nomination Committee based upon the Director's qualifications. While candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's businesses.

Selection Criteria

The Nomination Committee will take into account a variety of factors including without limitation to whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and the Shareholders.

DIVIDEND POLICY

Policy on payment of dividend of the Company is in place setting out the factors in determination of dividend payment of the Company, the Company's long-term earning capacity and expected cash inflow and outflow, the frequency and form of dividend payments. The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

The Board does not recommend any payment of dividend during the Year (2024: Nil).

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

COMPANY SECRETARY

Mr. Sin was appointed as the Company Secretary on 1 December 2024 and has taken no less than 15 hours of relevant professional training during the Year.

Biographical detail of Mr. Sin is set out in the section headed "Profiles of Directors and Senior Management" in this annual report.

SHAREHOLDERS' RIGHTS

The Board is endeavour to maintain an on-going dialogue with Shareholders. The Company encourages the Shareholders to attend the general meetings and the chairmen of the Board and the board committees should attend the annual general meeting to answer questions. Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Investor Services Limited.

Procedures for Shareholders to convene an extraordinary general meeting

In accordance with the requirements and procedures set out in the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. A Shareholder who wishes to propose a resolution to be considered at a general meeting must requisition the convening of a general meeting in accordance with the Company's Articles of Association. The objects of the meeting must be stated in the written requisition, which must be signed by the requisitionists and deposited for the attention of the Company Secretary at the address stated above.

Procedures for Shareholders to nominate a person for election as a Director

In accordance with the requirements and procedures set out in the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice (the "Notice") signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also the Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office of the Company provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

Procedures for Shareholders to put forward proposals at Shareholders' meeting

Shareholders are welcome to put forward proposals relating to the operations and management of the Group to be discussed at Shareholders' meetings. The proposals shall be sent to the to the Company, for the attention of Company Secretary, by email to enquiry@huili.hk, fax to (852) 2840 0470 or mail to Rooms 36-40, 50/F, Sun Hung Kai Center, 30 Harbour Road, Wan Chai, Hong Kong by a written requisition. Shareholders who wish to put forward a proposal should convene an extraordinary general meeting by following the procedures set out in the paragraph headed "Procedures for Shareholders to convene an extraordinary general meeting" above.

Procedures by which enquiries may be put to the Board

Details of the procedures by which enquiries of the Shareholders may be put to the Board are set out in the section headed "Investor Relations" below.

INVESTOR RELATIONS

The Company believes that regular and timely communication with Shareholders helps Shareholders better understand the business and operation of the Company. To promote effective communication with the public, the Company:

- maintains a website (www.huili.hk) on which comprehensive information about the Company's major businesses, press releases, notices, financial information, announcements, annual and interim reports and Shareholders circulars are made available;
- publishes its annual report within four months of the financial year end and its interim report within three months of the half-year period end;
- publishes announcements (and circulars, where required) on material information or developments as required by the Listing Rules and/or the Securities and Future Commission, or voluntarily as the Board considers appropriate;
- publishes the Company's interim and annual reports on its corporate website;
- publishes on its corporate website all corporate communications issued by the Company in accordance with the requirements of the Listing Rules, the profiles of the Directors and the senior management, and the business developments, and other news and latest developments of the Company; and
- makes available constitutive documents for inspection at the registered office of the Company.

For any enquiries to the Board, Shareholders may send written enquiries to the Company, for the attention of Company Secretary, by email to enquiry@huili.hk, fax to (852) 2840 0470 or mail to Rooms 36-40, 50/F, Sun Hung Kai Center, 30 Harbour Road, Wan Chai, Hong Kong. Any Shareholder who wishes to put forward a proposal may also send written requests to the Company (for the attention of the Company Secretary). Details of the rights of Shareholders, and the procedures, to put forward a proposal are set out in the section "Shareholders' Rights" to this annual report.

REPORT ON CORPORATE GOVERNANCE (CONTINUED)

During the Year, the Board:

- held an annual general meeting on Friday, 20 June 2025, where Directors met with Shareholders;
- engaged Hong Kong legal advisor to advise on latest corporate governance trends;
- published the interim and full-year results, the interim and annual reports and other corporate communications of the Company within the time frame and in accordance with the requirements of the Listing Rules;
- updated then Company's corporate website (www.huili.hk) on an on-going basis to keep Shareholders and other stakeholders abreast of latest developments of the Company; and
- reviewed the implementation and effectiveness of the Shareholders' communication policy.

As a result of the above measures which has allowed the Shareholders to communicate with the Board through various means, the Board is of the view that the Company's Shareholder communication policy conducted during the Year has been implemented effectively.

There were no significant changes in the Company's Articles of Association during the Year.

CHANGE OF ADDRESS

The principal place of business of the Company in Hong Kong changed from Unit No. 4, 23rd Floor Overseas Trust Bank Building, No. 160 Gloucester Road Hong Kong to Rooms 36-40, 50/F, Sun Hung Kai Center, 30 Harbour Road, Wan Chai, Hong Kong, with effect from 13 January 2025.

INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF HUILI RESOURCES (GROUP) LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Huili Resources (Group) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 127, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosures requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS

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

Impairment assessment on inventories

Refer to Note 20 to the consolidated financial statements.

The Group estimated the net realisable value of inventories for assessing any write down of inventories is necessary. This estimation is significant to our audit because the balances of inventories of approximately RMB486,431,000 as at 31 December 2025 are material to the consolidated financial statements. In addition, the determination of the net realisable value is based on management judgments and uncertainty in future market price of coal.

Our audit procedures included, among others:

- Evaluating the Group's assessment process of net realisable value of inventories;
- Evaluating the net realisable values of the inventories by comparing the market price and subsequent selling price;
- Discussing with the management on the estimated latest market trend; and
- Checking subsequent sales of the inventories.

We consider that the Group's impairment test for inventories is supported by the available evidence.

Impairment assessment on trade and bills receivables

Refer to Note 21 to the consolidated financial statements.

The Group tested the amounts of trade and bills receivables for impairment. This impairment test is significant to our audit because the balances of trade and bills receivables of RMB324,796,000 as at 31 December 2025 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgments and is based on estimates.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS (Continued)

Impairment assessment on trade and bills receivables (Continued)

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment;
- Assessing ageing of the debts;
- Assessing creditworthiness of the customers;
- Checking subsequent settlements from the customers;
- Assessing the competence, independence and integrity of the external valuers engaged by the Group;
- Obtaining the external valuation reports and meeting with the external valuers to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the expected credit loss calculations;
- Checking key assumptions and input data in the expected credit loss calculations to supporting evidence;
- Checking the computation of the amounts of expected credit loss allowances; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade and bills receivables is supported by the available evidence.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards issued by the HKICPA and the disclosures requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at: <http://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre/>.

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Li Chi Hoi

Audit Engagement Director

Practising Certificate Number P07268

Hong Kong, 27 March 2026

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 RMB'000	2024 RMB'000
Continuing operations			
Revenue	6, 7	2,261,063	4,030,742
Cost of sales		(2,128,571)	(3,807,998)
Gross profit			
Administrative expenses		(69,159)	(60,380)
Expected credit losses ("ECLs") on financial assets		(35,104)	(20,514)
Other (losses)/gains – net	8	(8,996)	9,646
Fair value changes of derivative financial assets		(1,338)	2,226
Gain on bargain purchases on acquisition of a subsidiary	33(a)	-	20,071
Operating profit			
Finance income	9	12,739	2,964
Finance costs	9	(7,992)	(7,483)
Finance income/(costs) – net			
		4,747	(4,519)
Profit before income tax			
Income tax expense	10 14	22,642 (11,051)	169,274 (25,845)
Profit for the year from continuing operations			
		11,591	143,429
Discontinued operations			
Profit for the year from discontinued operations	16	-	16,814
Profit for the year			
		11,591	160,243
Profit for the year attributable to equity owners of the Company:			
From continuing operations		11,591	143,429
From discontinued operations		-	16,866
Profit for the year attributable to equity owners of the Company			
		11,591	160,295
Loss for the year attributable to non-controlling interests:			
From continuing operations		-	-
From discontinued operations		-	(52)
Loss for the year attributable to non-controlling interests			
		-	(52)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 RMB'000	2024 RMB'000
Other comprehensive (loss)/income after tax:			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Fair value changes of financial assets (debt instruments) at fair value through other comprehensive income ("FVTOCI")		(334)	7
Other comprehensive (loss)/income for the year, net of tax		(334)	7
Total comprehensive income for the year		11,257	160,250
Total comprehensive income/(loss) for the year attributable to:			
Equity holders of the Company		11,257	160,302
Non-controlling interests		–	(52)
Total comprehensive income for the year		11,257	160,250
Earnings per share attributable to the equity holders of the Company			
From continuing and discontinued operations			
– Basic and diluted (RMB cents)	15	0.6	8.1
From continuing operations			
– Basic and diluted (RMB cents)	15	0.6	7.2
From discontinued operations			
– Basic and diluted (RMB cents)	15	–	0.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2025

	Note	2025 RMB'000	2024 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	331,106	348,715
Right-of-use assets	32	10,994	16,728
Goodwill	19	19,607	19,607
Deferred tax assets	28	15,233	15,149
Total non-current assets		376,940	400,199
Current assets			
Inventories	20	486,431	793,403
Trade and bills receivables	21	324,796	659,808
Other receivables and prepayments	22	51,145	162,425
Financial assets at FVTOCI	18	–	541
Derivative financial assets	23	–	1,504
Cash and cash equivalents	24	896,329	655,837
Total current assets		1,758,701	2,273,518
Total assets		2,135,641	2,673,717
LIABILITIES			
Current liabilities			
Trade payables	25	764,115	1,252,414
Other payables and accruals	26	74,839	88,059
Contract liabilities	27	49,677	81,021
Lease liabilities	32	3,846	4,959
Current tax liabilities		11,876	22,167
Total current liabilities		904,353	1,448,620
Net current assets		854,348	824,898

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2025

	Note	2025 RMB'000	2024 RMB'000
Non-current liabilities			
Loan from an ex-shareholder of a subsidiary	33(a)(i)	94,182	93,463
Loan from a shareholder of the Company	38	34,099	35,845
Bank loan	39	1,686	–
Lease liabilities	32	9,067	13,553
Deferred tax liabilities	28	16,934	18,173
Total non-current liabilities		155,968	161,034
Total liabilities		1,060,321	1,609,654
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	29	181,896	181,896
Share premium	29	789,776	789,776
Other reserves	30	38,560	30,720
Retained earnings	31	65,088	61,671
Non-controlling interests		–	–
Total equity		1,075,320	1,064,063
Total equity and liabilities		2,135,641	2,673,717

The consolidated financial statements on pages 51 to 127 were approved by the board of directors on 27 March 2026 and were signed on its behalf.

Cui Yazhou

Director

Ye Xin

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2025

	Attributable to equity holders of the Company								Non-controlling interests	Total equity	
	Share capital	Share premium	Safety fund	Maintenance fund	Capital reserve	Investment revaluation reserves	Statutory reserve	Retained earnings			Total
	RMB'000 (Note 29)	RMB'000 (Note 29)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000 (Note 30)	RMB'000 (Note 31)	RMB'000	RMB'000	RMB'000
At 1 January 2024	152,933	703,804	221	1,583	(13,819)	(5,649)	38,720	(89,750)	788,043	4,033	792,076
Total comprehensive income/(loss) for the year	-	-	-	-	-	7	-	160,295	160,302	(52)	160,250
Issue of shares upon acquisitions of subsidiaries (Note 33(a) and 33(b))	21,142	59,381	-	-	-	-	-	-	80,523	-	80,523
Issue of shares for settlement of promissory notes (Note 41)	7,821	26,591	-	-	783	-	-	-	35,195	-	35,195
Appropriations to statutory reserves	-	-	-	-	-	-	10,678	(10,678)	-	-	-
Disposal of a subsidiary (Note 34(a))	-	-	-	-	-	-	-	-	-	(3,981)	(3,981)
Release of safety fund and maintenance funds upon discontinued operations in mining business (Note 16)	-	-	(221)	(1,583)	-	-	-	1,804	-	-	-
At 31 December 2024	181,896	789,776	-	-	(13,036)	(5,642)	49,398	61,671	1,064,063	-	1,064,063
At 1 January 2025	181,896	789,776	-	-	(13,036)	(5,642)	49,398	61,671	1,064,063	-	1,064,063
Total comprehensive (loss)/income for the year	-	-	-	-	-	(334)	-	11,591	11,257	-	11,257
Appropriations to statutory reserves	-	-	-	-	-	-	8,174	(8,174)	-	-	-
At 31 December 2025	181,896	789,776	-	-	(13,036)	(5,976)	57,572	65,088	1,075,320	-	1,075,320

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 RMB'000	2024 RMB'000
Profit before income tax		22,642	186,048
Adjustments for:			
Depreciation of property, plant and equipment	10, 16	29,590	19,377
Depreciation of right-of-use assets	10, 16	4,836	4,452
Interest income on financial assets at FVTOCI	8	–	(481)
Gain on disposal of property, plant and equipment	10	(332)	(228)
Fair value changes of derivative financial assets		1,338	(2,226)
Gain on bargain purchases on acquisition of a subsidiary	33(a)	–	(20,071)
Gain on disposal of a subsidiary	34	–	(18,341)
Gain on leases termination	8	(96)	–
Finance costs	9	7,992	7,536
Finance income	9	(12,739)	(2,966)
ECLs on financial assets	10	35,104	20,514
Cash generated from operations before working capital changes		88,335	193,614
Decrease/(increase) in inventories		306,973	(334,295)
Decrease/(increase) in trade and bills receivables		293,724	(211,111)
Decrease in other receivables and prepayments		23,464	48,713
(Decrease)/increase in trade and other payables and accruals		(507,766)	422,908
(Decrease)/increase in contract liabilities		(31,344)	48,793
Cash generated from operations		173,386	168,622
Income tax paid		(22,665)	(17,670)
Net cash generated from operating activities		150,721	150,952
Cash flows from investing activities			
Net cash inflow from acquisitions of subsidiaries	33	–	7,172
Net cash outflow from disposal of a subsidiary	34	–	(101)
Consideration received from disposal of a subsidiary	34	94,000	–
Purchases of property, plant and equipment	17	(12,011)	(53,986)
Proceeds from disposal of property, plant and equipment		362	246
Proceeds from realised gains of derivative financial assets		166	722
Proceeds from redemption of financial assets at FVTOCI		–	8,644
Interest received	9	12,739	2,966
Interest income on financial assets at FVTOCI	8	–	481
Decrease in pledged bank deposits		–	33,977
Net cash generated from investing activities		95,256	121

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	2025 RMB'000	2024 RMB'000
Cash flows from financing activities			
Repayment of principal portion of lease liabilities	40	(4,419)	(3,765)
Interest paid on lease liabilities	40	(993)	(995)
Loan from a shareholder of the Company	40	-	35,846
Drawdown of bank loan	40	1,686	-
Interest paid on bank loan	40	(34)	-
Net cash (used in)/generated from financing activities		(3,760)	31,086
Net increase in cash and cash equivalents		242,217	182,159
Cash and cash equivalents at beginning of financial year		655,837	474,597
Exchange differences on cash and cash equivalents		(1,725)	(919)
Cash and cash equivalents at end of financial year		896,329	655,837
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	24	896,329	655,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Huili Resources (Group) Limited (the “Company”) was incorporated in the Cayman Islands on 19 February 2010 as an exempted company with limited liability under Companies Law (Cap 22, as amended and revised) of the Cayman Islands in preparation for a listing of the Company’s shares on the main board of the Stock Exchange of Hong Kong Limited (the “Listing”) under the name of Realty Resources (Group) Limited. On 13 May 2010, the Company changed its name to Huili Resources (Group) Limited. The Company’s shares were listed on the main board of the Stock Exchange of Hong Kong Limited on 12 January 2012. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. With effect from 13 January 2025, the registered office and the principal place of business of the Company is changed to Rooms 36–40, 50/F, Sun Hung Kai Center, 30 Harbour Road, Wan Chai, Hong Kong.

The Company is an investment holding company and its subsidiaries (collectively the “Group”) are principally engaged in the trading of coal, provision of coal processing services and supply chain management services in the People’s Republic of China (the “PRC”).

The consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board on 27 March 2026.

2. ADOPTION OF HKFRS ACCOUNTING STANDARDS

(a) New and amended standards adopted by the Group

The Group has adopted the following new and revised HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for the first time for the consolidated financial statements.

HKAS 21 (Amendments)	Lack of Exchangeability
----------------------	-------------------------

The Group concluded that the application of the new and revised HKFRS Accounting Standards and the amendments to HKFRS Accounting Standards in the current year has had no material impact on the amounts reported and/or disclosures set out in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. ADOPTION OF HKFRS ACCOUNTING STANDARDS (Continued)

(b) New standards and amendments to standards issued but not yet effective for the accounting period beginning on 1 January 2025 and not early adopted by the Group

		Effective for accounting periods beginning on or after
HKFRS 7 and 9 (Amendments)	Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 7 and 9 (Amendments)	Contracts Referencing Nature-dependent Electricity	1 January 2026
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
HKAS 21	Translation to a Hyperinflationary Presentation Currency	1 January 2027
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment on the impact of these new standards and amendments to standards and preliminary results showed that their application is not expected to have material impact on the financial performance and the financial position of the Group except for the adoption of HKFRS 18 as mentioned below.

HKFRS 18 “Presentation and Disclosure in Financial Statements”

HKFRS 18 “Presentation and Disclosure in Financial Statements”, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 “Presentation of Financial Statements”. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 “Statement of Cash Flows” and HKAS 33 “Earnings per Share” are also made. HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Groups’ consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the “HKFRS Accounting Standards”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for financial assets at FVTOCI and derivative financial assets, which are measured at fair value.

(c) Functional and presentation currency

The functional currency of the Company is RMB. The consolidated financial statements are presented in RMB since most of the companies comprising the Group are operating in RMB environment and the functional currency of the companies comprising the Group is RMB.

4. MATERIAL ACCOUNTING POLICIES

4.1 Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 4.2).

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of changes in equity respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated statement of comprehensive income as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as financial liabilities are subsequently remeasured to fair value with changes in fair value recognised in the consolidated statement of comprehensive income.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.3 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less accumulated impairment loss. Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivables.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

4.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's Board that makes strategic decisions.

4.6 Goodwill

Goodwill is measured as described in Note 4.9. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.7 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the reporting period in which they are incurred.

Depreciation of buildings, leasehold improvements, machinery and equipment, office equipment and others, and motor vehicles is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	Over the remaining life of the leases but not exceeding 5 years
Machinery and equipment	10 years
Office equipment and others	3 to 7 years
Motor vehicles	4 to 6 years

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

Mining structures comprise the main and auxiliary mine shafts and underground tunnels. Depreciation of mining structures is provided to write off the cost of the mining structures using the unit-of-production method. Unit-of-production rate is based on reserves estimated to be recovered from existing facilities using current operating methods.

Construction in progress represents mainly mining structures on which construction work has not been completed. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost. No depreciation is provided for construction in progress until they are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 4.9).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within "other gains – net" in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.8 Leases

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

Right-of-use asset

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

Lease liability

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (i.e. CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

4.10 Financial instruments

(i) Financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- Financial assets at amortised cost;
- Financial assets at FVTOCI; and
- Financial assets at fair value through profit or loss ("FVTPL"),

The classification is generally based on two criteria:

- the business model under which the financial asset is managed; and
- the contractual cash flow characteristics of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.10 Financial instruments (Continued)

(i) Financial assets (Continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at Financial assets at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

The subsequent measurement of financial assets is as follows:

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

- Amortised cost: Financial assets that are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.
- FVTOCI: Assets 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, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
- FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.10 Financial instruments (Continued)

(i) Financial assets (Continued)

Measurement (Continued)

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

(ii) Financial liabilities

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

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, bank loan, loan from an ex-shareholder of a subsidiary and loan from a shareholder of the Company, are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method.

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

(iii) Effective interest method

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

(iv) Equity instruments

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

(v) Derecognition

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.11 Impairment of financial assets

The Group assesses the expected credit losses (“ECLs”) associated with its debt instruments carried at amortised cost (including trade and bills receivables, other receivables and cash equivalents) on a forward-looking basis.

ECLs are a probability-weighted estimate of credit losses which are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive) over the expected life of the financial instrument. The maximum period to consider when measuring ECLs is the maximum contractual period over which the entity is exposed to credit risk.

ECLs are measured at the end of each reporting period to reflect changes in the debt instrument’s credit risk since initial recognition. Any change in the amount of ECLs is recognised as an impairment gain or loss in profit or loss. Loss allowances for debt instruments measured at amortised cost are deducted from the gross carrying amount of the assets.

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

For trade and bills receivables, the Group applies a simplified approach to measure the loss allowances at an amount equal to lifetime ECLs. The Group has established a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the end of the reporting period.

For other receivables, the Group measures the loss allowances either based on 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.11 Impairment of financial assets (Continued)

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due for trade and other receivables.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due for trade and other receivables.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

4.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4.13 Revenue recognition

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.13 Revenue recognition (Continued)

When the contract contains a financing component which provides the customer 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 amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment 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 HKFRS 15.

(i) Sales of coal products

Income from sales of coal products is recognised at a point in time when the goods are delivered to customers and title has passed.

(ii) Income from provision of coal processing services and coal service supply chain

Income from provision of coal processing services and coal service supply chain are recognised at a point in time when the relevant services are rendered to customers.

(iii) Other income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate. Rental income under operating leases is recognised on a straight-line basis over the term of the lease.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.14 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

4.15 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

4.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.17 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amount will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.18 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the consolidated statement of comprehensive income. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to other receivables and cash and cash equivalents are presented in the consolidated statement of comprehensive income on a net basis within "other (losses)/gains – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVTPL are recognised in the consolidated statement of comprehensive income as part of the fair value gain or loss and translation differences on non-monetary assets are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of all group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of consolidated statement of financial position;
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.18 Foreign currency translation (Continued)

(iii) Group companies (Continued)

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the consolidated statement of comprehensive income, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign operation and translated at the closing rate.

4.19 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related services, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(ii) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly administered pension insurance plans on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(iii) Housing benefits

The full-time employees of the Group in the PRC are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.20 Provisions

Provisions for close down, restoration and environmental costs are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

4.21 Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

4.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.23 Related parties

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

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (Continued)

4.24 Discontinued operations

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of comprehensive income, which comprises:

- The post-tax profit or loss of the discontinued operation; and
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

4.25 Derivative financial instruments

Derivative financial assets are initially recognised and subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(a) Provision for impairment of trade and bills receivables and other receivables

The impairment of trade and bills receivables and other receivables are assessed on lifetime and 12-month ECLs basis. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when performing impairment assessment of these financial assets, the assessments are done based on the Group's historical credit losses experience, existing market conditions as well as forward-looking estimates at the end of each reporting period. The provision of ECLs is sensitive to changes in estimates. The information about the ECLs and the Group's trade and bills receivables and other receivables is disclosed in notes 21, 22 and 43.1(b), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Property, plant and equipment and depreciation

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

(c) Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was RMB19,607,000 after an impairment loss of RMB Nil was recognised during 2025. Details of the impairment loss calculation are provided in Note 19 to consolidated financial statements.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions. The Group will reassess the estimates by the end of each reporting period.

6. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Group's chief operating decision-maker ("CODM") that are used to make strategic decisions. The CODM has been identified as the Board.

The CODM regards the Group's coal business as a single operating segment and reviews the consolidated financial statements accordingly. As the Group has only one operating segment qualified as reporting segment under HKFRS 8 and the information that regularly reviewed by the directors of the Group for the purposes of allocating resources and assessing performance of the operating segment is the consolidated financial statements of the Group, no separate segmental analysis is presented in the consolidated financial statements.

During the year ended 31 December 2025, the coal business segment engages in (i) the trading of coal through Changzhi Runce Trading Company Limited* ("Changzhi Runce") and Hainan Runce Energy Co., Ltd. ("Hainan Runce"); (ii) the provision of coal processing services through Shanxi Fanpo Clean Energy Technology Company Limited* ("Shanxi Fanpo"); and (iii) coal supply chain management services through Runce Supply Chain Management (Shenzhen) Co., Ltd ("Shenzhen Runce"), Shanxi Margaux Supply Chain Management Co., Ltd* ("Shanxi Margaux"), Changzhishi Desheng Coal Storage and Distribution Company Limited ("Changzhishi Desheng") and Shanxi Luyuan Xinneng Technology Company Limited ("Luyuan Xinneng") in the PRC.

* The English names referred to herein represents the managements best effort at translating the Chinese names of the companies as no English names have been registered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. SEGMENT INFORMATION (Continued)

(a) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, major products and service lines and timing on revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segment.

For the year ended 31 December 2025

	Coal business RMB'000
Primary geographical markets	
The PRC	2,237,757
Singapore	23,306
	2,261,063
Major products and services	
Trading of coal and provision of coal processing services	2,151,473
Coal supply chain management services	109,590
	2,261,063
Timing of revenue recognition	
At a point in time	2,261,063

For the year ended 31 December 2024

	Coal business RMB'000
Primary geographical markets	
The PRC	4,030,742
Major products and services	
Trading of coal and provision of coal processing services	3,922,032
Coal supply chain management services	108,710
	4,030,742
Timing of revenue recognition	
At a point in time	4,030,742

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. SEGMENT INFORMATION (Continued)

(b) Geographic information

The following table provides an analysis of the Group's revenue from customers and non-current assets other than deferred tax assets ("Specified non-current assets").

	Revenue from external customers (by customer location)		Specified non-current assets (by location of asset)	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
The PRC	2,237,757	4,030,742	358,091	377,738
Hong Kong Special Administrative Region, the PRC ("Hong Kong")	–	–	3,614	5,515
Singapore	23,306	–	2	1,797
	2,261,063	4,030,742	361,707	385,050

(c) Information about major customers

Segment	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Customer A Coal business	N/A [#]	829,358
Customer B Coal business	N/A [#]	591,257
Customer C Coal business	N/A [#]	559,303
Customer D Coal business	307,165	N/A [#]

[#] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. REVENUE

The Group's revenue mainly represents the invoiced value of the products sold or the services rendered, net of sales tax and after allowance for returns and trade discount.

Revenue recognised during the years ended 31 December 2025 and 2024 is as follows:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Coal business		
– Trading of coal and coal processing services	2,151,473	3,922,032
– Coal supply chain management services	109,590	108,710
Revenue from contracts with customers and total revenue	2,261,063	4,030,742

8. OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Foreign exchange (losses)/gains, net (Note 10)	(14,718)	931
Interest income on financial assets at FVTOCI	–	481
Gain on disposal of property, plant and equipment	332	228
Gain on disposal of a subsidiary (Note 34)	–	18,341
Gain on leases termination	96	–
Government subsidies (Note (i))	2,445	5,830
Penalty income from customers	52	310
Income from photovoltaic project	2,563	950
Others	234	916
	(8,996)	27,987
Representing		
– Continuing operations	(8,996)	9,646
– Discontinued operations	–	18,341
	(8,996)	27,987

Note:

- (i) Amounts are mainly related to unconditional government subsidies received by the Group from relevant government bodies for the purpose of giving incentive to enterprises, including but not limited to refund of taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. FINANCE INCOME/(COSTS) – NET

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Finance income		
Interest income	12,739	2,966
Finance costs		
Interest expenses		
– Interest on lease liabilities (Notes 32 and 40)	(993)	(995)
– Unwinding of discount – provision for close down, restoration and environmental costs	–	(53)
– Interest on bank loan (Note 40)	(34)	–
– Interest on loan from a shareholder of the Company (Note 40)	(2,516)	(1,281)
– Interest on loan from an ex-shareholder of a subsidiary (Note 40)	(4,449)	(4,043)
– Interest on promissory notes (Note 40)	–	(1,164)
	(7,992)	(7,536)
Finance income/(costs) – net	4,747	(4,570)
Finance income		
Representing		
– Continuing operations	12,739	2,964
– Discontinued operations	–	2
	12,739	2,966
Finance costs		
Representing		
– Continuing operations	(7,992)	(7,483)
– Discontinued operations	–	(53)
	(7,992)	(7,536)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Continuing operations		
Cost of inventories recognised as expense	1,990,594	3,535,198
Depreciation of property, plant and equipment charged to profit or loss (Note (a), 17(a))	29,590	18,525
Depreciation of right-of-use assets	4,836	4,278
Gain on disposal of property, plant and equipment	(332)	(228)
ECLs on financial assets (Note 43.1(b))	35,104	20,514
Interest on lease liabilities (Note 32)	993	995
Short-term leases expenses (Note 32)	776	250
Employee costs (Note 11)	105,709	93,214
Auditor's remuneration		
– annual audit	1,310	1,256
– others	240	185
Foreign exchange losses/(gain), net (Note 8)	14,718	(931)

Notes:

(a) Included in cost of sales and administrative expenses in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. EMPLOYEE COSTS

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Staff costs (including directors' emoluments (Note 12)) comprise:		
Wages and salaries	86,997	79,702
Contributions to pension plans (Note (a))	16,656	11,549
Housing benefits (Note (b))	302	290
Welfare and other expenses	1,754	1,916
	105,709	93,457
Representing		
– Continuing operations	105,709	93,214
– Discontinued operations	–	243
	105,709	93,457

Notes:

- (a) The amount represented the Group's contributions to the defined contribution pension plans organised by the relevant municipal and provincial governments at a rate of 24–26% (2024: 24–26%) of the basic salary of permanent employees in the PRC.
- (b) The amount represented the Group's contributions to government-sponsored housing funds at a rate of 5% of the basic salary of permanent employees in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. DIRECTORS' EMOLUMENTS

For the year ended 31 December 2025:

Emoluments in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

	Directors' fee RMB'000	Salaries, allowances, and benefits in kind RMB'000	Employer's contributions to a retirement benefit scheme RMB'000	Total RMB'000
Mr. Cui Yazhou	-	1,204	37	1,241
Ms. Wang Qian	111	-	-	111
Mr. Ye Xin	111	553	17	681
Mr. Zhou Jianzhong	-	127	-	127
Mr. Cao Ye	111	-	-	111
Ms. Xiang Siying	111	-	-	111
Mr. Yuen Koon Tung (Note (a))	111	-	-	111
Mr. Chan Ping Kuen	111	-	-	111

For the year ended 31 December 2024:

Emoluments in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

	Directors' fee RMB'000	Salaries, allowances, and benefits in kind RMB'000	Employer's contributions to a retirement benefit scheme RMB'000	Total RMB'000
Mr. Cui Yazhou	-	1,813	103	1,916
Ms. Wang Qian	111	-	-	111
Mr. Ye Xin	111	554	17	682
Mr. Zhou Jianzhong	-	304	-	304
Mr. Cao Ye	111	-	-	111
Ms. Xiang Siying	111	-	-	111
Mr. Yuen Koon Tung (Note (a))	9	-	-	9
Ms. Huang Mei (Note (b))	102	-	-	102
Mr. Chan Ping Kuen	111	-	-	111

Notes:

(a) Mr. Yuen Koon Tung was appointed as an independent non-executive director on 1 December 2024.

(b) Ms. Huang Mei was resigned as an independent non-executive director on 1 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. DIRECTORS' EMOLUMENTS (Continued)

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

During the current and prior years, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the group to any of the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

13. FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include two (2024: one) directors whose emolument is reflected in the analysis shown in Note 12. The emoluments payable to the remaining three (2024: four) individuals during the year are as follows:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Basic salaries, allowances and benefits in kind	4,198	5,770

The emoluments fell within the following bands:

	Number of individuals	
	2025	2024
Emolument bands (in HK dollars)		
Nil to HK\$1,000,000 (Nil to RMB922,424 (2024: RMB923,532) equivalents)	–	–
HK\$1,000,001 to HK\$1,500,000 (RMB922,425 to RMB1,383,636 (2024: RMB923,533 to RMB1,385,297) equivalents)	1	2
HK\$1,500,001 to HK\$2,000,000 (RMB1,383,637 to RMB1,844,848 (2024: RMB1,385,298 to RMB1,847,063) equivalents)	2	1
HK\$2,000,001 to HK\$2,500,000 (RMB1,844,849 to RMB2,306,060 (2024: RMB1,847,064 to RMB2,308,829) equivalents)	–	1
	3	4

During the current and prior years, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. INCOME TAX EXPENSE

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Current tax – PRC Enterprise Income Tax		
– provision for the year	12,149	27,968
– under provision in prior years	225	51
Deferred tax (Note 28)	(1,323)	(2,214)
Income tax expense	11,051	25,805
Representing		
– Continuing operations	11,051	25,845
– Discontinued operations	–	(40)
	11,051	25,805

The Company is an exempted company incorporated in the Cayman Islands and, as such, is not liable for taxation in the Cayman Islands on its non-Cayman Islands income.

The Group's subsidiaries incorporated in the British Virgin Islands ("BVI") were not liable for taxation in the BVI on their non-BVI income.

The Group's subsidiaries in Hong Kong were subject to Hong Kong profits tax at a rate of 16.5% for each of the years ended 31 December 2025 and 2024.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to a nominated qualifying entity in the Group for its annual period beginning on or after 1 January 2018.

The subsidiaries in the PRC were subject to Enterprise Income Tax at a rate of 25%, in accordance with the Law of the PRC on Enterprise Income Tax for each of the years ended 31 December 2025 and 2024.

Certain subsidiaries of the Group are eligible as Small Low-profit Enterprises and are subject to the relevant preferential tax treatments. During the year ended 31 December 2025, a Small Low-profit Enterprise with annual taxable income not more than RMB1,000,000 is subject to Enterprise Income Tax calculated at 25% (2024: 25%) of its taxable income at a tax rate of 20% (2024: 20%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. INCOME TAX EXPENSE (Continued)

During each of the years ended 31 December 2025 and 2024, Hainan Runce was entitled to a preferential tax rate of 15% in accordance to the Notice of the Ministry of Finance and the State Administration of Taxation on Preferential Policies for Enterprise Income Tax of Hainan Free Trade Port (Caishui [2025] No. 3) 《(財政部稅務總局關於延續海南自由貿易港企業所得稅優惠政策的通知(財稅[2025]3號))》, which was applied to companies incorporated in Hainan, the PRC from 1 January 2020 to 31 December 2027, and subjected to fulfillment of certain conditions precedent to entitlement of the preferential tax rate.

During each of the years ended 31 December 2025 and 2024, Shenzhen Runce was entitled to a preferential enterprise income tax rate of 15% in accordance to Notice of the Ministry of Finance and the State Administration of Taxation on Continuing the Preferential Enterprise Income Tax Policies of Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (Caishui 2021 No. 30) (“財政部稅務總局關於延續深圳前海深港現代服務業合作區企業所得稅優惠政策的通知(財稅202130號)”), which was applied to company incorporated in Qianhai, the PRC from 1 January 2021 to 31 December 2025, and subjected to fulfillment of certain conditions precedent to entitlement of the preferential tax rate.

The income tax expense on the Group’s profit before income tax differs from the theoretical amount that would arise using the domestic tax rates applicable to results of the Group’s entities is as follows:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Profit before income tax	22,642	186,048
Tax on profit before income tax, calculated at the rates applicable to the tax jurisdictions	11,306	46,267
Tax effects of:		
– Expenses not deductible for tax purposes	5,708	3,309
– Income not taxable for tax purposes	(496)	(6,420)
– Under provision in prior years	225	51
– Effect of tax exemptions granted to PRC subsidiaries	(5,890)	(17,629)
– Tax effect of tax losses not recognised	198	274
– Tax effect of utilisation of tax losses previously not recognised	–	(47)
Income tax expense	11,051	25,805

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing:

- the profit for the year attributable to the equity holders of the Company
- by weighted average number of ordinary shares in issue during the financial year

	2025 RMB'000	2024 RMB'000
Profit for the year attributable to equity holders of the Company		
– From continuing and discontinued operations	11,591	160,295
– From continuing operations	11,591	143,429
– From discontinued operations	–	16,866
	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares in issue	2,103,141	1,985,868
Basic and diluted earnings per share (RMB cents)		
– From continuing and discontinued operations	0.6	8.1
– From continuing operations	0.6	7.2
– From discontinued operations	–	0.9

Diluted earnings per share was equal to basic earnings per share as there was no potential share outstanding for the each of the years ended 31 December 2025 and 2024.

16. DISCONTINUED OPERATIONS

In July 2024, the Group has entered into an equity transfer agreement with an independent third party, for the disposal of its entire equity interest in Hami Jinhua Mineral Resource Exploiture Limited ("Hami Jinhua"), being 95% of the total equity interest of Hami Jinhua. Hami Jinhua was engaged in the mining, ore processing and sales of lead and zinc products. The disposal was completed on 29 September 2024 and the Group discontinued its mining business.

The (loss)/profit for the year from the discontinued operations is analysed as follows:

	2025 RMB'000	2024 RMB'000
Loss of discontinued operations	–	(1,527)
Gain on disposal of discontinued operations (Note 34)	–	18,341
	–	16,814

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. DISCONTINUED OPERATIONS (Continued)

The results of the discontinued operations for the period from 1 January 2024 to 29 September 2024, which have been included in consolidated profit or loss, are as follows:

	Period from 1 January 2024 to 29 September 2024 RMB'000
Revenue	-
Costs of sales	(874)
Gross loss	(874)
Administrative expenses	(642)
Operating loss	(1,516)
Finance income	2
Finance costs	(53)
Finance costs – net	(51)
Loss before income tax	(1,567)
Income tax credit	40
Loss for the year	(1,527)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. DISCONTINUED OPERATIONS (Continued)

Loss before income tax for the discontinued operations is arrived at after charging/(crediting):

	Period from 1 January 2024 to 29 September 2024 RMB'000
Depreciation of property, plant and equipment (Note 17(a))	852
Depreciation of right-of-use assets	174
Employee costs (Note 11)	243

During the year ended 31 December 2024, the disposed subsidiaries paid approximately RMB17,885,000 in respect of operating activities, received approximately Nil in respect of investing activities and paid approximately Nil in respect of financing activities.

No tax charge arose on gain on disposal of the discontinued operations as the consideration for the disposal is less than the Group's capital investment to the disposed subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Machinery and equipment RMB'000	Office equipment and others RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2024							
Opening net book amount	107,920	3,103	23,172	1,408	2,752	39,292	177,647
Acquisition of subsidiaries (Note 33(a) and 33(b))	33,734	-	2,980	221	4,928	129,856	171,719
Additions	75	497	481	266	2,550	50,117	53,986
Disposals	-	-	-	-	(18)	-	(18)
Transfers	153,332	-	30,778	23	-	(184,133)	-
Disposal of a subsidiary (Note (b) and 34)	(3,431)	-	(199)	(18)	(2)	(31,592)	(35,242)
Depreciation (Note (a))	(9,737)	(963)	(4,294)	(728)	(3,655)	-	(19,377)
Closing net book amount	281,893	2,637	52,918	1,172	6,555	3,540	348,715
As at 31 December 2024							
Cost	298,440	4,352	62,943	2,168	10,447	3,540	381,890
Accumulated depreciation	(16,547)	(1,715)	(10,025)	(996)	(3,892)	-	(33,175)
Net book amount	281,893	2,637	52,918	1,172	6,555	3,540	348,715
Year ended 31 December 2025							
Opening net book amount	281,893	2,637	52,918	1,172	6,555	3,540	348,715
Additions	461	-	-	266	542	10,742	12,011
Disposals	-	-	-	(10)	(20)	-	(30)
Transfers	13,976	-	-	-	-	(13,976)	-
Depreciation (Note (a))	(18,290)	(543)	(6,626)	(721)	(3,410)	-	(29,590)
Closing net book amount	278,040	2,094	46,292	707	3,667	306	331,106
As at 31 December 2025							
Cost	312,877	4,352	62,943	2,410	10,764	306	393,652
Accumulated depreciation	(34,837)	(2,258)	(16,651)	(1,703)	(7,097)	-	(62,546)
Net book amount	278,040	2,094	46,292	707	3,667	306	331,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (a) Depreciation of property, plant and equipment has been capitalised in inventories and charged to cost of sales and administrative expenses as follows:

	Year ended 31 December	
	2025 RMB'000	2024 RMB'000
Charged to		
Cost of sales	12,167	8,619
Administrative expenses	17,423	10,758
Total depreciation	29,590	19,377
Representing		
– Continuing operations (Note 10)	29,590	18,525
– Discontinued operations (Note 16)	–	852
	29,590	19,377

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 RMB'000	2024 RMB'000
Unlisted corporate bonds: – analysed as current assets	–	541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. GOODWILL

	RMB'000
<hr/>	
COST	
At 1 January 2024	16,494
Acquisition of a subsidiary (Note 33(b))	3,113
<hr/>	
At 31 December 2024, 1 January 2025 and 31 December 2025	19,607
<hr/>	
ACCUMULATED IMPAIRMENT LOSSES	
At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	-
<hr/>	
CARRYING AMOUNTS	
At 31 December 2025	19,607
<hr/>	
At 31 December 2024	19,607
<hr/>	

Goodwill acquired through business combinations has been allocated to the CGU of the coal business.

The recoverable amount of the CGU is determined on the basis of their value in use using discounted cash flow method (level 3 fair value measurements). The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and revenue during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3% (2024: 3.5%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from the Group's coal business is 14.2% (2024: 13.7%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. INVENTORIES

	2025 RMB'000	2024 RMB'000
Coal	481,340	787,594
Consumables and raw materials	5,091	5,809
	486,431	793,403

21. TRADE AND BILLS RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables	291,192	540,957
Less: ECLs of trade receivables (Notes (b), (d))	(59,703)	(17,884)
Trade receivables, net	231,489	523,073
Bills receivables	93,740	137,699
Less: ECLs of bills receivables (Notes (c), (d))	(433)	(964)
Bill receivables, net (Note (c))	93,307	136,735
Total trade and bills receivables, net (Note (a))	324,796	659,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. TRADE AND BILLS RECEIVABLES (Continued)

Notes:

- (a) At 31 December 2025 and 2024, the ageing analysis of the trade and bills receivables after ECLs recognised based on invoice date were as follows:

	2025 RMB'000	2024 RMB'000
Up to 3 months	190,369	513,981
3 to 6 months	67,009	142,805
6 to 12 months	67,418	3,022
	324,796	659,808

The Group's trading terms with its customers are mainly on credit or grant a credit period of 1 to 3 months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. Based on communications with the customers, the trade receivables net of provisions as at the end of the reporting period are expected to be settled within one year.

- (b) As at 31 December 2025, loss allowance of approximately RMB59,703,000 (2024: RMB17,884,000) were made against the gross amount of trade receivables.
- (c) Bills receivables represent unconditional orders in writing issued by customers of the Group for completed sale orders which entitle the Group to collect a sum of money from banks. The bills are non-interest bearing and have a maturity from six months to one year. As at 31 December 2025, loss allowance of approximately RMB433,000 (2024: RMB964,000) were made against the gross amount of bills receivables.
- (d) Movement in the loss allowance amount in respect of trade and bills receivables during the year is as follows:

	2025 RMB'000	2024 RMB'000
Balance at 1 January (Note 43.1(b))	18,848	5,603
ECLs recognised during the year (Note 43.1(b))	41,288	13,245
Balance at 31 December (Note (e)) (Note 43.1(b))	60,136	18,848

- (e) As at 31 December 2025, included in the Group's trade receivables balances are two debtors with aggregate amounts of approximately RMB125,327,000 have been past due more than 90 days but less than 365 days as at the reporting date. During the year ended 31 December 2025, management requested ultimate controlling parties of the debtors to provide personal guarantees for repayment of debts and reached new repayment schedules with the debtors through the mediation. However, the debtors did not settle the outstanding balances according to the new repayment schedules and therefore the Group considered that the trade receivables were in default. Management had applied property preservations to the PRC courts on assets held by one guarantor and considered to further recover the debts through litigations. Accordingly, expected credit losses of approximately RMB57,911,000 was provided for that trade receivable considering the loss given default and fair value of assets expected to be recovered from the guarantors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. OTHER RECEIVABLES AND PREPAYMENTS

	2025 RMB'000	2024 RMB'000
Consideration receivable from disposal of a subsidiary (Note (b))	–	94,000
Other receivables	55,228	70,927
Less: Provision of impairment losses on other receivables (Note (a))	(54,483)	(63,310)
	745	101,617
Deposits paid to suppliers – third parties	8,198	13,567
Advances to suppliers – third parties	20,620	29,731
Other tax recoverable	21,582	17,510
Total other receivables and prepayments, net	51,145	162,425

Note:

(a) Movement in the loss allowance amount in respect of other receivables during the year is as follows:

	2025 RMB'000	2024 RMB'000
Balance at 1 January (Note 43.1(b))	63,310	63,501
Disposal of a subsidiary (Note 43.1(b))	–	(9,246)
(Reversal of ECLs)/ECLs on other receivables recognised during the year (Note 43.1(b))	(6,184)	7,269
Exchange differences (Note 43.1(b))	(2,643)	1,786
Balance at 31 December (Note 43.1(b))	54,483	63,310

(b) The consideration receivable was due as to 50% within ten business days and as to 50% within 2 months after the date of completion of the disposal, i.e. 29 September 2024. However, since the buyer's banker in the PRC is still in the progress in handling the remittance of the consideration to the Group's bank account in Hong Kong for the settlement of consideration to the Group, the consideration receivable is yet to be received up to date of authorisation of the consolidated financial statements for the year ended 31 December 2024. On 6 March 2025, a shareholder of the buyer, paid a security deposit of RMB30,000,000 to the Group as a guarantee for the settlement of the consideration and the deposit is non-refundable and will be used to settle part of the consideration if the consideration is not yet settled by 31 December 2025. The consideration receivable has been settled during the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. DERIVATIVE FINANCIAL ASSETS

	2025 RMB'000	2024 RMB'000
Foreign currency forward contracts – Analysed as current assets	–	1,504

24. CASH AND CASH EQUIVALENTS

	2025 RMB'000	2024 RMB'000
Cash on hand	21	7
Current deposits with banks (Notes (a), (b), (c))	896,308	655,830
Cash and cash equivalents	896,329	655,837

Balances of cash and cash equivalents can be analysed as follows:

	2025 RMB'000	2024 RMB'000
Denominated in:		
– RMB	669,068	474,422
– HK\$	1,995	4,896
– US\$	225,114	176,141
– Singapore Dollars	152	378
	896,329	655,837

Notes:

- (a) The bank deposits were interest bearing at rates based on bank deposit rates as agreed with banks. The weighted average effective interest rate on deposits ranged from 0.01% to 0.25% per annum as at 31 December 2025 (2024: 0.01% to 0.25%).
- (b) Deposits denominated in RMB were deposited with banks in the PRC. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.
- (c) The deposits were mainly placed with reputable banks for which the credit risk is considered remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. TRADE PAYABLES

Trade payables are analysed as follows:

	2025 RMB'000	2024 RMB'000
Third parties	764,115	1,252,414

The carrying amounts of trade payables approximated their fair values due to their short-term nature. The balances are denominated in RMB.

The ageing analysis of trade payables based on invoice date is as follows:

	2025 RMB'000	2024 RMB'000
Up to 3 months	362,577	1,067,251
3 to 6 months	296,559	4,785
6 to 12 months	104,784	179,990
Over 12 months	195	388
	764,115	1,252,414

26. OTHER PAYABLES AND ACCRUALS

	2025 RMB'000	2024 RMB'000
Other payables (Note (a))	36,448	41,564
Salary and welfare payables	26,302	25,204
Accrued taxes other than income tax	4,668	19,983
Interest payable on loan from a shareholder of the Company (Note 40)	3,691	1,308
Interest payable on loan from an ex-shareholder of a subsidiary (Note 40)	3,730	-
	74,839	88,059

Notes:

- (a) Other payables mainly included security deposits received from customers, payables of equipment purchasing costs, service charges payable and advances from third parties as at 31 December 2025 and 2024.
- (b) The carrying amounts of other payables approximated their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. CONTRACT LIABILITIES

	2025 RMB'000	2024 RMB'000
Contract liabilities arising from coal business:		
Trading of coal, coal service supply chain and provision of coal processing services	49,677	81,021

Typical payment terms which impact on the amount of contract liabilities are as follows:

Coal business

As noted above, the Group receives consideration in advance on sales of coal and provision of coal processing services and coal supply chain management services, which remains as a contract liability until such time as the coals are delivered to the customers or the services are rendered to the customers.

Movements in contract liabilities

	2025 RMB'000	2024 RMB'000
Balance as at 1 January	81,021	30,842
Increase in contract liabilities	1,430,569	3,994,460
Acquisitions of subsidiaries (Note 33(b))	–	1,386
Transfer of contract liabilities to revenue	(1,461,913)	(3,945,667)
Balance at 31 December	49,677	81,021
Revenue recognised in the year that was included in contract liabilities at beginning of year	80,009	30,842

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. DEFERRED INCOME TAX

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

	2025 RMB'000	2024 RMB'000
Deferred tax assets	15,233	15,149
Deferred tax liabilities	(16,934)	(18,173)
	(1,701)	(3,024)

	2025 RMB'000	2024 RMB'000
At beginning of year	(3,024)	(26,153)
Acquisitions of subsidiaries (Note 33(a) and 33(b))	-	(1,067)
Disposal of a subsidiary (Note 34)	-	21,982
Credited to the consolidated statement of comprehensive income (Note 14)	1,323	2,214
At end of year	(1,701)	(3,024)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. DEFERRED INCOME TAX (Continued)

The movements in deferred tax assets and liabilities for each of the years ended 31 December 2025 and 2024, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Expected credit losses on financial assets RMB'000	Tax losses RMB'000	Accelerated tax depreciation RMB'000	Timing difference on interests recognised on loan from an ex-shareholder of a subsidiary RMB'000	Valuation deficit of acquired assets upon business combination RMB'000	Valuation surplus of acquired assets upon business combination RMB'000	Total RMB'000
At 1 January 2024	774	4,890	(4,887)	-	142	(27,072)	(26,153)
Acquisition of a subsidiary (Note 33(a) and (b))	-	-	(556)	-	390	(901)	(1,067)
Disposal of a subsidiary (Note 34)	-	-	-	-	-	21,982	21,982
Credited/(charged) to the consolidated statement of comprehensive income (Note 14)	2,840	4,969	(5,379)	1,088	56	(1,360)	2,214
At 31 December 2024	3,614	9,859	(10,822)	1,088	588	(7,351)	(3,024)
Credited/(charged) to the consolidated statement of comprehensive income (Note 14)	5,795	(5,960)	2,639	180	69	(1,400)	1,323
At 31 December 2025	9,409	3,899	(8,183)	1,268	657	(8,751)	(1,701)

No deferred income tax assets were recognised for certain tax losses as at 31 December 2025 and 2024 as there is uncertainty on whether those unused tax losses can be utilised in the foreseeable future.

The Group did not recognise deferred tax assets of approximately RMB722,000 (2024: RMB671,000) in respect of tax losses incurred by the certain PRC companies, in aggregate amounting to approximately RMB2,887,000 (2024: RMB2,682,000), that will expire from 2026 to 2030 (2024: from 2025 to 2029).

The Group did not recognise deferred tax assets of approximately RMB2,979,000 (2024: RMB2,977,000) in respect of tax losses of approximately RMB18,054,000 (2024: RMB18,041,000) arising in Hong Kong companies, that may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. SHARE CAPITAL AND SHARE PREMIUM

	Authorised shares of HK\$0.1 each			
As at 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025	5,000,000,000			
	Number of share '000	Share capital RMB'000	Share premium RMB'000	Total RMB'000
As at 1 January 2024	1,787,388	152,933	703,804	856,737
Issues of shares pursuant to the acquisitions of subsidiaries (Notes 33(a) and 33(b))	229,933	21,142	59,381	80,523
Issue of shares pursuant to settlement of promissory notes (Note 41)	85,820	7,821	26,591	34,412
As at 31 December 2024, 1 January 2025 and 31 December 2025	2,103,141	181,896	789,776	971,672

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. OTHER RESERVES

	Safety fund	Maintenance fund	Capital reserve	Investment revaluation reserves	Statutory Reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note (a))	(Note (b))	(Note (c))	(Note (d))	(Note 31(a))	
At 1 January 2024	221	1,583	(13,819)	(5,649)	38,720	21,056
Release of safety fund and maintenance fund upon discontinued operations in mining business (Note 16)	(221)	(1,583)	-	-	-	(1,804)
Issue of shares pursuant to settlement of promissory notes (Note 41)	-	-	783	-	-	783
Fair value changes of financial assets (debts instruments) at FVTOCI	-	-	-	7	-	7
Appropriations from retained earnings	-	-	-	-	10,678	10,678
At 31 December 2024 and 1 January 2025	-	-	(13,036)	(5,642)	49,398	30,720
Fair value changes of financial assets (debts instruments) at FVTOCI	-	-	-	(334)	-	(334)
Appropriations from retained earnings	-	-	-	-	8,174	8,174
At 31 December 2025	-	-	(13,036)	(5,976)	57,572	38,560

Notes:

- (a) Pursuant to certain regulations issued by the State of Administration of Work Safety, the Group is required to set aside an amount to a safety fund at RMB8 per tonne of raw ore mined. The fund can be used for improvements of safety at the mines, and not available for distribution to shareholders. Upon incurring qualifying safety expenditure, an equivalent amount is transferred from safety fund to retained earnings. There were no appropriation to the safety funds for the year ended 31 December 2024 as no ore was mined. During the year ended 31 December 2024, the Group discontinued the operation in mining business (Note 16) and accordingly release the safety fund to retained earnings.
- (b) Pursuant to certain regulations issued by the State of Administration of Work Safety and the Ministry of Finance of the PRC, the Group is required to set aside an amount to a maintenance fund calculated based on a rate of RMB18 per tonne of raw ore mined.
- The fund can be used for improvement of mining structures, and is not available for distributions to shareholders. Upon incurring qualifying capital expenditure, an equivalent amount is transferred from maintenance fund to retained earnings. There were no appropriation to the maintenance fund for the year ended 31 December 2024 as no ore was mined. During the year ended 31 December 2024, the Group discontinued the operation in mining business (Note 16) and accordingly release the maintenance fund to retained earnings.
- (c) Capital reserve mainly represented the difference between the existing book values of net assets of the group companies comprising the Group as at the date of group reorganisation (the "Reorganisation") which was recognised as part of the deemed cost of investment in subsidiaries upon the Reorganisation and the share capital of Right Source International Limited ("Right Source") and Fortune In Investments Limited ("Fortune In").
- During the year ended 31 December 2024, a gain on settlement of promissory notes of HK\$858,200 (equivalent to approximately RMB783,000) was recognised in capital reserve as the contribution from a shareholder when the Group settled the promissory notes by issuing the Company's shares to the noteholder (Note 41).
- (d) The investment revaluation reserves comprise the cumulative net changes in the fair value of financial assets at FVTOCI held at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. RETAINED EARNINGS

	2025 RMB'000	2024 RMB'000
Retained earnings/(accumulated losses) at beginning of year	61,671	(89,750)
Profit for the year	11,591	160,295
Appropriations to statutory reserves (Note (a))	(8,174)	(10,678)
Release of safety fund and maintenance fund upon discontinued operation in mining business (Note 16)	-	1,804
Retained earnings at end of year	65,088	61,671

Notes:

- (a) In accordance with the PRC Company Law and the PRC subsidiaries' Articles of Association, the PRC subsidiaries are required to transfer 10% of the profit after taxation determined in accordance with PRC generally accepted accounting principles to the statutory reserve until the balance reaches 50% of the paid-up capital. Such reserve can be used to reduce any losses incurred or to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital. For the year ended 31 December 2025, except eight (2024: seven) of the PRC subsidiaries have appropriated RMB8,174,000 (2024: RMB10,678,000), others have reported losses and no appropriation to the statutory reserve (2024: Nil).
- (b) The Directors did not propose any payment of dividend to the Company's shareholders for the years ended 31 December 2025 and 2024.

32. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

As at 31 December	2025 RMB'000	2024 RMB'000
Land use rights	4,588	4,927
Land and buildings – office premises	6,406	11,801
	10,994	16,728

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Lease liabilities

Land and buildings – Office premises	2025	2024
	RMB'000	RMB'000
As at 1 January	18,512	12,372
Acquisition of a subsidiary (Note 33(b))	–	1,019
Addition of leases	–	8,866
Interest expense (Notes 9, 10 and 40)	993	995
Lease payments (Note 40)	(5,412)	(4,760)
Termination of leases	(994)	–
Foreign exchange movements (Note 40)	(186)	20
As at 31 December	12,913	18,512

Future lease payments are due as follows:

	Lease payments	Interest	Present value of lease payments
	RMB'000	RMB'000	RMB'000
As at 31 December 2025			
Not later than one year	4,574	728	3,846
Later than one year and not later than two years	5,598	886	4,712
Later than two years and not later than five years	1,876	875	1,001
Later than five years	4,700	1,346	3,354
	16,748	3,835	12,913
As at 31 December 2024			
Not later than one year	5,970	1,011	4,959
Later than one year and not later than two years	6,473	1,175	5,298
Later than two years and not later than five years	5,677	1,053	4,624
Later than five years	5,250	1,619	3,631
	23,370	4,858	18,512

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Lease liabilities (Continued)

The present value of future lease payments is analysed as:

	2025 RMB'000	2024 RMB'000
Current liabilities	3,846	4,959
Non-current liabilities	9,067	13,553
	12,913	18,512

Disclosure of other lease-related items:

	2025 RMB'000	2024 RMB'000
Short-term lease expense (Note 10)	776	250
Additions of lease	-	8,866
Total cash outflow for leases	6,188	5,010

The Group leases various land use rights and land and buildings. Lease agreements are typically made for fixed periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

As at 31 December 2025, the Group does not have any commitments for short-term leases (2024: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. ACQUISITIONS OF SUBSIDIARIES

(a) Acquisition of CC Bong Logistics Limited (“CC Bong HK”)

On 29 December 2023 (the “CC Bong HK Agreement Date”), the Group entered into a sale and purchase agreement with an independent third party (the “Vendor 1”) to purchase, 100% equity interest in CC Bong Logistics Limited (the “CC Bong HK Acquisition”) at a consideration of RMB77,558,000. The CC Bong HK Acquisition was completed on 24 January 2024. CC Bong HK and its subsidiaries were engaged in coal supply chain management services. The CC Bong HK Acquisition would allow the Group to strengthen its existing trading of coal business and supply chain management services capabilities and its presence and provision of services in the coal industries in the PRC.

The fair values of identifiable assets and liabilities of CC Bong HK and its subsidiaries as at the date of the completion of the CC Bong HK Acquisition are as follows:

	RMB'000
Property, plant and equipment (Note 17)	150,611
Deferred tax assets (Note 28)	110
Inventories	1,240
Other receivables and prepayments	42,232
Cash and cash equivalents	3,101
Trade payables	(7,759)
Other payables and accruals	(2,311)
Loan from ex-shareholder of a subsidiary (Note (i))	(89,420)
Deferred tax liabilities (Note 28)	(175)
Net identifiable assets acquired	97,629
Consideration	(77,558)
Gain on bargain purchases on acquisition of a subsidiary	20,071
Consideration satisfied by:	
– Issue of 156,600,000 ordinary shares of the Company (Note 29)	42,909
– Issue of the promissory note in the principal amount of HK\$37,360,000 (Note (ii))	34,649
Total consideration	77,558
Net cash inflow arising from the acquisition:	
Cash and cash equivalents acquired	3,101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. ACQUISITIONS OF SUBSIDIARIES (Continued)

(a) Acquisition of CC Bong Logistics Limited (“CC Bong HK”) (Continued)

Notes:

- (i) The loan was granted by an ex-shareholder of a subsidiary of CC Bong HK for a term of 8 years from 1 December 2023 to 30 November 2031. The loan is unsecured, interest-free for the first year and carries interests at 4.2% per annum for the rest of loan period. The loan principal will be repaid by 10 semi-annual installments from the fourth to eighth years, while the accrued loan interests will be repaid by 14 semi-annual installments from the second to eighth years. Thus, the loan was reclassified as non-current liability as at 31 December 2024 and 2025.

The loan is unsecured and interest expense on the loan is calculated using the effective interest method by applying effective interest rate of approximately 4.8% per annum.

- (ii) The promissory note was issued by the Company to the Vendor 1 for a term of 5 years from 24 January 2024 to 23 January 2029. The promissory note is unsecured and carries interests at 5% per annum. The promissory note will be repaid by 23 January 2029 while the interests will be repaid annually in arrears on 31 December of each year after the date of issue of the promissory note, i.e. 24 January 2024. The promissory note was subsequently settled by issuing Company's shares to the Vendor 1 (Note 41).

The fair value of the 156,600,000 shares of the Company (the “Consideration Shares”) issued as the consideration paid was determined on the basis of the closing market price of HK\$0.3 (equivalent to RMB0.274) of the Company's ordinary shares on the acquisition date.

The Group recognised a gain on bargain purchase of approximately RMB20,071,000 in the business combination.

The issue price of the Consideration Shares of HK\$0.4 per share was determined with reference to the unaudited consolidated net assets value attributable to equity holders of the Company per share as of 30 June 2023, i.e. reporting date of latest published financial statements since the CC Bong HK Agreement Date. Since the fair value of the Consideration Shares decreased as the closing market price of the Company's ordinary shares decreased to HK\$0.3 per share on the acquisition date, business combination resulted in a gain on bargain purchase.

CC Bong HK and its subsidiaries contributed revenue amount to approximately RMB17,573,000 to the Group's revenue and incurred a profit of approximately RMB4,680,000 for the period between the date of acquisition and 31 December 2024. If the acquisition had been completed on 1 January 2024, the Group's revenue and net profit for the year ended 31 December 2024 would have been approximately RMB4,030,742,000 and RMB159,328,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2024, nor is it intended to be a projection of future performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisition of Mouton Investment Limited (“Mouton HK”)

On 25 June 2024, the Group entered into a sale and purchase agreement with an independent third party (the “Vendor 2”) to purchase, 100% equity interest in Mouton Investment Limited (the “Mouton HK Acquisition”) at a consideration of HK\$40,333,333 (equivalent to approximately RMB37,614,000).

The consideration was satisfied by issue of 73,333,333 ordinary shares of the Company to the Vendor 2. The Mouton HK Acquisition was completed on 24 July 2024. Mouton HK and its subsidiaries were engaged in supply chain management services and general cargo storage services. The Mouton HK Acquisition would allow the Group to strengthen its existing trading of coal business and supply chain management services capabilities and its presence and provision of services in the coal industries in the PRC.

The fair values of identifiable assets and liabilities of Mouton HK and its subsidiaries as at the date of the completion of the Mouton HK Acquisition are as follows:

	RMB'000
Property, plant and equipment (Note 17)	21,108
Right-of-use assets	855
Deferred tax assets (Note 28)	280
Inventories	517
Trade receivables	223,425
Other receivables and prepayments	5,394
Cash and cash equivalents	4,071
Trade payables	(214,076)
Other payables and accruals	(3,214)
Contract liabilities (Note 27)	(1,386)
Lease liabilities (Note 32)	(1,019)
Current tax liabilities	(172)
Deferred tax liabilities (Note 28)	(1,282)
Net identifiable assets acquired	34,501
Goodwill (Note 19)	3,113
Total consideration satisfied by issue of 73,333,333 ordinary shares of the Company (Note 29)	37,614
Net cash inflow arising from the acquisition:	
Cash and cash equivalents acquired	4,071

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. ACQUISITIONS OF SUBSIDIARIES (Continued)

(b) Acquisition of Mouton Investment Limited (“Mouton HK”) (Continued)

The fair value of the 73,333,333 shares of the Company issued as the consideration paid was determined on the basis of the closing market price of HK\$0.55 (equivalent to RMB0.5129) of the Company’s ordinary shares on the acquisition date.

The goodwill arising on the acquisition of Mouton HK is attributable to the anticipated profitability of the coal supply chain management services and general cargo storage services and the anticipated future operating synergies from the combination.

Mouton HK and its subsidiaries contributed revenue amount to approximately RMB15,055,000 to the Group’s revenue and incurred a profit of approximately RMB244,000 for the period between the date of acquisition and 31 December 2024. If the acquisition had been completed on 1 January 2024, the Group’s revenue and net profit for the year ended 31 December 2024 would have been approximately RMB4,483,644,000 and RMB161,415,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2024, nor is it intended to be a projection of future performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. DISPOSAL OF A SUBSIDIARY

Disposal of Hami Jinhua

In July 2024, the Group has entered into an equity transfer agreement with an independent third party, for the disposal of its entire equity interest in Hami Jinhua. The disposal has been completed on 29 September 2024. The net assets at the date of disposal were as follows:

	RMB'000
Net assets disposed of:	
Property, plant and equipment (Note 17)	35,242
Mining rights	83,754
Right-of-use assets	4,409
Other receivables	1,791
Cash and cash equivalents	101
Trade payables	(574)
Provision for close down, restoration and environmental costs	(2,070)
Deferred tax liabilities (Note 28)	(21,982)
Other payables and accruals	(7,408)
Amount due to a fellow subsidiary of the Group	(13,623)
	79,640
Gain on disposal of a subsidiary (Note 16):	
Consideration receivables	94,000
Net assets disposed of	(79,640)
Non-controlling interests	3,981
	18,341
Satisfied by:	
Consideration received in 2025 (Note 22(b))	94,000

An analysis of the cash flows in respect of the disposal of Hami Jinhua is as follows:

	RMB'000
Cash and cash equivalents disposed of	(101)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(101)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENTS OF THE COMPANY

	Note	2025 RMB'000	2024 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		408	640
Right-of-use assets		223	548
Investments in subsidiaries	36	124,798	124,798
Total non-current assets		125,429	125,986
Current assets			
Other receivables and prepayments from third parties		487	465
Other receivables and prepayments from subsidiaries		297,261	322,680
Financial assets at FVTOCI	18	-	541
Cash and cash equivalents		12,309	10,610
Total current assets		310,057	334,296
Total assets		435,486	460,282
LIABILITIES			
Current liabilities			
Other payables		1,616	1,981
Other payable to a subsidiary		150	157
Lease liabilities		204	309
Total current liabilities		1,970	2,447
Non-current liabilities			
Lease liabilities		-	215
Total non-current liabilities		-	215
Total liabilities		1,970	2,662
EQUITY			
Share capital	29	181,896	181,896
Share premium	29	789,776	789,776
Investment revaluation reserves	(a)	(5,976)	(5,642)
Capital reserves	(a)	783	783
Accumulated losses	(a)	(532,963)	(509,193)
Total equity		433,516	457,620
Total equity and liabilities		435,486	460,282

The financial position of the Company was approved by the Board on 27 March 2026 and was signed on its behalf.

Cui Yazhou
Director

Ye Xin
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENTS OF THE COMPANY (Continued)

Note:

(a) Reserves movements of the Company

	Investment revaluation reserves RMB'000	Capital reserves RMB'000	Accumulated losses RMB'000
At 1 January 2024	(5,649)	–	(507,320)
Total comprehensive loss for the year	7	–	(1,873)
Contribution from a shareholder pursuant to the settlement of promissory notes by issuing shares to the shareholder (Note 41)	–	783	–
At 31 December 2024 and 1 January 2025	(5,642)	783	(509,193)
Total comprehensive loss for the year	(334)	–	(23,770)
At 31 December 2025	(5,976)	783	(532,963)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. INFORMATION ABOUT PRINCIPAL SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2025 are set out below. Unless otherwise stated, the proportion of ownership interests held equals the voting rights held by the Group.

Company name	Country/place of incorporation	Issued and registered capital	Interest held	Principal activities and place of operation
Right Source International Limited ("Right Source")	The BVI	US\$100	100% directly held	Investment holdings, the BVI
Fortune In Investment Limited ("Fortune In")	The BVI	US\$100	100% directly held	Investment holdings, the BVI
Surplus Plan Limited ("Surplus Plan")	Hong Kong	HK\$1	100% directly held	Investment holdings and trading of coal, Hong Kong
Realty Investment (Group) Limited ("Realty Investment")	Hong Kong	HK\$10,000	100% indirectly held	Investment holdings, Hong Kong
滙力潤策(北京)技術服務有限公司 ("Huili Runce") [#]	Beijing, the PRC	RMB25,000,000	100% indirectly held	Technology services and technology consultation, the PRC
山西反坡清潔能源科技有限公司 ("Shanxi Fanpo") ^A	Shanxi, the PRC	RMB10,526,000	100% indirectly held	Provision of coal processing business, the PRC
潤策供應鏈管理(深圳)有限公司 ("Shenzhen Runce") [#]	Shenzhen, the PRC	US\$2,000,000	100% indirectly held	Coal service supply chain, the PRC
Jia Zhao Ventures Limited ("Jiazhao")	The BVI	US\$2	100% directly held	Investment holdings, the BVI
Business Factoring (China) Limited ("Business Factoring")	Hong Kong	HK\$40,000,000	100% indirectly held	Investment holdings, Hong Kong
天津嘉屹貿易有限公司 ("Jiayi") [#]	Tianjin, the PRC	RMB1,000,000	100% indirectly held	Financial services, the PRC
長治市潤策貿易有限公司 ("Changzhi Runce") ^A	Shanxi, the PRC	RMB10,000,000	100% indirectly held	Trading of coal, the PRC
海南潤策能源有限公司 ("Hainan Runce") ^A	Hainan, the PRC	RMB50,000,000	100% indirectly held	Trading of coal, the PRC
Margaux Investment Limited ("Margaux HK")	Hong Kong	HK\$1	100% indirectly held	Investment holdings, Hong Kong

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. INFORMATION ABOUT PRINCIPAL SUBSIDIARIES (Continued)

Company name	Country/place of incorporation	Issued and registered capital	Interest held	Principal activities and place of operation
珠海瑪高投資有限公司 (“Zhuhai Margaux”) [#]	Zhuhai, the PRC	RMB2,000,000	100% indirectly held	Investment holdings, the PRC
山西瑪高供應鏈管理有限公司 (“Shanxi Margaux”) ^Δ	Shanxi, the PRC	RMB10,526,000	100% indirectly held	Coal service supply chain, the PRC
山西和銘新能源科技有限公司 (“Shanxi Wisdom”) ^Δ	Shanxi, the PRC	RMB10,000,000	100% indirectly held	Operation of solar energy facilities, the PRC
CCB Logistics Limited (“CC Bong HK”)	Hong Kong	HK\$1	100% indirectly held	Investment holdings, Hong Kong
深圳奕逸蘭供應鏈管理有限公司 (“Shenzhen Yiyilan”) [#]	Shenzhen, the PRC	RMB2,000,000	100% indirectly held	Investment holdings, the PRC
長治市德勝煤炭儲配有限公司 (“Changzhishi Desheng”) ^Δ	Shanxi, the PRC	RMB2,000,000	100% indirectly held	Coal service supply chain, the PRC
Mouton Investment Limited (“Mouton HK”)	Hong Kong	HK\$1	100% indirectly held	Investment holdings, Hong Kong
珠海木桐供應鏈投資有限公司 (“Zhuhai Mutong”) [#]	Zhuhai, the PRC	RMB2,000,000	100% indirectly held	Investment holdings, the PRC
山西潞源新能科技有限公司 (“Luyuan Xinneng”) ^Δ	Shanxi, the PRC	RMB10,526,000	100% indirectly held	Coal services supply chain, the PRC
Surplus Plan (Singapore) Pte. Ltd.	Singapore	US\$100,000	100% indirectly held	Trading of coal, Singapore

[#] The companies are wholly-owned foreign enterprise under the Law of The People’s Republic of China on Foreign-Capital Enterprises.

^Δ The companies are domestic-funded enterprise under the law of the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. RELATED PARTY TRANSACTIONS

- (a) The Group's management is of the view that the following persons are related parties of the Group during the years ended 31 December 2025 and 2024:

Name of related parties	Relationship with the Group
Sky Circle International Limited	An shareholder of the Company which holds 24.8% (2024: 24.8%) equity interest in the Company.

(b) **Key management compensation**

Included in staff costs are key management personnel compensation and comprises the following categories:

	Year ended 31 December	
	2025	2024
	RMB'000	RMB'000
Basic salaries, allowances and other benefits	4,801	7,209
Contributions to pension plan	173	274
	4,974	7,483

38. LOAN FROM A SHAREHOLDER OF THE COMPANY

On 9 July 2024, the Company entered into the loan agreement with a shareholder of the Company for a loan facility amounted up to HK\$100,000,000, of which HK\$38,000,000 (equivalent to approximately RMB35,846,000) had been drawn at 11 July 2024. The loan is unsecured, bears interests at Hong Kong Dollar Best Lending Rate as announced by the Hong Kong and Shanghai Banking Corporation Limited plus 2% per annum for a term of 3 years. The loan principal will be repaid by the end of loan period while the accrued interests will be repaid annually from the loan drawdown date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. BANK LOAN

The bank loan due for repayment, based on the scheduled repayment date set out in the loan agreement, is as follows:

	2025 RMB'000
Within one year	–
One to two years	–
Two to five years	1,686
	1,686
Less: portion classified as current liabilities	–
Portion classified as non-current liabilities	1,686

In July 2025, the Group entered into bank loan agreement with a bank to obtain loan at principal amount of approximately RMB1,686,000. The loan is unsecured, bears interest at 4.5% per annum and repayable by March 2028.

The carrying amounts of the bank borrowings approximate their fair values and are denominated in RMB.

The weighted average interest rate is approximately 4.5% per annum for the year ended 31 December 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The following table show the Group's changes in liabilities arising from financing activities during the year:

	Interest payable on loan from a shareholder of the Company RMB'000 (Note 26)	Loan from a shareholder of the Company RMB'000 (Note 38)	Interest payable on loan from an ex-shareholder of the Company RMB'000 (Note 26)	Loan from an ex-shareholder of a subsidiary RMB'000 (Note 33(a)(ii))	Bank loan RMB'000 (Note 39)	Promissory note RMB'000 (Note 33(a)(iii))	Lease liabilities RMB'000 (Note 32)	Total liabilities arising from financing activities RMB'000
At 1 January 2024	-	-	-	-	-	-	12,372	12,372
Changes from cash flows:								
- Repayment of principal portion of lease liabilities	-	-	-	-	-	-	(3,765)	(3,765)
- Interest paid	-	-	-	-	-	-	(995)	(995)
- New loan raised	-	35,846	-	-	-	-	-	35,846
Total changes from financing cash flows	-	35,846	-	-	-	-	(4,760)	31,086
Other changes:								
- Additions	-	-	-	-	-	-	8,866	8,866
- Acquisition of a subsidiary (Note 33(a) and (b))	-	-	-	89,420	-	34,649	1,019	125,088
- Exchange differences	27	(1)	-	-	-	(618)	20	(572)
- Interest expenses (Note 9)	1,281	-	-	4,043	-	1,164	995	7,483
- Issue of shares pursuant to settlement of promissory notes (Note 41)	-	-	-	-	-	(35,195)	-	(35,195)
Total other changes	1,308	(1)	-	93,463	-	-	10,900	105,670
At 31 December 2024 and 1 January 2025	1,308	35,845	-	93,463	-	-	18,512	149,128
Changes from cash flows:								
- Repayment of principal portion of lease liabilities	-	-	-	-	-	-	(4,419)	(4,419)
- Interest paid	-	-	-	-	(34)	-	(993)	(1,027)
- New loan raised	-	-	-	-	1,686	-	-	1,686
Total changes from financing cash flows	-	-	-	-	1,652	-	(5,412)	(3,760)
Other changes:								
- Exchange differences	(133)	(1,746)	-	-	-	-	(186)	(2,065)
- Interest expenses (Note 9)	2,516	-	-	4,449	34	-	993	7,992
- Reclassification	-	-	3,730	(3,730)	-	-	-	-
- Lease termination	-	-	-	-	-	-	(994)	(994)
Total other changes	2,383	(1,746)	3,730	719	34	-	(187)	4,933
At 31 December 2025	3,691	34,099	3,730	94,182	1,686	-	12,913	150,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. NON-CASH TRANSACTION

On 25 September 2024, the Company entered into the subscription agreement with Vendor 1 (Note 33(a)) that the Company conditionally agreed to allot and issue 85,819,957 subscription shares ("Subscription Shares") to Vendor 1 at HK\$0.45 per subscription share. The subscription price in total sum of HK\$38,618,981 (equivalent to approximately RMB35,195,000) was satisfied by setting off against the principal amount and the accrued interests up to the date of the subscription agreement of HK\$37,360,000 and HK\$1,258,981 respectively of the promissory notes (Note 33(a)(ii)). On 10 October 2024, all the conditions precedent set out in the subscription agreement had been fulfilled and the issue of subscription shares completed. The fair value of the Subscription Shares issued was HK\$37,760,781 (equivalent to approximately RMB34,412,000)(Note 29) which was determined on the basis of the closing market price of HK\$0.44 per share at the date of completion. Accordingly, a gain on settlement of promissory notes of HK\$858,200 (equivalent to approximately RMB783,000) (Note 30(c)) was recognised in capital reserve as the contribution from a shareholder during the year ended 31 December 2024.

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 December 2025 and 2024 are categorised as follows:

	2025 RMB'000	2024 RMB'000
Financial assets		
Financial assets measured at amortised cost (including cash and cash equivalents)	1,230,068	1,430,829
Financial assets at FVTOCI	–	541
Derivative financial assets	–	1,504
Financial liabilities		
Financial liabilities measured at amortised cost	964,253	1,449,798

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade and bills receivables, other receivables, cash and cash equivalents, trade payables, other payables and accruals, bank loan, loan from an-ex-shareholder of a subsidiary and loan from a shareholder of the Company.

Due to their short term nature, the carrying value of trade and bills receivables, other receivables, cash and cash equivalents, trade payables and other payables and accruals approximated fair value. The carrying value of bank loan, loan from an-ex-shareholder of a subsidiary and loan from a shareholder of the Company represented the present value of contractual cash flows discounted at effective interest rate which also approximated fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

(Continued)

(b) Financial instruments measured at fair value

The following table illustrates the fair value hierarchy of the Group's financial instruments:

	Fair value measurement using			Total RMB'000
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 31 December 2025				
- Financial assets at FVTOCI	-	-	-	-
- Derivative financial assets	-	-	-	-
	-	-	-	-
As at 31 December 2024				
- Financial assets at FVTOCI	-	541	-	541
- Derivative financial assets	-	1,504	-	1,504
	-	2,045	-	2,045

The fair value of financial assets at FVTOCI was measured at traded prices for identical debts instruments in over-the-counter markets.

The derivative financial assets were foreign currency forward contracts of which the fair value was determined using exchange rates quoted by financial institutions.

During the years ended 31 December 2025 and 2024, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. FINANCIAL RISK MANAGEMENT

43.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk and concentration risk.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to HK\$ and US\$. Foreign exchange risk arises from recognised assets and liabilities in foreign operations. The Group has entered into foreign currency forward contracts to mitigate foreign exchange exposure between US\$ and RMB in international coal trading business.

At 31 December 2025, if RMB had weakened/strengthened by 1% against HK\$ with all other variables held constant, profit for the year would have been RMB30,000 lower/higher (31 December 2024: profit for the year would have been RMB23,000 higher/lower), mainly as a result of foreign exchange losses/gains (2024: gains/losses) on translation of HK\$ denominated cash and cash equivalents, other receivables and other payables.

At 31 December 2025, if RMB had weakened/strengthened by 1% against US\$ with all other variables held constant, profit for the year would have been RMB2,250,000 higher/lower (31 December 2024: profit for the year would have been RMB1,761,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of US\$ denominated cash and cash equivalents and other receivables.

(ii) Interest rate risk

The Group's interest rate risk arises from cash at banks and loan from a shareholder of the Company which are bearing floating interest rates. Floating interest rates cause the Group cash flow interest rate risk. The Group also had loan from an ex-shareholder of a subsidiary and bank loan with fixed interest rate which exposed the Group to fair value interest rate risk.

At 31 December 2025, if interest rates at that date had been 50 basis points lower/higher with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB142,000 (2024: RMB150,000) higher/lower, arising mainly as a result of lower/higher interest expense on loan from a shareholder of the Company.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's credit risk is primarily attributable to its trade and bills receivables, other receivables and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In respect of cash and cash equivalents, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rates of cash and cash equivalents are assessed to be close to zero and no provision was made as of 31 December 2025 and 31 December 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. FINANCIAL RISK MANAGEMENT (Continued)

43.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group applies the simplified approach to provide for ECLs prescribed by HKFRS 9, which permits the use of the lifetime ECLs provision for all trade and bills receivables. To measure the ECLs, trade and bills receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECLs. It considers available reasonable and supportive forwarding-looking information.

As at 31 December 2025, trade and bills receivables that are individually significant have been separately assessed for impairment. The Group makes periodic assessments on the recoverability of the receivables based on the background and reputation of the customers, historical settlement records and past experience.

Trade and bills receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 365 days past due.

Impairment losses on trade and bills receivables are presented as net impairment losses within operating results. Subsequent recoveries of amounts previously written off are credited against the same line item.

The credit quality of other receivables has been assessed with reference to historical information about the counterparties default rate and financial position of the counterparties.

The loss allowances as at 31 December 2025 and 2024 was determined for trade and bills receivables and other receivables as follow:

Trade and bills receivables

	Current or within 3 months past due RMB'000	3 to 6 months past due RMB'000	6 to 12 months past due RMB'000	Over 12 months past due RMB'000	Total RMB'000
As at 31 December 2025:					
Weighted average expected loss rate (%)	1%	2%	46%	100%	
Gross carrying amount (RMB'000)	244,386	14,791	125,329	426	384,932
Allowance for expected credit losses (RMB'000)	1,474	325	57,911	426	60,136
As at 31 December 2024:					
Weighted average expected loss rate (%)	1%	15%	23%	100%	-
Gross carrying amount (RMB'000)	584,644	89,660	3,916	436	678,656
Allowance for expected credit losses (RMB'000)	4,154	13,364	894	436	18,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. FINANCIAL RISK MANAGEMENT (Continued)

43.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

Other receivables

	Current or within 3 months past due RMB'000	3 to 6 months past due RMB'000	6 to 12 months past due RMB'000	Over 12 months past due RMB'000	Total RMB'000
As at 31 December 2025:					
Weighted average expected loss rate (%)	0%	-	-	100%	
Gross carrying amount (RMB'000)	8,943	-	-	54,483	63,426
Allowance for expected credit losses (RMB'000)	-	-	-	54,483	54,483
As at 31 December 2024:					
Weighted average expected loss rate (%)	1%	41%	100%	100%	-
Gross carrying amount (RMB'000)	108,407	13,622	57	56,408	178,494
Allowance for expected credit losses (RMB'000)	1,217	5,628	57	56,408	63,310

Movement in the loss allowances account in respect of trade and bills receivables and other receivables during the year is as follow:

	Trade and bills receivables RMB'000 (Note 21(d))	Other receivables RMB'000 (Note 22(a))	Total RMB'000
Balance at 1 January 2024	5,603	63,501	69,104
ECLs recognised on financial assets (Note 10)	13,245	7,269	20,514
Disposal of a subsidiary	-	(9,246)	(9,246)
Exchange differences	-	1,786	1,786
Balance at 31 December 2024 and 1 January 2025	18,848	63,310	82,158
ECLs/(reversal of ECLs) recognised on financial assets (Note 10)	41,288	(6,184)	35,104
Exchange differences	-	(2,643)	(2,643)
Balance at 31 December 2025	60,136	54,483	114,619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. FINANCIAL RISK MANAGEMENT (Continued)

43.1 Financial risk factors (Continued)

(c) Liquidity risk

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

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Less than 1 year or on demand RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2025						
Trade and other payables	834,286	834,286	834,286	-	-	-
Loan from an ex-shareholder of a subsidiary	94,182	111,178	3,730	21,490	64,468	21,490
Loan from a shareholder of the Company	34,099	41,289	2,405	38,884	-	-
Bank loan	1,686	1,851	76	76	1,699	-
Lease liabilities	12,913	16,748	4,574	5,598	1,876	4,700
	977,166	1,005,352	845,071	66,048	68,043	26,190
At 31 December 2024						
Trade and other payables	1,320,490	1,320,490	1,320,490	-	-	-
Loan from an ex-shareholder of a subsidiary	93,463	114,908	3,730	3,730	64,469	42,979
Loan from a shareholder of the Company	35,845	43,811	2,663	2,651	38,497	-
Lease liabilities	18,512	23,370	5,970	6,473	5,677	5,250
	1,468,310	1,502,579	1,332,853	12,854	108,643	48,229

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. FINANCIAL RISK MANAGEMENT (Continued)

43.1 Financial risk factors (Continued)

(d) Concentration risk

Revenue of the Group is principally derived from coal business in 2025 and 2024.

The revenue of coal business segment was derived from:

	For the year ended 31 December			
	2025		2024	
	Concentration of revenue	Number of customers	Concentration of revenue	Number of customers
Coal business	54.3%	7	61.4%	5

In the event that these major customers terminate the business relationship with the Group and the Group fails to find new customers, it may have a material adverse impact on the Group's financial position and results of operations.

44. CAPITAL COMMITMENTS

	2025 RMB'000	2024 RMB'000
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of the acquisition of plant and equipment	–	10,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

The employees of the Group’s subsidiaries which operate in the PRC are required to participate in central pension schemes operated by the local municipal government. The subsidiaries are required to contribute certain percentage of the payroll costs to the central pension schemes. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension schemes.

At 31 December 2025 and 2024, there were no significant forfeited contributions which arose upon employees leaving the schemes before they are fully vested in the contributions and which are available to reduce the contributions payable by the Group in the future.

46. CAPITAL RISK MANAGEMENT

The Group’s objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below:

RESULTS

	Year ended 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
REVENUE	2,261,063	4,030,742	2,850,951	2,015,009	1,470,396
PROFIT/(LOSS) BEFORE INCOME TAX	22,642	186,048	204,258	215,641	(14,043)
Income tax expense	(11,051)	(25,805)	(31,034)	(34,963)	(2,716)
PROFIT/(LOSS) FOR THE YEAR	11,591	160,243	173,224	180,678	(16,759)
Attributable to:					
Equity holders of the Company	11,591	160,295	167,609	180,844	(16,685)
Non-controlling interests	-	(52)	5,615	(166)	(74)
	11,591	160,243	173,224	180,678	(16,759)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
TOTAL ASSETS	2,135,641	2,673,717	1,577,790	868,397	558,586
TOTAL LIABILITIES	(1,060,321)	(1,609,654)	(785,714)	(296,650)	(166,274)
NON-CONTROLLING INTERESTS	-	-	(4,033)	773	1,274
	1,075,320	1,064,063	788,043	572,520	393,586