



Hidili Industry International Development Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1393





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CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Xian Yang (the then Chairman) (passed away on 10 September 2024)

Mr. Xian Fan (Chairman) (appointed on 12 September 2024)

Mr. Sun Jiankun

Mr. Zhuang Xianwei

NON-EXECUTIVE DIRECTOR

Ms. Qiao Qian (appointed on 12 September 2024)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Shiu Yuen Sammy

Mr. Huang Rongsheng

Ms. Xu Manzhen

AUDIT COMMITTEE

Mr. Chan Shiu Yuen Sammy (Chairman)

Mr. Huang Rongsheng

Ms. Xu Manzhen

REMUNERATION COMMITTEE

Mr. Chan Shiu Yuen Sammy (Chairman)

Mr. Huang Rongsheng

Ms. Xu Manzhen

Mr. Xian Yang (passed away on 10 September 2024)

Mr. Xian Fan (appointed on 12 September 2024)

NOMINATION COMMITTEE

Mr. Chan Shiu Yuen Sammy (Chairman)

Mr. Huang Rongsheng

Ms. Xu Manzhen

Mr. Xian Yang (passed away on 10 September 2024)

Mr. Xian Fan (appointed on 12 September 2024)

AUDITORS

ZHONGHUI ANDA CPA Limited

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Enterprise Square Five

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Kowloon Bay

Kowloon

Hong Kong

COMPANY SECRETARY

Ms. Chu Lai Kuen

AUTHORISED REPRESENTATIVES

Mr. Xian Fan

Ms. Chu Lai Kuen

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STOCK CODE

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PRC

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Chengdu Branch
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Ping An Bank Co., Ltd.
Kunming Branch
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Kunming, Yunnan Province
PRC

Wing Lung Bank
16/F, Wing Lung Bank Building
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Central, Hong Kong

CHAIRMAN'S STATEMENT

To the respectful shareholders of Hidili Industry International Development Limited,

On behalf of the board (the "Board") of the directors (the "Directors") of Hidili Industry International Development Limited (the "Company"), I am pleased to present the 2024 Annual Report and the operating results of the Company and the subsidiaries (collectively the "Group") for the year ended 31 December 2024 (the "Year") to the shareholders as follows.

IMPORTANT CHANGES TO THE GROUP'S MANAGEMENT AND BOARD OF DIRECTORS

Mr. Xian Yang, the Group's founder and former chairman and executive director, passed away on 10 September 2024. Mr. Xian Yang made tremendous contributions to the establishment and leadership on the development of the Group.

With effect from 12 September 2024, I was appointed as chairman and executive director of the Company and Ms. Qiao Qian was appointed as non-executive director of the Company. The Board will uphold strategies and directions formulated by Mr. Xian Yang and continue to lead the Group in a stable pace of development.

THE COMPANY'S OPERATION

During the Year, affected by the weak demand for steel in infrastructure investment and real estate development, coking coal price experienced a fluctuating decline. Revenue of the Company amounted to approximately RMB2,174.2 million for the year ended 31 December 2024, representing a slight decrease of approximately 11.2% as compared to approximately RMB2,449.0 million for the year ended 31 December 2023. Sales volume amounted to approximately 1,296,000 tonnes, maintaining at similar level to that of approximately 1,306,000 tonnes in 2023. The average selling price (net of value added tax) of clean coal decreased from approximately RMB1,690.4 per tonne in 2023 to approximately RMB1,554.3 per tonne for the Year.

In 2024, under the continuing review of the production process and enhancement of capacity, the raw coal production of the Company remained low. The production volume of raw coal decreased from approximately 4,741,000 tonnes in 2023 to approximately 4,142,000 tonnes in the Year, representing a decrease of approximately 12.6%, where the production volume of clean coal amounted to approximately 1,350,000 tonnes in the Year, compared with similar level of approximately 1,347,000 tonnes in 2023. During the Year, the Company's capital investment for mechanized mining and the review of production process are gradually paying off. Despite the low production level, the average production cost of clean coal of the Company for the Year reduced to approximately RMB1,421 per tonne as compared to that of approximately RMB1,541 per tonne in 2023, representing a decrease of 7.8%.

During the Year, the Company reported a gross profit of approximately RMB141.5 million, representing a drop of approximately RMB129.3 million or approximately 47.7%, as compared to that of approximately RMB270.8 million in 2023. Further, the gross profit margin deteriorated from approximately 11.1% in 2023 to that of approximately 6.5% during the Year.

In 2025, the Company will actively confront challenges by accelerating production capacity expansion through mechanization and streamlined processes to reduce manufacturing costs, while strengthening management to optimize operational expenses.

CHAIRMAN'S STATEMENT

RESTRUCTURING

The significant events in relation to restructuring is set out in pages 15 to 16 in "Liquidity, financial resources and capital structure" in the section headed "Management Discussion and Analysis".

MINING RESOURCE CONSOLIDATION

GUIZHOU PROVINCE

The Guizhou provincial government commenced a mining resource consolidation program in September 2005. This program is intended to encourage consolidation of small mines into larger mining enterprises in order to achieve economies of scale and to close down mines which were not economically efficient or environmentally friendly or were exposed to safety hazards. In April 2009, the Guizhou provincial government published a notice re-affirming its commitment to support the consolidation of large-scale mines (defined as those with production volumes exceeding 300,000 tonnes per annum) and the further consolidation of existing smaller mines. The notice stated that the government will continue to support mine consolidation based on principles of market efficiency with the goal of improving the overall structure and quality of the coal mining industry. In accordance with this government policy of resource consolidation, nine consolidated core mines were designated in Guizhou Province.

Under the nine consolidated core mines in Guizhou province, eight mines have commenced the production stage under the requirement of the consolidation plan; one mine is under construction. Details of the nine consolidated core mines are as follows:

Coal Mines	Long term Production Target (‘000 tonnes)	2024 Production Volume (‘000 tonnes)	2023 Production Volume (‘000 tonnes)	Change %	Coal Type
Hongxing Coal Mine	1,500	1,103	729	51.3%	Coking coal
Dechang Coal Mine (Note 1)	900	–	–	–	Coking coal
Dahe Coal Mine	1,200	764	916	(16.6%)	Coking coal
Yangchang Coal Mine	1,000	386	766	(49.6%)	Coking coal
Xiangxing Coal Mine	1,000	395	766	(48.4%)	Coking coal
Jichanghe Coal Mine (Note 2)	600	53	186	(71.5%)	Coking coal
Jinhe Coal Mine	1,500	894	1,031	(13.3%)	Coking coal
Xingda Coal Mine	900	291	106	174.5%	Coking coal
Xileqing Coal Mine (Note 2)	600	–	–	–	Coking coal
Total	9,200	3,886	4,500	(13.6%)	

Notes:

1. Dechang Coal Mine is under construction.
2. Jichanghe Coal Mine and Xileqing Coal Mine are undertaking adjustments to consolidation plan.

CHAIRMAN'S STATEMENT

Raw coal production in Guizhou province in the Year amounted to approximately 3,886,000 tonnes, representing 59.7% of the forecast production volume of approximately 6,500,000 tonnes estimated in 2023.

The Company estimates that the forecast production volume in 2025 can reach approximately 5,000,000 tonnes.

SICHUAN PROVINCE

The Sichuan provincial government commenced a mining resource consolidation program in June 2006. This program was intended to consolidate small mines into larger mines to achieve economies of scale and to close inefficient, environmentally unfriendly or unsafe mines. The consolidation is being implemented primarily through two means: (i) consolidating two or more coal mines with separate mining right permits into a larger mine with one mining right permit and (ii) integrating two or more production portals into one production system comprising one primary production portal, certain secondary production portals and one ventilation system, canceling the production permits for each of the old production portals and issuing one production permit for the new production system. Currently, all coal mines in Sichuan with capacity under 90,000 tonnes per annum are required by the provincial government to revise consolidation plans and upgrade annual capacity to over 300,000 tonnes. Accordingly, the Company is undertaking further improvement to consolidate the existing five consolidated core mines to three consolidated core mines with each target annual production level of 450,000 tonnes.

Under the three consolidated core mines in Sichuan province, all mines have commenced the production stage under the requirement of the consolidation plan. Details of the three consolidated core mines are as follows:

Coal Mines	Long term Production Target (‘000 tonnes)	2024 Production Volume (‘000 tonnes)	2023 Production Volume (‘000 tonnes)	Change %	Coal Type
Zhangjiawan Coal Mine (Note)	450	–	–	–	Thermal coal
Dahegou Coal Mine (Note)	450	–	–	–	Thermal coal
Tianbao Coal Mine II	450	256	241	6.2%	Coking coal and lean coal
Total	1,350	256	241	6.2%	

Note:

Zhangjiawan Coal Mine and Dahegou Coal Mine were closed for production upgrade during the Year. The two mines are expected to resume production in 2025.

With the resumption of production in Tianbao Coal Mine II, raw coal production in Sichuan province resumed to approximately 256,000 tonnes, representing 85.3% of the forecast production volume of 300,000 tonnes estimated in 2023.

The Company estimates the forecast production volume in 2025 can reach approximately 300,000 tonnes.

CHAIRMAN'S STATEMENT

YUNNAN PROVINCE

There are currently eight consolidated core mines in Yunnan province and both of them are located in Fuyuan County. All mines are controlled by a joint venture 雲南東源恒鼎煤業有限公司 (Yunnan Dongyuan Hidili Coal Industry Company Limited*) in which the Group has 50% equity interest.

Currently, the approved consolidated capacity of the mines is approximately 3,600,000 tonnes. The production volume in 2024 was approximately 55,000 tonnes in total, representing 27.5% of the forecast production volume of approximately 200,000 tonnes estimated in 2023. The decrease in production volume during the Year was mainly attributable to the relevant government authorities in Yunnan province which have entirely devoted their time and resources in the coal mines consolidation and debt restructure of a state-owned mining company and led to certain delay in the Company's consolidation progress.

The Company estimates the forecast production volume in 2025 remain approximately 200,000 tonnes.

ESTIMATED COAL RESERVES AND RESOURCES

The table below illustrates the estimated coal reserves and resources of the Company's coal mines in Sichuan and Guizhou provinces respectively.

	Sichuan Province (‘000 tonnes)	Guizhou Province (‘000 tonnes)	Total (‘000 tonnes)
Coal resources summary as at 31 December 2024			
– Measured	983	185,360	186,343
– Indicated	11,492	197,461	208,953
– Inferred	11,563	292,398	303,961
Total	24,038	675,219	699,257
Coal reserves summary as at 31 December 2024			
– Proved	713	136,892	137,605
– Probable	6,797	159,268	166,065
Total	7,510	296,160	303,670

Remarks:

The estimation of coal resources and reserves of the Company's coal mines in Sichuan and Guizhou provinces as at 31 December 2024 are prepared by an independent minerals industry consultant, Behre Dolbear & Company (USA) Inc. ("BDB") in compliance with the JORC Code 2012 Edition guidelines and Chapter 18 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") regarding the applicable disclosure requirements and continuing obligations for Mineral Companies.

CHAIRMAN'S STATEMENT

OUTLOOK

Since 2022, the Company has put great effort into the review of production upgrade and process optimization in order to speed up the release of production capacity in the coal mines in Guizhou province. Raw coal production remained at a low production scale during the year. Both variable and fixed production costs such as material, fuel and power, staff costs and manufacturing overheads could not be well absorbed by the low level of production. Hence, the unit production cost still remained at relatively high level. On the other hand, the coking coal market remained fluctuating. Accordingly, the operating margin of the Company deteriorated and brought along with a decrease in gross profit of approximately RMB141.5 million during the Year as compared to approximately RMB270.8 million in 2023. To amid the challenge, the Company is in the process of implementing various active and effective measures to strengthen the production process. The Company's production started to ramp up in the second half of 2024. And, preliminary cost savings in both operating and general administrative overheads were achieved during the Year. With the enlarging scale of production in 2025, the Board considers the liquidity can be improved and the overall financial, business and trading position of the Company will remain healthy.

By order of the Board
Chairman
Xian Fan

Hong Kong
31 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

TURNOVER

During the Year, turnover of the Group amounted to approximately RMB2,174.2 million, representing a slight decrease of approximately 11.2%, as compared to that of approximately RMB2,449.0 million in 2023. During the Year, the sales volume recorded for clean coal amounted to approximately 1,296,000 tonnes, maintained at a similar level to that of approximately 1,306,000 tonnes in 2023. The average selling price for the Year for clean coal decreased slightly from approximately RMB1,690.4 per tonne in 2023 to that of RMB1,554.3 per tonne in the Year, representing a decrease of approximately 8.1%.

The following table sets forth the Group's turnover contribution, sales volume and average selling price by products for the Year, together with the comparative amounts for 2023:

	2024			2023		
	Turnover RMB'000	Sales Volume (thousand tonnes)	Average Selling Price (RMB/ Tonne)	Turnover RMB'000	Sales Volume (thousand tonnes)	Average Selling Price (RMB/ Tonne)
Principal products						
Clean coal	2,014,686	1,296.2	1,554.3	2,206,940	1,305.6	1,690.4
By-products						
High-ash thermal coal	153,798	864.8	177.8	239,520	1,130.4	211.9
Other products						
Others	5,722			2,551		
Total turnover	2,174,206			2,449,011		

MANAGEMENT DISCUSSION AND ANALYSIS

COST OF SALES

Cost of sales for the Year was approximately RMB2,032.7 million, representing a decrease of approximately RMB145.5 million or 6.7%, as compared to that of approximately RMB2,178.2 million in 2023.

The following table illustrates the production volume of the principal products in Sichuan and Guizhou provinces:

	2024 (Thousand tonnes)	2023 (Thousand tonnes)	Change %
Raw coal			
Sichuan province	256	241	6.2%
Guizhou province	3,886	4,500	(13.6%)
	4,142	4,741	(12.6%)
Clean coal			
Sichuan province	137	65	110.8%
Guizhou province	1,213	1,282	(5.4%)
	1,350	1,347	0.2%

During the Year, the Company continued the comprehensive review of the production process and enhancement of capacity under full scale production of the coal mines in Guizhou province in order to release further production capacity. Both variable and fixed production costs such as material, fuel and power, staff costs and manufacturing overheads could not be well absorbed by the low level of production. Hence, unit production cost still remained at a relatively high level. Following the review, the Company targets a higher growth in the production volume of both raw coal and clean coal in 2025 and aims to scales down production costs.

Material, fuel and power costs for the Year were approximately RMB576.8 million, representing a decrease of approximately RMB30.4 million, or approximately 5.0%, as compared to that of approximately RMB607.2 million in 2023.

Staff costs for the Year were approximately RMB814.2 million, representing a decrease of approximately RMB10.5 million or 1.3%, as compared to that of approximately RMB824.7 million in 2023.

Depreciation and amortization for the Year were approximately RMB219.3 million, representing a decrease of approximately RMB15.2 million, or approximately 6.5%, as compared to that of approximately RMB234.5 million in 2023. The decrease was in line with the decrease in production volume of raw coal and clean coal.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the unit production costs of the respective segment:

	2024 RMB per tonne	2023 RMB per tonne
Coal mining		
Cash cost	368	352
Depreciation and amortisation	50	48
Total raw coal production cost	418	400
Average cost of clean coal	1,421	1,541

GROSS PROFIT

As a result of the foregoing, the Company reported a gross profit of approximately RMB141.5 million for the Year, representing a decrease of approximately RMB129.3 million or approximately 47.7%, as compared to that of approximately RMB270.8 million in 2023. The gross profit margin was approximately 6.5% as compared to that of approximately 11.1% in 2023.

OTHER INCOME

Other income for the Year amounted to approximately RMB31.5 million, representing a decrease of approximately RMB21.8 million or approximately 40.9%, as compared to that of approximately RMB53.3 million in 2023.

OTHER GAINS AND LOSSES

The Company recorded other losses of approximately RMB26.4 million for the Year as compared to that of approximately RMB55.0 million in 2023. The decrease was mainly attributable to the decrease in net exchange losses and losses on disposal of property, plant and equipment of approximately RMB78.7 million and RMB26.4 million respectively but off set by the net effect on the decrease in the fair value change on derivative financial assets of approximately RMB483.4 million and gain on offshore debt restructuring of approximately RMB570.2 million occurred in 2023.

DISTRIBUTION EXPENSES

Distribution expenses for the Year were approximately RMB209.7 million, representing a slight decrease of approximately RMB6.9 million or approximately 3.2%, as compared to that of approximately RMB216.6 million in 2023. The decrease was mainly in line with the decrease in sales volume of clean coal during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

ADMINISTRATIVE EXPENSES

Administrative expenses for the Year were approximately RMB252.7 million, representing a decrease of approximately RMB62.7 million, or approximately 19.9%, as compared to that of approximately RMB315.4 million in 2023. The decrease was mainly attributable to the decrease in general administrative costs during the Year.

FINANCE COSTS

Finance costs for the Year amounted to approximately RMB279.4 million, maintained at the similar level as compared with approximately RMB259.1 million in 2023.

INCOME TAX EXPENSE

Income tax expense for the Year amounted to approximately RMB19.2 million, representing provision for EIT of approximately RMB20.3 million and deferred tax credit of RMB1.0 million respectively for the Year as compared to the provision for EIT of approximately RMB18.2 million in 2023.

LOSS FOR THE YEAR

As a result of the foregoing, loss for the Year was approximately RMB635.9 million, representing a decrease of approximately RMB114.5 million or approximately 15.3%, as compared to that of approximately RMB750.4 million in 2023.

ADJUSTED EBITDA

The following table illustrates the Group's adjusted EBITDA for the Year. The Group's adjusted EBITDA margin was (0.6%) for the Year as compared with (3.5%) in 2023:

	2024 RMB'000	2023 RMB'000
Loss before tax	(616,718)	(732,162)
Adjusted for:		
– Allowance for loss allowance recognised on trade receivables	6,985	6,800
– Net reversal of impairment of other receivables and prepayments	(15,079)	(19,111)
– Waive of other payables	(979)	(3,585)
– Gain on debt restructuring	–	(570,211)
– Fair value change on derivative financial assets	29,205	512,629
– Impairment of interests in a joint venture	–	187,108
	(596,586)	(618,532)
Finance costs	279,400	259,062
Depreciation and amortisation	303,935	273,216
Adjusted EBITDA	(13,251)	(86,254)

MANAGEMENT DISCUSSION AND ANALYSIS

DISCLAIMER OF OPINION ISSUED BY THE AUDITORS

Regarding the consolidated financial statements of the Group for the year ended 31 December 2024, ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA"), the auditors of the Company, issued disclaimer of opinion on the going concern basis ("Disclaimer of Opinion").

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2024:

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

MATERIAL UNCERTAINTIES RELATING TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately RMB635,942,000 for the year ended 31 December 2024 and as at 31 December 2024 the Group had net current liabilities of RMB7,724,646,000. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon (i) the successful negotiation with banks and relevant financial institution to roll over the loan repayments and extend repayment of interests; (ii) the successful negotiation with offshore creditors for constructive and feasible repayment proposals; (iii) the successful disposal of certain assets of the Group; (iv) the successful outcome that keep to improve the liquidity and profitability of the Group; and (v) the successful outcome that certain measures to control the administrative and production costs. The consolidated financial statements do not include any adjustments that would result from the failure to negotiate with banks and relevant financial institution to roll over the loan repayments and extend repayment of interests, the failure to negotiate with offshore creditors for constructive and feasible repayment proposals; the failure to disposal of certain assets of the Group, the failure to improve the liquidity and profitability of the Group and the failure to control the administrative and production costs.

We have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of sufficient appropriate audit evidence in relation to the negotiations with banks, relevant financial institution and offshore creditors and the disposal of the Group's assets and the future action plans and measures regarding the improvement on the Group's liquidity and profitability and the control of the Group's administrative and production costs. Because of the significance of the matters above, we disclaim our opinion as to whether the use of the going concern assumption in the preparation of the consolidated financial statements is appropriate.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

DETAILS OF THE AUDIT QUALIFICATIONS

The onshore debt restructuring is jointly monitored and executed by the PRC Lending Banks, in which all the onshore lending banks are the members, pursuant to the Preliminary Restructuring Framework. The Company proposed to extend the terms of the bank borrowings, with an aggregate principal of approximately RMB5,559.3 million, and repay the interest to further three to five years for PRC Lending Banks internal review and approval in 2023. In 2024, China Minsheng Bank Chengdu Branch (“Minsheng Bank”), Ping An Bank Chengdu Branch and Ping An Bank Kunming Branch (collectively “Ping An Bank”) (dominating around 70% of the Company’s bank borrowings) disposed their respective debts to a PRC financial institution. During the Year, Minsheng Bank and Ping An Bank focused on the due diligence work and coal mines valuation in order to facilitate the debt disposal. Accordingly, the negotiations regarding the renewal of the Company’s loan agreements with the PRC Lending Banks was delayed. During the audit, the necessary legal proceedings of the debt disposal have been completed. The Company reopened the negotiations regarding the commercial terms of the renewal with the remaining PRC Lending Banks and the relevant financial institution. However, no formal loan agreements have been formulated and can be provided to ZHOUGHUI ANDA.

Regarding the offshore debt restructuring, the New USD Senior Notes expired in January 2025 and the SPP will be ended up by March 2026. The Company is formulating buyback and repayment proposals. Currently, the Company started to approach offshore creditors for the proposals. Again, no buyback and repayment proposals are finalized and can be provided to ZHOUGHUI ANDA.

Regarding the business operation, the Company reported a gross profit of approximately RMB141.5 million for the Year, representing a further decrease of approximately RMB129.3 million or approximately 47.7%, as compared to that of approximately RMB270.8 million in 2023. During the audit, the Company has provided the operating data of January and February 2025 for ZHOUGHUI ANDA’s consideration. However, the production still stated at relatively low level due to Chinese New Year holiday.

Accordingly, ZHONGHUI ANDA have not been able to obtain sufficient appropriate audit evidence about the appropriateness of the use of going concern basis of accounting in the preparation of the consolidated financial statements. In addition, ZHONGHUI ANDA issued “Disclaimer of Opinion” in their report for the year ended 31 December 2023 in respect of the material uncertainty relating to the going concern basis. During the Year, the bank borrowings were still open for negotiations and the gross profit margin experienced further decreased. Significant uncertainties still existed which cast significant doubt regarding the Group’s ability to continue as a going concern. ZHONGHUI ANDA disclaimed their opinion on going concern for the year ended 31 December 2024.

THE COMPANY’S POSITION ON THE AUDIT QUALIFICATIONS

The management of the Group is optimistic and confident that the Company has sufficient working capital for the next twelve months because the following considerations:

- (a) Following the debt disposal by Minsheng Bank and Ping An Bank in 2024, the negotiations with the relevant financial institution and the remaining PRC Lending Bank were restarted in January 2025. Ongoing negotiations appear to be going smoothly and positively. The Company will closely follow up the progress and speed up the negotiations for the renewal of the bank borrowings and waiver of accrued interest. The Company believes that the major commercial terms will be finalized by September 2025 and formal loan agreements will be ready for sign-off by December 2025. Pursuant to the preliminary repayment proposal, a substantial portion of onshore bank borrowings will be extended to a term over one year and within five years and the outstanding interests will be waived.

MANAGEMENT DISCUSSION AND ANALYSIS

- (b) Upon the completion of the onshore restructuring by 2025, it will result in mitigating the Group's liquidity pressure for the next twelve months. The Company believes funding can be freed up to finance and standby for the buyback of SPP Shares by March 2026.
- (c) Following the comprehensive review of the production process, the raw coal production recorded for the three months period ended 31 March 2025 amounted to approximately 1,202,000 tonnes, representing an increase of approximately 77% as compared to approximately 678,000 tonnes in the corresponding period of 2024. The Company believes that raw coal production will reach between 5,000,000 and 5,300,000 tonnes for the year ending 31 December 2025.
- (d) During 2024, the Company successfully increased capital expenditure in mechanized mining, resulting in decrease in headcount, reduction of staff costs and improvement in production efficiency. The average clean coal unit cost decreased from RMB1,541 per tonne in 2023 to RMB1,421 per tonne for the Year, representing approximately 8%. With the enlarged production scale, the Company expects further 10% to 15% decrease in average unit cost.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2024, the Group incurred net current liabilities of approximately RMB7,724.6 million as compared to approximately RMB5,333.5 million at 31 December 2023.

As at 31 December 2024, the bank balances and cash of the Group amounted to approximately RMB22.1 million (2023: approximately RMB46.7 million).

As at 31 December 2024, the bank borrowings repayable within one year of the Group were approximately RMB5,559.3 million (2023: repayable within one year and after one year of approximately RMB4,256.3 million and RMB1,363.4 million respectively). As at 31 December 2024, loans amounting to RMB5,537.6 million carry interest at a fixed rate of 4.275% per annum. The remaining loans carry interest at variable market rates of 4% per annum.

The gearing ratio (calculated as the aggregate of total bank borrowings, senior notes and preferred shares divided by total assets) of the Group as at 31 December 2024 was 60.4% (2023: 57.5%).

RESTRUCTURING

DEBT RESTRUCTURING

During the Year, the Company continued the negotiations with onshore banks and relevant financial institution to roll over the loan repayments and extend repayment of interests. Certain onshore banks and relevant financial institution are undergoing their internal review and approval. The Company believes that the bank borrowings will be renewed by 2025 under proper commercial terms and no immediate repayment will be required. The Company will closely follow up the progress and speed up the negotiation with the respective onshore banks and relevant financial institution for the renewal of loan agreements.

MANAGEMENT DISCUSSION AND ANALYSIS

On 31 January 2025, the New USD Senior Notes held by the Creditor SPV being an added measure of protection to the SPP Participants matured. Regarding the SPP, no sale of the shares held under SPP (the "SPP Shares") was completed since the implementation of the SPP on 31 March 2023. The SPP will be ended up by 31 March 2026. In the meantime, the Company approached the SPP Participants for constructive arrangement for the buyback of the SPP Shares and feasible repayment proposals.

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2024, the Group pledged assets in an aggregate amount of approximately RMB4,457 million (2023: RMB4,891 million) to banks for credit facilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the number of employees of the Group amounted to 9,319 as compared to 9,682 employees at 31 December 2023. Accordingly, the staff costs (including directors' remuneration in the form of salaries and other allowances) amounted to approximately RMB987.7 million (2023: RMB1,003.6 million).

The salary and bonus policy of the Group is principally determined by the qualification, performance and working experience of the individual employee and with reference to prevailing market conditions.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the Year.

RISK IN FOREIGN EXCHANGE

Since all of the Group's business activities are transacted in RMB, the Directors consider that the Group's risk in foreign exchange is insignificant. Accordingly, the Group was only exposed to exchange rate risk arising from the foreign currency bank balances of approximately USD0.2 million and HKD0.1 million during the Year.

SIGNIFICANT INVESTMENTS HELD

During the Year, the Group did not hold any significant investments.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Year, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

During the Year, the Group does not have any material plans for material investment and capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

- (a) Hidili Industry (China) Group Limited (“Hidili China”), a wholly owned subsidiary of the Company, received a Notice of Court Action attaching the writ of summons (the “2016 Writ”) issued by the Higher People’s Court of Guangdong Province of the People’s Republic of China (廣東省高級人民法院) on 15 April 2016. Pursuant to the 2016 Writ, China Merchants Bank, Shenzhen Chegongmiao Branch (the “2016 Plaintiff”) filed a civil complaint against (i) Hidili China, (ii) Liupanshui Hidili Industry Co., Ltd. (“Liupanshui Hidili”), a wholly owned subsidiary of the Company, (iii) Panxian Xileqing Coal Industry Co., Ltd. (“Panxian Xileqing”), a wholly owned subsidiary of the Company, and (iv) Sichuan Hidili Industry Co., Ltd. (“Sichuan Hidili”), a wholly owned subsidiary of the Company, in respect of a loan agreement dispute case. The 2016 Plaintiff claimed against Hidili China for relief, among others, the outstanding principal amount and the default interest payment of approximately RMB576 million as of 20 January 2016 under the security agreement entered into between 2016 Plaintiff and Hidili China on 13 January 2013 where Liupanshui Hidili and Panxian Xileqing acted as guarantors and Liupanshui Hidili, Panxian Xileqing and Sichuan Hidili pledged certain assets and mining rights.
- (b) Both of Sichuan Haohang Trading Company Limited (“Sichuan Haohang”) and Sichuan Hidili received a Notice of Court Action attaching the writ of summons (the “2017 Writ”) issued by the Higher People’s Court of Sichuan Province of the People’s Republic of China (四川省高級人民法院) on 1 June 2017. Pursuant to the 2017 Writ, Chengdu Branch of Shanghai Pudong Development Bank (the “2017 Plaintiff”) filed a civil complaint against (i) Sichuan Haohang, (ii) Sichuan Hidili, (iii) Liupanshui Hidili and (iv) Hidili China in respect of a loan agreement dispute case. The 2017 Plaintiff claimed against Sichuan Haohang and Sichuan Hidili for relief, among others, the outstanding principal amount as of 25 August 2016 and the default interest payment (calculated as at 18 April 2017) of approximately RMB134 million and RMB134 million respectively under the Agreement of Establishing Bank Promissory Note Business entered into between the 2017 Plaintiff and Sichuan Haohang and Sichuan Hidili on 25 February 2016 where Liupanshui Hidili pledged certain assets and mining rights and Hidili China acted as guarantor.

As it is not practical to assess the outcome of the cases at this stage, accordingly, no provision was made in the consolidated financial statements.

Save as disclosed above, as at 31 December 2024, the Group did not have any material contingent liabilities.

CONTINUING CONNECTED TRANSACTION

During the year, rental expenses amounting to RMB0.7 million were paid to Mr. Xian Jilun, father of Mr. Xian Fan, an executive director of the Company, for the leasing of the Company’s head office located at 16th Floor, Dingli Mansion, No. 81 Renmin Road, Panzhihua, Sichuan province, the PRC. The rent paid by the Company is determined with reference to the market rent of comparable properties in the market.

Save as disclosed above, as at 31 December 2024, the Group did not have any material continuing connected transaction.

* For the definitions of the capitalized terms regarding debt restructuring mentioned in this report, please refer to the circular of the Company dated 30 December 2022.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

MR. XIAN FAN (鮮帆)

Mr. Xian, aged 46, graduated from Sichuan University (四川大學) in 1999 with a bachelor's degree. Mr. Xian has served as a visiting professor at the Electronic Information Faculty of Sichuan University since 2006. From July 2005 to July 2009, he was assistant to the manager and manager of management department of the Company. Since August 2009, he acts as deputy general manager of Hidili Industry (China) Group Limited, a wholly-owned subsidiary of the Company. Mr. Xian is the chairman to the Board of Sichuan Zhizi Assets Management Co., Limited (a wholly-owned subsidiary of the Company) since December 2018 and Hidili (China) Coal Sales Co., Limited (a wholly-owned subsidiary of the Company) since December 2022. Mr. Xian is also a director of Petra Enterprises Limited, a company which holds approximately 0.07% of the issued share capital of the Company. Mr. Xian is the younger brother of Mr. Xian Yang, the late founder, chairman and executive director of the Company, and the brother-in-law of Ms. Qiao Qian, the non-executive director of the Company.

MR. SUN JIANKUN (孫建坤)

Mr. Sun, aged 61, is an Executive Director and our Chief Executive Officer, he is responsible for the overall management and business development of the Company and its subsidiaries. He is a senior engineer and graduated from East China University of Metallurgy (華東冶金學院) (now known as Anhui University of Technology (安徽工業大學)) in 1986 with a bachelor's degree in steel metallurgy. Prior to joining the Group in December 2006, Mr. Sun has worked at Panzhihua Steel Group since 1986 and accumulated broad experience in steel production, quality control and raw material procurement. He served as the vice general manager of Chengdu Steel Company, a subsidiary of Panzhihua Steel Group, from 2003 to 2006 and the vice general manager of Panzhihua New Steel & Vanadium Co., Ltd. (攀枝花新鋼鈹股份有限公司), a Shenzhen Stock Exchange listed company, from 2002 to 2003. Mr. Sun is also a Director of Able Accord Enterprises Limited, a company which holds approximately 0.42% of the issued share capital of the Company.

MR. ZHUANG XIANWEI (莊顯偉)

Mr. Zhuang, aged 54, is our Executive Director and the General Manager of Coal Mines of the Company and is responsible for the operation of the Company's coal mines. He is also president of the Company's subsidiary, 恒鼎實業（中國）集團有限公司 (Hidili Industry (China) Group Limited*) and chairman of two of the Company's subsidiaries, namely 雲南東源恒鼎煤業有限公司 (Yunnan Dongyuan Hidili Coal Industry Company Limited*) and 六盤水恒鼎實業有限公司 (Liupanshui Hidili Industry Company Limited*). Mr. Zhuang is a mining engineer. Prior to joining the Company in March 2002, Mr. Zhuang worked for the production technology division at Panzhihua Coal Group for over 10 years with extensive experience in management of coal mines. Mr. Zhuang has 500,000 shares of the Company.

NON-EXECUTIVE DIRECTOR

MS. QIAO QIAN (喬遷)

Ms. Qiao, aged 44, graduated from Sichuan Dance Academy and then joined Panzhihua TV Station as a host in 1998. She resigned in 2006. She joined U-Excel Education Singapore in 2015 and is currently the Administrative Manager. Ms. Qiao is the spouse of Mr. Xian Yang, the late founder, chairman and executive director of the Company and the sister-in-law of Mr. Xian Fan, the executive director and chairman of the Company.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. CHAN SHIU YUEN SAMMY (陳紹源)

Mr. Chan, aged 61, has over 21 years of experience in auditing, accounting, taxation, business consultancy and financial management. Mr. Chan holds a bachelor's degree in Commerce from Dalhousie University, Canada and is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Chan was an independent non-executive director of Da Sen Holdings Group Limited (stock code: 1580), a company listed on the main board of the Stock Exchange, during the period from August 2022 to 11 September 2024 since August 2022. Mr. Chan was an independent non-executive director of Powerleader Science & Technology Group Limited ("Powerleader") (stock code: 8236), a company listed on the GEM of the Stock Exchange and withdrawn from listing on 30 December 2020, during the period from December 2009 to December 2020. During the period from May 2005 to May 2007, Mr. Chan was the company secretary and qualified accountant of Powerleader. During the period from July 2007 to February 2009, Mr. Chan was the deputy general manager of China Fibretech Limited (company registration no. 40381), a company listed on the main board of the Singapore Stock Exchange Limited. During the period from December 2009 to September 2015, Mr. Chan was the chief financial officer of Newtree Group Holdings Limited (stock code: 1323), a company listed on the main board of the Stock Exchange.

MR. HUANG RONGSHENG (黃容生)

Mr. Huang, aged 78, joined our Board since June 2007. He graduated from Tsinghua University in 1970. He has over 30 years' experience in the steel industry. Prior to his retirement in December 2006, he served as the vice general manager and the vice president of Panzhihua Steel (Group) Company from 1993 to 2003. Then, he worked at Central Iron & Steel Research Institute (鋼鐵研究總院) as secretary of the Party committee and vice president from 2003 to 2006.

MS. XU MANZHEN (徐曼珍)

Ms. Xu, aged 59, graduated from Auhui University of Law. Ms. Xu is the Director of 四川道合律師事務所 (Sichuan Daohe Law Firm*) since 2001. Before joining Sichuan Daohe Law Firm, Ms. Xu worked as deputy Director of Audit division of 四川攀枝花鋼鐵集團公司 (Sichuan Panzhihua Steel Group Limited*). Ms. Xu was a deputy of Panzhihua City to the National People's Congress of PRC.

SENIOR MANAGEMENT

MS. CHU LAI KUEN (朱麗娟)

Ms. Chu, aged 56, is our Chief Financial Officer and Company Secretary. She is responsible for financial and accounting management of our Company. She is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Chu graduated from Hong Kong Polytechnic University with a bachelor's degree (Hons) in accountancy. Prior to joining the Group in October 2008, Ms. Chu has over 20 years of working experience in auditing and financial management.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statement for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are engaged in coal mining, manufacture and sale of raw coal and clean coal.

BUSINESS REVIEW

Review of the business and a analysis of the performance of the Group during the Year under review are provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. A discussion of the Company's environmental policies and performance and the compliance with the relevant laws and regulations that have a significant impact on the Company are provided in the sections headed "Environment, Social and Governance Report" and "Corporate Governance Report" in this annual report. These sections form part of this Directors' Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 70 of this report.

The Directors did not propose any payment of final dividend for the year ended 31 December 2024 to the shareholders (2023: nil).

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for the year ended 31 December 2024 amounted to approximately RMB241 million. Details of the movements during the Year in the Group's property, plant and equipment are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the Year in the share capital of the Company are set out in note 34 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Details of the movements during the Year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 73 of this report.

As at 31 December 2024, the Company's reserves available for distribution to shareholders amounted to approximately RMB670 million (2023: approximately RMB1,304 million).

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2024 are set out in note 47 to the consolidated financial statements.

DIRECTORS' REPORT

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 144.

BORROWINGS

Details of the borrowings of the Group are set out in note 33 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2024, sales to the Group's five largest customers amounted to approximately RMB1,247 million, representing 57.4% of the total turnover of the Group. Sales to the single largest customers amounted to approximately RMB479 million, representing 22.0% of the total turnover of the Group.

For the year ended 31 December 2024, the amount of purchases made from the Group's five largest suppliers amounted to approximately RMB490 million, representing 37.5% of the total purchases of the Group. Purchase from the single largest suppliers amounted to approximately RMB154 million, representing 11.8% of the total purchases of the Group.

For the year ended 31 December 2024, none of the Directors or any of their associates and any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's top five largest customers and suppliers.

DONATIONS

Donations made by the Group during the year ended 31 December 2024 amounted to approximately RMB0.5 million. (2023: RMB2.4 million).

DIRECTORS

The Directors of the Company during the Year and up to the date of this report were as follows:

EXECUTIVE DIRECTORS

Mr. Xian Yang (passed away on 10 September 2024)
Mr. Xian Fan (appointed on 12 September 2024)
Mr. Sun Jiankun
Mr. Zhuang Xianwei

NON-EXECUTIVE DIRECTOR

Ms. Qiao Qian (appointed on 12 September 2024)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Shiu Yuen Sammy
Mr. Huang Rongsheng
Ms. Xu Manzhen

DIRECTORS' REPORT

Biographical details of the above Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 18 and 19 of this report.

In accordance with the provisions of the Company's articles of association (the "Articles of Association"), one third of the Directors will retire from directorship by rotation at each annual general meeting and, being eligible, shall offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a fixed term of three years.

Each of the independent non-executive Directors has entered into a service agreement with the Company for a fixed term of two years.

None of the Directors has entered into any service agreement with the Company which is not determinable within one year without payment of compensation (other than the statutory compensation).

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors are set out in note 14 to the consolidated financial statements.

The remuneration of the Directors is principally determined by the balance of skill and experience appropriate to the Company's business.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with Rule 3.13 of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company, its subsidiaries or its other associated corporations a party to any arrangement to enable the Directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the applicable laws and regulations, every Director 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 may incur or sustain in or about the execution of their duty in their offices or otherwise in relation thereto. Such permitted indemnity provision has been in force throughout the year ended 31 December 2024. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company for the year ended 31 December 2024.

DIRECTORS' REPORT

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

As at 31 December 2024, the Directors and chief executive of the Company had the following interests and/or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which are required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

Name	Name of the entity	Number of issued ordinary shares held	Nature of interest	Approximate percentage of the issued share capital of the Company/ percentage of shareholding (Note 5)
Mr. Xian Yang (Note 1)	The Company	1,040,674,000 (L)	Founder and beneficiary of trust	22.60%
Mr. Xian Yang	Sanlian Investment Holding Limited ("Sanlian Investment")	1,000 (L)	Beneficial owner	100%
Mr. Qiao Qian (Note 2)	The Company	1,040,674,000 (L)	Interest of spouse	22.60%
Mr. Sun Jiankun ("Mr. Sun") (Note 3)	The Company	19,380,000 (L)	Interest of controlled corporation	0.42%
Mr. Sun	Able Accord Enterprises Limited ("Able Accord")	1,000 (L)	Beneficial owner	100%
Mr. Xian Fan (Note 4)	The Company	3,327,000 (L)	Interest of controlled corporation	0.07%
Mr. Xian Fan	Petra Enterprises Limited ("Petra Enterprises")	1 (L)	Beneficial owner	100%
Mr. Zhuang Xianwei	The Company	500,000 (L)	Beneficial owner	0.01%

(L)-Long position

DIRECTORS' REPORT

Notes:

1. The 1,040,674,000 shares of the Company are held by Sanlian Investment, the issued share capital of which is jointly held by Xian Yang No.1A Ltd. ("Xian Yang No.1A") and Sanlian No.1 Ltd. ("Sanlian No.1"). Mr. Xian Yang (who passed away on 10 September 2024) is the only controlling shareholder of Xian Yang No.1A and Sanlian No.1. In 2011, Mr. Xian Yang formed a discretionary trust, The Xian Yang Foundation 1, of which Trident Trust Company (Singapore) Pte. Limited ("Trident Trust") is currently the trustee. Accordingly, Mr. Xian Yang is deemed to be interested in 1,040,674,000 shares held by Sanlian Investment by virtue of the SFO. Mr. Xian Yang is also the sole director of Sanlian Investment. As at the date of this report, the spouse of Mr. Xian Yang, Ms. Qiao Qian ("Ms. Qiao") had engaged legal counsel to process her application for the inheritance of Mr. Xian Yang's estate.
2. Ms. Qiao is the spouse of Mr. Xian Yang. By virtue of the SFO, Ms. Qiao is also deemed, as the spouse of Mr. Xian Yang, to be interested in all the shares of the Company in which Mr. Xian Yang is deemed to be interested.
3. The 19,380,000 shares of the Company are held by Able Accord, the entire issued share capital of which is held by Mr. Sun. Accordingly, Mr. Sun is deemed to be interested in 19,380,000 shares held by Able Accord by virtue of the SFO. Mr. Sun is also a director of Able Accord.
4. The 3,327,000 shares of the Company are held by Petra Enterprises, the entire issued share capital of which is held by Mr. Xian Fan. Accordingly, Mr. Xian Fan is deemed to be interested in 3,327,000 shares held by Petra Enterprises by virtue of the SFO. Mr. Xian Fan is also a director of Petra Enterprises.
5. The percentage was complied based on the total number of issued shares of the Company (i.e. 4,605,259,407 ordinary shares) as at 31 December 2024.

Save as disclosed above, to the best knowledge of the Directors, as at 31 December 2024, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Saved as disclosed, at no time during the Year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2024, the following persons, other than the Directors and chief executive of the Company, had an interest and/or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

Name	Number of issued ordinary shares held*	Nature of interest	Approximate percentage of the issued share capital of the Company* (Note 3)
Trident Trust (Note 1)	530,743,740 (L)	Trustee	11.53%
Sanlian Investment (Note 1)	1,040,674,000 (L)	Beneficial owner	22.60%
Mr. Xian Yang (Note 1)	1,040,674,000 (L)	Interest of controlled corporation	22.60%
Ms. Qiao (Note 2)	1,040,674,000 (L)	Interest of spouse	22.60%
Fosun International Holdings Limited (Note 3)	294,856,316 (L)	Interest of controlled corporation	6.40%
Fosun Holdings Limited (Note 3)	294,856,316 (L)	Interest of controlled corporation	6.40%
Fosun International Limited (Note 3)	256,396,797 (L)	Interest of controlled corporation	5.57%
	38,459,519 (L)	Beneficial owner	0.83%
Fosun Financial Holdings Limited (Note 3)	256,396,797 (L)	Interest of controlled corporation	5.57%
Spinel Investment Limited (Note 3)	256,396,797 (L)	Interest of controlled corporation	5.57%
Peak Reinsurance Holdings Limited (Note 3)	256,396,797 (L)	Interest of controlled corporation	5.57%
Peak Reinsurance Company Limited (Note 3)	256,396,797 (L)	Beneficial owner	5.57%
Ma Wei	266,104,170 (L)	Beneficial owner	5.78%

* (L)-Long position

DIRECTORS' REPORT

Notes:

1. The entire issued share capital of Sanlian Investment is jointly owned by Xian Yang No.1A and Sanlian No.1. Mr. Xian Yang (who passed away on 10 September 2024) is the only controlling shareholder of Xian Yang No.1A and Sanlian No.1. In 2011, Mr. Xian Yang formed a discretionary trust, The Xian Yang Foundation 1, of which Trident Trust is currently the trustee. Accordingly, Mr. Xian Yang is deemed to be interested in 1,040,674,000 shares of the Company held by Sanlian Investment by virtue of the SFO. Mr. Xian Yang is the sole director of Sanlian Investment. As at the date of this report, the spouse of Mr. Xian Yang, Ms. Qiao had engaged legal counsel to process her application for the inheritance of Mr. Xian Yang's estate.
2. Ms. Qiao is the spouse of Mr. Xian Yang. By virtue of the SFO, Ms. Qiao is also deemed, as the spouse of Mr. Xian Yang, to be interested in all the shares of the Company in which Mr. Xian Yang is deemed to be interested.
3. Fosun International Limited ("Fosun International") holds 100% direct interest in Fosun Financial Holdings Limited ("Fosun Financial"), 100% indirect interest in Spinel Investment Limited (Spinel Investment"), 86.71% indirect interest in both Peak Reinsurance Holdings Limited ("Peak Reinsurance Holding") and Peak Reinsurance Company Limited ("Peak Reinsurance") respectively. Accordingly, Fosun International is deemed to be interested in 256,396,797 shares of the Company held by Peak Reinsurance, by virtue of its interest in Fosun Financial, Spinel Investment and Peak Reinsurance Holdings.

Fosun International Holdings Limited ("Fosun International Holdings") holds 100% interest in Fosun Holdings Limited ("Fosun Holdings") which in turn holds 72.76% interest in Fosun International. Accordingly, Fosun International Holdings is deemed, or taken to be interested in an aggregate of 294,856,316 shares of the Company of which 38,459,519 shares of the Company held by Fosun International and 256,396,797 shares of the Company held by virtue of its interest in Fosun Holdings and Fosun International.

Fosun International Holdings is owned as to 85.29% by Mr. Guo Guangchang ("Mr. Guo"). Mr. Guo is, by virtue of his interest in Fosun International Holdings, deemed to be interest in an aggregate of 294,856,316 shares of the Company in which Fosun International and Peak Reinsurance are interested respectively.

4. The percentage was complied based on the total number of issued shares of the Company (i.e. 4,605,259,407 ordinary shares) as at 31 December 2024.

DIRECTORS' REPORT

Save as disclosed above, the Company has not been notified by any person (other than the Directors or the chief executive of the Company) who had/would have interests or short positions in the shares or underlying shares of the Company or its associated corporations of 5% or more which were required to be disclosed to the Company under Part XV of the SFO or which were recorded in the register kept by the Company under section 336 of the SFO.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company.

CONTRACTS OF SIGNIFICANCE

No contracts of significant, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interests, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of the Year or at any time during the Year.

No contracts of significance between the Company or any of its subsidiary companies and a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

So far as the Directors were aware, none of the Directors or their associates had any interest in a business that competes or may compete with the business of the Group.

CONTINUING CONNECTED TRANSACTION

During the Year, rental expenses amounting to RMB0.7 million were paid to Mr. Xian Jilun, father of Mr. Xian Fan, a controlling shareholder and a Director of the Company, for the leasing of the Company's head office located at 16th Floor, Dingli Mansion, No. 185 Renmin Road, Panzhuhua, Sichuan province, the PRC. The rent paid by the Company is determined with reference to the market rent of comparable properties in the market.

Such continuing connected transaction falls under the de minimis provision set forth in Rule 14A.33(3)(a) of the Listing Rules and is therefore exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

AUDIT COMMITTEE

An audit committee of the Company ("Audit Committee") was established on 25 August 2007 in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures.

The Audit Committee consisted of three independent non-executive Directors, namely, Mr. Chan Shiu Yuen Sammy (Chairman), Mr. Huang Rongsheng and Ms. Xu Manzhen.

The Audit Committee has reviewed, together with the management of the Company, the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the consolidated financial statements of the Group for the year ended 31 December 2024 and the interim results of the Group for the six months ended 30 June 2024.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix C3 to the Listing Rules as its own code for securities transactions by the Directors (the "Code"). All Directors have confirmed their compliance throughout the Year with the required standards set out in the Model Code and the Code.

EQUITY-LINKED AGREEMENTS

No equity linked agreement was entered into by or subsisted in the Company, and there was no provision to enter into any agreement which will or may result in the Company issuing shares during the Year.

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the provisions of the Corporate Governance Code during the Year. The Directors are not aware of any information that reasonably reveals that there is any non-compliance with or derivation from the Corporate Governance Code by the Company during any time of the Year.

DIRECTORS' REPORT

PURCHASE, SALE OR REDEMPTION OF SHARES

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

SUFFICIENCY OF PUBLIC FLOAT

On the basis of publicly available information and to the best of the Directors' knowledge, information and belief, the Company has maintained sufficient public float throughout the year ended 31 December 2024.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA") as auditors of the Company.

On behalf of the Board of
Hidili Industry International Development Limited
Xian Fan
Chairman

Hong Kong
31 March 2025

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain a high level of corporate governance. The Directors believe that sound and reasonable corporate governance practices are essential for the success of the Group and for safeguarding and maximizing of the interests of shareholders of the Company (the “Shareholders”). The Company has complied with the provisions of the Code during the Year.

In addition to the Code, the Board will also continuously enhance the corporate governance standard of the Company by reference to certain recommended best practices contained in the Code whenever suitable and appropriate.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, all Directors have confirmed their compliance with the required standards as set out in the Model Code throughout the year ended 31 December 2024.

BOARD OF DIRECTORS

The Board currently consists of seven Directors, three of whom are independent non-executive Directors who are expressly identified in all corporate communications that disclose the names of the Directors. 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 composition of the Board is as follows:

EXECUTIVE DIRECTORS

Mr. Xian Fan (*Chairman*)
Mr. Sun Jiankun
Mr. Zhuang Xianwei

NON-EXECUTIVE DIRECTOR

Ms. Qiao Qian

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Shiu Yuen Sammy
Mr. Huang Rongsheng
Ms. Xu Manzhen

The brief biographical details of the Directors are set out in the section headed “Profile of Directors and Senior Management” on pages 18 and 19 of this report.

Each of the executive Directors and non-executive Director has entered into a service agreement or appointment letter with the Company for an initial fixed term of three years but is subject to retirement by rotation and is eligible for re-election.

All of the independent non-executive Directors were appointed for a specific term of two years but are subject to retirement by rotation and are eligible for re-election.

CORPORATE GOVERNANCE REPORT

Mr. Xian Fan is the brother-in-law of Ms. Qiao, and Ms. Qiao is the sister-in law of Mr. Xian Fan. None of the remaining Directors has any financial, business, family or other material or relevant relationships among members of the Board.

The Board is responsible for the overall development and guidance of the Group. The Board determines the overall strategies, monitors and control operating and financial performance and sets appropriate policies to manage risks in pursuit of the Group's strategic objectives. The Board has delegated the day-to-day operation to the executive Directors and senior management under the supervision of the Board to ensure effectiveness and appropriateness.

ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and the Chief Executive Officer are segregated to reinforce their independence and accountability. Mr. Xian Fan (who was appointed on 12 September 2024) is the Chairman of the Company. From 1 January 2024 to 10 September 2024, Mr. Xian Yang (who passed away on 10 September 2024) was the Chairman of the Company. Mr. Xian Fan is responsible for the overall management and business development of the Group. Mr. Sun Jiankun is the Chief Executive Officer of the Company. Mr. Sun is responsible for managing the day-to-day business of the Group, attending to the formulation and successful implementation of the Group's policies and assuming full accountability to the Board for all the Group's operations.

APPOINTMENT AND RE-ELECTION OF THE DIRECTORS

The Company's Articles of Association set out a formal, considered and transparent procedure for the appointment of new Directors to the Board. The appointment of Directors are fixed for a specific term, but at every annual general meeting one-third of the Directors, including the Chairman, will be subject to retirement by rotation and re-election by shareholders. All Directors eligible for re-election will have their biographical details made available to the shareholders to enable them to make an informed decision on their re-election. Any other appointment, resignation, removal or re-designation of Director will be timely disclosed to the shareholders by announcement and shall include in such announcement, the reasons given by the Director for his resignation.

The Board selects and recommends candidates for directorship having regard to the balance of skill and experience appropriate to the Company's business.

CONFIRMATION OF INDEPENDENCE

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills in order to ensure that their contribution to the Board remains informed and relevant.

The Directors are regularly briefed on the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime with written materials, as well as attending seminars on professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities.

CORPORATE GOVERNANCE REPORT

During the Year, all Directors read materials relevant to the Company's business, director's duties and responsibilities. The Company updates Directors constantly on the latest developments regarding the Group's business and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate government practices. All Directors have provided record of training attendance to the Company and the Company will continue to arrange the training in accordance with paragraph C.1.4 of the Code. Newly appointed Directors receive an induction to ensure that he/she has a proper understanding of the business and operations of the Company and that he/she is fully aware of his duties and responsibilities as a director under applicable rules and requirements.

BOARD MEETINGS

Four board meetings were held during the Year. Details of the attendance of Directors are set out below:

Attendance of meetings	
Executive Directors	
Mr. Xian Yang (passed away on 10 September 2024)	2/4
Mr. Xian Fan (appointed on 10 September 2024)	1/4
Mr. Sun Jiankun	4/4
Mr. Zhuang Xianwei	4/4
Non-Executive Director	
Ms. Qiao Qian (appointed on 12 September 2024)	1/4
Independent non-executive Directors	
Mr. Chan Shiu Yuen Sammy	4/4
Mr. Huang Rongsheng	4/4
Ms. Xu Manzhen	4/4

Appropriate notices are given to all Directors in advance for attending regular and other Board meetings. Meeting agendas and other relevant information are provided to the Directors in advance of Board meetings. All Directors are consulted to include additional matters in the agenda for Board meetings.

Directors have accessed to the advice and services of the company secretary with a view to ensure that Board procedures, and all applicable rules and regulations, are followed.

Both draft and final versions of the minutes are sent to all Directors for their comment and records.

Minutes of Board meetings are kept by the company secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Director.

ANNUAL GENERAL MEETING

The Company held the annual general meeting on 26 June 2024. Mr. Zhuang Xianwei, Mr. Huang Rongsheng and Ms. Xu Manzhen were unable to attend the annual general meeting of the Company due to business engagements. Mr. Xian Yang, the then executive Director, was elected as the chairman of the annual general meeting to ensure effective communication with shareholders of the Company at the meeting.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The remuneration committee (the “Remuneration Committee”) was established on 25 August 2007 with written terms of reference in compliance with the Code. The Remuneration Committee consists of an executive Director, Mr. Xian Fan and all the independent non-executive Directors, Mr. Chan Shiu Yuen Sammy, Mr. Huang Rongsheng and Ms. Xu Manzhen. Mr. Chan Shiu Yuen Sammy is the Chairman of the Remuneration Committee. The role of the Remuneration Committee is to review and give recommendations to the Board regarding the remuneration package of the Directors and the senior management of the Company and other remuneration related matters.

The Company’s emolument policy of the employees is set up by the Remuneration Committee on the basis of the expertise, capability, performance and responsibility of the employees. In addition to the basic salaries, the Company also provides staff with retirement benefit scheme contributions. The Company may grant bonus to individuals for their contribution on a discretionary basis.

During the Year, one remuneration committee meeting was held to discuss and approve the annual salary review for 2024 for the Directors and the employees and the remuneration policy. All the members of the Remuneration Committee attended the meeting.

NOMINATION COMMITTEE

The nomination committee (the “Nomination Committee”) was established on 25 August 2007 with written terms of referable in compliance with the Code. The Nomination Committee consists of an executive Director, Mr. Xian Fan and all the independent non-executive Directors, namely, Mr. Chan Shiu Yuen Sammy, Mr. Huang Rongsheng and Ms. Xu Manzhen. The Nomination Committee will consider the appointment of new Directors first by reviewing the profiles of the candidates and making recommendations to the Board. New Directors appointed by the Board during the Year to fill a casual vacancy shall retire and submit themselves for re-election at the first general meeting immediately followed their appointment.

The Board had adopted a board diversity policy (the “Board Diversity Policy”) setting out the approach to diversify members of the Board. The Company believes that a diversified perspective can be achieved through implementation of the Board Diversity Policy. The following measurable objectives were adopted: 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. The ultimate decision will be based on objective criteria, merit and contribution that the selected candidates will bring to the Board having due regard for the benefits of diversity on the Board.

The Nomination Committee had also reviewed the Board Diversity Policy on a regular basis to ensure its continued effectiveness.

During the Year, the Nomination Committee had convened one meeting during which it considered, among other things, the Directors who should retire by rotation pursuant to the Company’s Articles of Association and the Code. All the members of the Nomination Committee attended the meeting. During the meeting of the Nomination Committee, it had also reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company and assessed the independence of all the independent non-executive Directors of the Company.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The audit committee (the “Audit Committee”) was established on 25 August 2007 with written terms of reference in compliance with the Code. The Audit Committee consists of three Independent non-executive Directors, namely Mr. Chan Shiu Yuen Sammy, Mr. Huang Rongsheng and Ms. Xu Manzhen. Mr. Chan Shiu Yuen Sammy is the Chairman of the Audit Committee. The primary duties of the Audit Committee include reviewing and supervising the financial reporting process and internal control procedures of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time.

During the Year, two Audit Committee meetings were held. All the members of the Audit Committee attended both meetings. The Audit Committee has reviewed together with the management the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and has reviewed the consolidated financial statements of the Group for the year ended 31 December 2024 and the interim results for the six months ended 30 June 2024.

AUDITORS’ REMUNERATION

The external auditor of the Company is ZHONGHUI ANDA. During the year ended 31 December 2024, the remuneration paid and payable to the auditors of the Company in respect of the audit services provided amounted to approximately RMB3.2 million and no non-audit service was provided during the Year.

The Audit Committee is responsible for making recommendation to the Board as to the appointment, re-appointment and removal of the external auditors, which is subject to the approval by the Board and at the general meetings of the Company by the Shareholders.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance duties of the Company in accordance with the “Terms of Reference of Corporate Governance Function” adopted: (i) to develop and review the Company’s policies and practices on corporate governance and make appropriate recommendations; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct applicable to employees and Directors; and (v) to review the Company’s compliance with the Code and disclosure in the Corporate Governance Report.

During the Year, the Board has performed the following corporate governance duties: (i) reviewed and approved the contents of the Corporate Governance Report included in the 2024 annual report of the Company; (ii) adopted the “Board Diversity Policy”; and (iii) reviewed the whistle-blowing policy of the Group to ensure the arrangements for employees to raise concerns about possible improprieties in financial reporting and internal control, etc. were adequate.

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENT

The Directors acknowledge their responsibility for preparing the consolidated financial statements for each financial period, which give a true and fair view of the state of affairs of the Group and the results and cash flow for that period. The Company deploys appropriate and sufficient resources to prepare audited account. Senior management is required to present and explain the financial reporting and matters that materially affect or may have material impact on the financial performance and operations of the Company to the Audit Committee and the Board and respond to the queries and concerns raised by the Audit Committee and the Board to their satisfaction. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance. The reporting responsibility of ZHONGHUI ANDA on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 68 to 69 of this report.

DISCLAIMER OF OPINION ISSUED BY THE AUDITORS

Pursuant to the Corporate Governance Code, the Board would like to provide more details on the Disclaimer of Opinion regarding the Company's ability to continue as a going concern.

As mentioned in the section headed "Management Discussion and Analysis", ZHONGHUI ANDA has issued Disclaimer of Opinion on the Group's consolidated financial statements for the year ended 31 December 2024, which arose solely from going concern issue of the Group.

ACTION PLAN TO ADDRESS THE DISCLAIMER OF OPINION

In order to address the uncertainties which may cast doubt regarding the Group's ability to continue as a going concern, and with a view to removing the Disclaimer of Opinion, the Company has taken and intends to continue to implement the measures as follows:

- (a) The Company continues to line up meetings, at least once every month, with the financial institution and remaining PRC Lending Banks for the negotiations of repayment proposals and to finalize all the necessary commercial terms by September 2025. The Company believes the proper loan agreements will be signed off by December 2025;
- (b) The Company will fix the buyback arrangement with SPP creditors by March 2026;

CORPORATE GOVERNANCE REPORT

- (c) The Company continues to implement cost saving measures:
 - (i) Increase capital expenditure for mechanized mining to upgrade efficiency;
 - (ii) Delay capital expenditure in coal mines with low production and allocate the manpower and resources to coal mines with high output;
 - (iii) Reduce and reallocate headcount in coal mines with low production;
 - (iv) Adopt budgetary control over production overheads and general office expenses; and
 - (v) Implement office automation;
- (d) The Company keeps on reporting the production capacity quarterly and carries out review on any deficiency;
- (e) Detailed analysis regarding selling prices, production costs and operating expenses for the interim period to be completed in September 2025; and
- (f) Discussions with auditors for the update progress of negotiations with the financial institution, PRC lending banks and SPP creditors will take place in September 2025.

AUDIT COMMITTEE'S VIEW TO THE DISCLAIMER OF OPINION

The Audit Committee had critically reviewed the Disclaimer of Opinion, the Management's position concerning the Disclaimer of Opinion and measures taken by the Group for addressing the Disclaimer of Opinion. The management has reported to the Audit Committee operating and cost analysis for the year ended 31 December 2024, major operating data in the first quarter of 2025 and preliminary repayment proposal of onshore bank borrowings. The Audit Committee agreed with the Management's position based on the reasons as stated herein.

The Audit Committee considers the Company will have sufficient financial resources to continue as a going concern after the successful renewal of the loan agreements with the financial institution and the remaining onshore lending banks and the implementation of the measures to improve production capacity and efficiency.

Moreover, the Audit Committee reminds the Company to closely follow up with the financial institute and the remaining PRC Lending Banks for the negotiation of the repayment proposals.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining an effective internal control system of the Group and is committed to the ongoing development of an effective internal control system to safeguard assets, and to enhance risk management and compliance with applicable legislation and regulations. The Group has adopted a set of internal control procedures and policies to safeguard the Group's assets and to ensure the reliability of financial reporting.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Company's system of internal control during the Year, and the Board confirms that the provision C.2.1 of the Code has been complied with.

The Company have formulated an inside information policy providing guideline on handling inside information. The Company regularly reminds the Directors and employees about compliance with all policies adopted by the Company regarding inside information including the Model Code set out in Appendix C3 to the Listing Rules in relation to dealings in securities of the Company.

COMPANY SECRETARY

Ms. Chu Lai Kuen, the chief financial officer of the Company, is also appointed by the Board as the company secretary of the Company (the "Company Secretary"). She is a full time employee of the Company who has day-to-day knowledge of the Company and is responsible for advising the Board on corporate governance matters. Ms Chu confirmed that she has complied with all the required qualifications, experience and training requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Company's Articles of Association, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene an extraordinary general meeting by sending a written requisition to the Board or the Company Secretary. The objects of the meeting must be stated in the written requisition.

CORPORATE GOVERNANCE REPORT

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board directly to its head office in Sichuan, PRC or principal place of business in Hong Kong by post or email to hidili@yeah.net. The Company will respond to all enquiries on a timely and proper basis.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

An up-to-date version of the Company's Articles of Association is available on the Company's website and the Stock Exchange's website. Shareholders may refer to the Company's Articles of Association for further details of their rights.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hidili.com.cn) immediately after the relevant general meetings.

INVESTOR RELATIONS AND COMMUNICATION

The Company has established and maintained different communication channels with the Shareholders. The Company updates the Shareholders on its latest business developments and financial performance through its corporate publications including annual reports and public announcements. Briefing and meetings with institutional investors and analysts are conducted regularly. The Company also maintains its website to provide the public and its shareholders with an alternative communication channel. All corporate communication and Company's latest updates are available on the Company's website for public's information.

During the Year, there has been no significant change in the Company's constitutional documents.

* For the definitions of the capitalized terms regarding debt restructuring mentioned in this report, please refer to the circular of the Company dated 30 December 2022.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE ESG REPORT

Hidili Industry International Development Limited (the “Company”) and its subsidiaries (collectively, the “Group” or “we”) act as an investment holding company, which is principally engaged in coal mining, manufacture and sale of clean coal. Currently, one of the consolidated core mines in Sichuan province has commenced the production stage, and the remaining two mines are still in the process of upgrading. For the nine consolidated core mines in Guizhou province, eight mines have commenced the production stage under the requirement of the consolidation plan, while one mine is under construction. This environmental, social and governance report (the “ESG Report”) provides an overview of the Group’s initiatives, plans and performance in environmental, social, and governance (“ESG”) aspects, and demonstrates its commitment to sustainable development.

REPORTING PERIOD

Unless otherwise stated, the ESG Report covers the initiatives, plans and performance with respect to ESG aspects of the Group for the year ended 31 December 2024 (the “Reporting Period” or “2024”).

REPORTING SCOPE

The reporting scope is determined based on the materiality of the business segments under the Group’s direct operational control. The ESG Report covers the overall initiatives, plans and performance in five areas, namely, corporate governance, environmental protection, employment practice, operating practice and community investment of the Group’s operations in Sichuan and Guizhou provinces together with the head office in Hong Kong. The key performance indicators (“KPIs”) data on ESG issues are obtained from the above operations. We will continue to expand the scope of disclosure in the future when the data collection system of the Group is more refined and the sustainable development work is enhanced.

REPORTING FRAMEWORK

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) as set out in Appendix C2 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). For the corporate governance structure of the Group and other relevant information, please refer to the “Corporate Governance Report” in this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the preparation for the ESG Report, the Group has applied the reporting principles in the aforementioned ESG Reporting Guide as follow:

Materiality: Materiality assessment was conducted by the Group to identify material issues during the Reporting Period, thereby adopting the confirmed material issues as the focus for the preparation of the ESG report. The materiality of issues was reviewed and confirmed by the board of directors (the “Board”) and the management. For further details, please refer to two sections headed “COMMUNICATION WITH STAKEHOLDERS” and “MATERIALITY ASSESSMENT”.

Quantitative: The standards, methodologies and applicable assumptions used in the calculation of KPIs data are supplemented by explanatory notes.

Consistency: The preparation approach of the ESG report is consistent with that for the year ended 31 December 2023 (“2023”). The scope of disclosure and calculation methodologies are explained at the corresponding aspect and data.

ESG GOVERNANCE STRUCTURE

The Group has developed an ESG governance structure to ensure ESG governance aligns with its business strategy for sustainable development and to integrate ESG management into its business operations and decision-making processes.

The Board holds the overall responsibilities for the Group’s ESG issues, including general oversight, guidance and formulation of ESG management approaches, strategies and objectives, and selects qualified members with the appropriate skills, knowledge, experience and perspectives required to address relevant ESG issues. In order to better manage the Group’s ESG performances, related issues and potential risks, the Board discusses ESG-related issues, evaluates and determines ESG-related risks and opportunities of the Group, reviews the materiality of ESG issues and sets ESG-related targets collectively at least once a year. In addition, the Board is responsible for ensuring the effectiveness of the Group’s risk management and internal control systems and approving disclosures in the ESG Report.

The management of the Group is jointly responsible for the specific implementation of ESG matters. The management consists of core members of different departments who have relevant expertise in various areas of ESG to assist the Board in supervising ESG matters. The management arranges a meeting at least once a year to review the effectiveness of current policies and procedures by collecting and analysing ESG-related data, and to review the formulation and progress of ESG-related targets in order to improve the overall performance of ESG policies and ensure compliance with ESG-related laws and regulations. In addition, the management engages an independent third party to conduct an annual materiality assessment to evaluate, prioritise and manage material ESG-related issues, as well as prepare the ESG Report. The management also needs to report its investigation results, decisions and recommendations to the Board at least once a year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

COMMUNICATION WITH STAKEHOLDERS

The Group has established various communication channels to allow stakeholders to participate in its operations, and to understand and monitor the Group's operating conditions, so as to promote the formation of a community of harmony and common interest between the Group and stakeholders and realise maximum comprehensive social interest, which includes optimal corporate revenue. Therefore, we have been maintaining close communication with key stakeholders, including but not limited to, shareholders and investors, government and regulatory authorities, employees, customers, suppliers, the community and the public, so as to improve the Group's performance in ESG. Stakeholders can participate in the Group's operations through the following channels:

Major Stakeholders	Expectations	Communication Channels
Shareholders and investors	<ul style="list-style-type: none"> Investment returns Business strategies and performance Completion of debt restructuring and sustainability 	<ul style="list-style-type: none"> The Group's website Annual report and interim report The Group's announcements and notices on the Stock Exchange's website Shareholders' meetings Financial news
Government and regulatory authorities	<ul style="list-style-type: none"> Compliance with laws and regulations Compliance with the Listing Rules Production safety Payment of tax in accordance with laws Fulfillment of social responsibilities 	<ul style="list-style-type: none"> Inspection and site visits The Group's filings, working reports and submissions Work conference and discussion The Group's website and announcements
Employees	<ul style="list-style-type: none"> Welfare and remuneration Working environment Training and development opportunities Occupational health and safety 	<ul style="list-style-type: none"> Staff meetings and activities Staff training and education Staff handbook The Group's notices
Customers	<ul style="list-style-type: none"> Product quality and delivery Quality control Credit terms 	<ul style="list-style-type: none"> Regular visits and business correspondence Sales framework agreements After-sales service
Suppliers	<ul style="list-style-type: none"> Long-term stable cooperation Timely settlement 	<ul style="list-style-type: none"> Regular visits and business correspondence Sales framework agreements
Community and the public	<ul style="list-style-type: none"> Job opportunities Community development Social welfare 	<ul style="list-style-type: none"> Community activities Media enquiry Press releases and announcements

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

In hope of understanding the opinions and expectations of stakeholders on the Group's ESG performances effectively, the Group adopts a systematic approach in conducting the annual materiality assessment to identify ESG-related issues that were shared by the Group and its stakeholders and assess the priorities of their importance. With reference to the Group's business development strategies and industry practices, the Group identified and determined a list of material ESG issues, which covers five major areas, namely, corporate governance, environmental protection, employment practice, operating practice and community investment. The Group prepared a questionnaire based on the list and invited relevant stakeholders to rate the materiality level of the material ESG issues. The relevant results and identified material issues have been reviewed and confirmed by the Board and management, followed by the establishment of appropriate and effective internal management policies and systems, and disclosed in the ESG Report.

The following table provides an overview of the ranking of materiality of the ESG issues of the Group:

Material Issues		
High	Medium	Low
<ul style="list-style-type: none">• Emission control and adaptation to climate change• Waste management• Prevention of child labour and forced labour• Community investment	<ul style="list-style-type: none">• Employment system• Occupational health and safety• Development and training• Reliable services and products• Protection of customers' privacy• Intellectual property rights• Anti-corruption	<ul style="list-style-type: none">• Use of resources• Supply chain management

CONTACT US

The Group welcomes stakeholders to provide their opinions and suggestions. You can provide valuable advice in respect of the ESG Report or the Group's performances in sustainable development by the following means:

Mailing Address: No. 2206, 22/F, Block C, China Overseas International Centre, No. 233, Jiaozi Road, Gaoxin District, Chengdu, Sichuan Province

Tel: 028-61689133

Fax: 028-61689138

Email: hidili@yeah.net

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENTAL

ENVIRONMENTAL TARGETS

To ensure that we can effectively implement and continuously promote sustainability, the Group has set a number of environmental targets in 2024 in accordance with its development strategies. We closely monitored and regularly reviewed the progress of the relevant targets. Target progress, relevant data and year-on-year comparison are disclosed in the following table and subsequent sections.

Aspect	Environmental Targets in 2024	Target Progress
Greenhouse gas ("GHG") emissions	Encourage all mines and offices within the reporting scope to reduce the use of vehicles and energy, thereby reducing total GHG emissions more effectively.	Completed
Hazardous waste	Make continuous efforts to increase disposal projects for hazardous waste, thereby reducing total hazardous waste disposal more effectively.	Completed
Non-hazardous waste	Organise activities to raise employees' awareness of waste reduction and recycling, thereby reducing total non-hazardous waste disposal more effectively.	Although the total non-hazardous waste disposal of the Group increased, the Group has organised activities during the Reporting Period to raise employees' awareness of waste reduction and recycling.
Energy management	Organise activities to promote the importance of energy conservation, thereby reducing total energy consumption more effectively.	Completed
Water management	Organise activities to promote the importance of water conservation, thereby reducing total water consumption more effectively.	Completed

During the year ending 31 December 2025 ("2025"), the Group will continue to follow the environmental targets set in 2024 in order to further implement the sustainability strategy.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A1. EMISSIONS

The Group has always valued good environmental management and strives to protect the environment in order to fulfil its social responsibilities. Therefore, we have formulated relevant environmental policies, and are committed to developing operational measures to enhance environmental management in our business processes. The Group also has complied with current applicable environment-related laws and standards, with an aim to minimise the pollution and environmental damage caused by our daily business operations and achieve sustainable development targets. Meanwhile, by establishing relevant environmental management systems and regulations for its business operations located in Mainland China and Hong Kong to regulate the air, GHG and waste, etc. generated during operations, the Group has contributed to environmental protection.

The Group keeps close track of the latest national and local environmental laws and regulations, commits to measures that strengthen environmental protection based on related laws and regulations, and also complies with relevant laws and regulations of the local government and implements environmental policies. During the Reporting Period, the Group was not in violation of any relevant laws or regulations in relation to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that have a significant impact on the Group. These laws and regulations include, but are not limited to, the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Water Pollution, and the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste in Mainland China, as well as the Air Pollution Control Ordinance, the Waste Disposal Ordinance, the Water Pollution Control Ordinance and the Product Eco-responsibility Ordinance in Hong Kong.

AIR EMISSIONS

The air emissions by the Group mainly come from vehicle fuel consumption. In order to mitigate the negative impact on the environment, the Group maintains and repairs vehicles and equipment regularly to prevent them from emitting excessive emissions due to damaged parts and other reasons. We also eliminate substandard vehicles in accordance with the requirements under regional emission policies. In addition, the Group plans and arranges reasonable transportation schedules to maximise transport efficiency, so as to avoid unnecessary transportation.

The types of air emissions by the Group include nitrogen oxides ("NO_x"), sulphur oxides ("SO_x") and particulate matter ("PM"). The air emissions of the Group are summarised as follows:

Type of air emissions ¹	Unit	2024	2023
NO _x	kg	1,158.19	1,115.62
SO _x	kg	4.90	4.77
PM	kg	101.94	98.22

Note:

1. The calculation of air emissions is based on the How to Prepare an ESG Report - Appendix 2: Reporting Guidance on Environmental KPIs issued by the Stock Exchange.

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GHG EMISSIONS

The main sources of GHG emissions of the Group are direct GHG emissions (Scope 1) caused by the fuel consumption of vehicles and backup generators and energy indirect GHG emissions (Scope 2) from the purchased electricity. By making full use of the coalbed methane resources in underground mines, the Group extracted approximately 30,621,900.00 cubic meters of coalbed methane in 2024, of which approximately 14,990,900.00 cubic meters were used for power generation for self-use. (2023: approximately 30,716,500.00 cubic meters and 13,030,000.00 cubic meters of coalbed methane, respectively). Due to the decrease in production volume of the operations in Guizhou Province, the total GHG emissions of the Group in 2024 decreased as compared to 2023. The Group's GHG emissions are summarised as follows:

Type of GHG emissions ²	Unit	2024	2023 ²
Direct GHG emissions (Scope 1)	tonnes of carbon dioxide equivalent ("tCO ₂ e")	5,978.84	5,987.51
Energy indirect GHG emissions (Scope 2)	tCO ₂ e	92,008.64	110,325.07
Total GHG emissions	tCO ₂ e	97,987.48	116,312.58
Intensity ³	tCO ₂ e/RMB'000 revenue	0.05	0.05

The Group is also proactive in enhancing its reputation by reducing energy use and, in turn, reducing GHG emissions. Given the above emission sources, we have actively taken the following measures to reduce GHG emissions:

- Actively reduce emissions from vehicles, of which relevant measures are described in the section headed "AIR EMISSIONS" under this aspect;
- Actively adopt environmental protection and energy-saving measures, of which relevant measures are described in the section headed "ENERGY MANAGEMENT" under Aspect A2; and
- Post notices and posters containing environmental protection promotion information at prominent places in offices to enhance employees' environmental awareness.

Notes:

2. The data of GHG emissions are presented in terms of carbon dioxide equivalent with reference to, including but not limited to, the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard published by the World Resources Institute and the World Business Council for Sustainable Development, the Announcement on the Release of the Carbon Dioxide Emission Factors for Electricity in 2022 and the Notice on the Management of Greenhouse Gas Emission Reporting for Enterprises in the Power Generation Industry from 2023 to 2025 published by the Ministry of Ecology and Environment of China, the Six Assessment Report issued by Intergovernmental Panel on Climate Change, the How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs issued by the Stock Exchange and the Sustainability Report 2024 published by HK Electric Investments and HK Electric Investments Limited. As there is no sufficient theoretical basis for the calculation of GHG produced in the process of power generation by coalbed methane, this report only discloses its extraction volume and utilisation volume. As a result of the improvement of the data collection system, we have updated the data on direct GHG emissions and the related total amount and intensity for 2023 to ensure their accuracy and comparability.
3. During the Reporting Period, the total turnover of the Group was approximately RMB2,174,206,000.00 (2023: approximately RMB2,449,011,000.00). This data shall also be used to calculate other intensity data.

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SEWAGE DISCHARGE

The Group discharges industrial sewage in the course of daily operations in Mainland China. Water management at the coal washing plants located in Mainland China is primarily done through a waste water recycling system and water reclaim ponds, and surface water is also treated in the settling ponds for removal of suspended solids. The total water consumption data of the Group are explained in the section headed "WATER MANAGEMENT" under Aspect A2.

WASTE MANAGEMENT

The Group strictly adheres to the principles of waste management and is committed to properly regulating and disposing of waste generated from business activities. The Group maintains high standards in waste reduction, educates employees on the necessity of sustainable development, and provides appropriate support to enhance their knowledge and skills in the field of sustainable development.

Hazardous wastes

The main hazardous wastes generated during the operation of the Group are waste mineral oil and coal gangue from coal mines. The Group requires all departments to collect and store hazardous wastes in accordance with established relevant policies and regulations, and to deliver such waste to designated storage areas within a specified time. Only designated employees are responsible for handling hazardous wastes in the designated storage area, and other employees may not enter such areas without permission. The Group shall hire qualified hazardous waste collectors to handle such waste in order to comply with relevant environmental laws and regulations.

As the waste collectors entrusted by the Group are unable to provide the hazardous waste disposal data of the Group's coal mines in Sichuan Province, the following table discloses data for the Group's operations in Guizhou Province only. Due to the decrease in production volume of the operations in Guizhou Province, the Group's total hazardous waste disposal in 2024 decreased as compared to 2023. The Group's hazardous waste disposal is summarised as follows:

Type of hazardous waste	Unit	2024	2023
Waste mineral oil	tonnes	23.98	32.15
Coal gangue	tonnes	2,177,858.00	2,513,718.16
Total hazardous waste disposal	tonnes	2,177,881.98	2,513,750.31
Intensity	tonnes/RMB'000 revenue	1.00	1.03

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Non-hazardous wastes

The main non-hazardous wastes generated during the operation of the Group are domestic waste and paper. We require employees to properly treat such wastes and encourage employees to sort and store such wastes before disposal, and also arrange for personnel to conduct integrated processing. As the Group entrusted a designated agency to conduct integrated processing for domestic waste, relevant data was not collected and disclosed. With regard to paper consumption in the office, we have implemented the following measures:

- Encourage employees to use electronic documents and establish electronic work processes;
- Recycle used paper; and
- Print or copy on both sides.

Due to the increase in demand for office paperwork and printout, the Group's total non-hazardous waste disposal in 2024 increased as compared to 2023. The Group's non-hazardous waste disposal is summarised as follows:

Type of non-hazardous waste	Unit	2024	2023 ⁴
Paper	kg	2,626.24	2,571.84
Total non-hazardous waste disposal	kg	2,626.24	2,571.84
Intensity	kg/RMB'000 revenue	0.0012	0.0011

Note:

4. As a result of the improvement of the data collection system, we have updated the data on paper disposal and the related total amount and density for 2023 to ensure their accuracy and comparability.

A2. USE OF RESOURCES

The Group strictly complies with the relevant local environmental laws and regulations, and has formulated relevant environmental policies to ensure that its mining activities are carried out in compliance with environmental standards and in line with the rules of the office buildings, so as to achieve energy-saving and consumption reduction. By taking measures for more efficient use of electricity and water resources and reducing or even stopping the use of materials that waste resources or pollute the environment, etc., the Group is committed to mitigating the negative impact on the environment during its business operations.

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ENERGY MANAGEMENT

The main energy consumption sources of the Group in its daily operations are the direct energy consumption caused by the consumption of unleaded petrol and diesel oil of vehicles and the diesel consumption of backup generators, and the indirect energy consumption caused by electricity used in daily operations. By fully utilising the coalbed methane resources in underground mines, the Group used the coalbed methane to generate electricity of approximately 40,544.70 MWh (2023: approximately 36,500.00 MWh) in total in 2024. Due to the decrease in the use of vehicles and production volume of the operations in Guizhou Province, the Group's total energy consumption in 2024 decreased as compared to 2023. The Group's energy consumption is summarised as follows:

Type of energy	Unit	2024	2023 ⁵
Direct energy consumption ⁵	MWh	24,292.99	24,298.16
• Unleaded petrol	MWh	965.71	1,194.38
• Diesel oil	MWh	23,327.28	23,103.78
Indirect energy consumption	MWh	170,543.82	193,450.25
• Purchased electricity	MWh	170,543.82	193,450.25
Total energy consumption	MWh	194,836.81	217,748.41
Intensity	MWh/RMB'000 revenue	0.09	0.09

Upholding the Group's commitment to energy conservation and consumption reduction, in addition to the energy-saving measures for vehicles mentioned in the section headed "AIR EMISSIONS" under Aspect A1, the Group has also developed a system to promote green office culture and a strategic approach to save electricity in daily operations, and regularly reviews its effectiveness and makes adjustments in response to operational conditions. The specific measures are as follows:

- Encourage office employees who will be out for a long time to turn off their own computers and set hibernating or sleeping mode when they are out for meals or rests;
- Enhance the maintenance and repairment of electronic devices to ensure their best condition and the efficiency of electricity consumption;
- Post signage of "Save Electricity" as a reminder near power switches in the offices to remind employees to turn off unnecessary power sources;
- Strengthen the ventilation system of underground mines and reduce the energy consumption required for ventilation during exploration and mining;
- Actively seek for and use more environmentally friendly power generation methods and clean energy to reduce the use of generators; and
- Make plans to use electric vehicles in underground mines as early as possible to reduce the dependence on fuel oil.

Note:

5. The unit conversion method for direct energy consumption data is formulated with reference to the Energy Statistics Manual issued by the International Energy Agency. Consumption by type has been supplemented. As a result of the improvement of the data collection system, we have updated the data on diesel consumption and the related total amount and density for 2023 to ensure their accuracy and comparability.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

WATER MANAGEMENT

The Group's water consumption is mainly contributed by those used in mining, processing and production processes in Mainland China. Due to the geographical location of the Group's operations, there is no issue in sourcing water. To reduce water use, the Group has actively taken the following measures:

- Check the water pipes for leaks, cracks, and other damage regularly and engage professional personnel to repair them in a timely manner;
- Strengthen the water treatment and regulation of underground mines, and establish relevant recycling measures;
- Remind employees to turn off faucets after using water to prevent water wastage; and
- Post posters or promotional materials at prominent places in the offices to promote water conservation.

Due to the decrease in production volume of the operations in Guizhou Province, the total water consumption of the Group in 2024 decreased as compared to 2023. The water consumption of the Group is summarised as follows:

Type of water consumption	Unit	2024	2023
Total water consumption	cubic meters	2,369,742.00	3,614,127.00
Intensity	cubic meters/ RMB'000 revenue	1.09	1.48

USE OF PACKAGING MATERIALS

Due to the nature of the business, the Group's business does not involve the use of packaging materials.

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A3. THE ENVIRONMENT AND NATURAL RESOURCES

The coal mining work of the Group has a certain impact on the environment and natural resources. Therefore, our underground coal mines and coal washing plants are registered with the Industry and Business Administration Bureau and possess the necessary environmental approvals from the provincial Environmental Protection Bureau to undertake mining and processing activities in various places. As a responsible and good enterprise, we strive to minimise the negative impact of our business on the environment and conduct an environmental risk assessment of our business to formulate appropriate environmental policies and measures, so as to make contribution to environmental protection. The Group shall comply with relevant environmental regulations and international standards, and endeavour to achieve the goal of sustainable development by integrating the concept of environmental and natural resources protection into its internal management procedures and daily operating activities. The Group makes greater efforts to cooperate with the quarterly inspections by the County Environmental Protection Bureau, with an aim to ensure that all operating facilities comply with national environmental standards.

In addition, the Group has set up an environmental management office under the direct supervision of the president. The responsible personnel of the environmental management office shall report to the president through weekly telephone calls and monthly written reports, and are responsible for formulating environmental policies to ensure that all mines and factories of the Group comply with applicable environmental laws and regulations.

ENVIRONMENTAL OPERATIONS

The Group is committed to providing a pleasant and safe working environment for its employees and uses ISO14000 Environment Management System as the basis of its environmental management programme. We have adopted a number of environmentally responsible practices in our operations to minimise the damage of operations to the environment, including:

- Regularly monitor and measure water and air quality to ensure compliance with various statutory environmental requirements;
- Utilise underground mine waste rock in the mine and use excess rock on the surface as building material in order to make good use of resources;
- Plan call for rehabilitation of all facility sites, with a few locations already undergoing re-seeding and revegetation projects;
- Utilise the coalbed methane extracted during coal mining to generate electricity to reduce the direct GHG emissions; and
- Set up easy-to-maintain direct reduction plants and electric arc furnaces to reduce resource waste.

The Group also proactively promotes employees' awareness of environmental protection to effectively improve environmental protection. As such, the Group reviews its internal codes, issues environmental guidelines and reminders to its employees and shares relevant environmental information from time to time. We also consider participating in more feasible and appropriate activities to enhance employees' awareness of the environment and natural resources.

A4. CLIMATE CHANGE

With the escalating risks and challenges posed by climate change to the global economy, the coal mining, manufacture and sales of clean coal businesses of the Group will also be negatively affected. Therefore, the Group understands the necessity of mitigating the impact of climate change and incorporates climate change into its internal control and enterprise risk management procedures. According to the recommendations of the Task Force on Climate-related Financial Disclosure (“TCFD”) established by the Financial Stability Board, the management of the Group has assessed and identified climate-related risks and corresponding opportunities that have an impact on the Group’s businesses. Referring to the risk classification of TCFD, the identified climate-related risks and corresponding management measures are as follows:

PHYSICAL RISKS

The increased frequency and severity of extreme weather events such as storms and typhoons may increase the risk of disruption of mining activities and power shortages, thereby disrupting the Group’s operations and reducing revenue. These incidents may also obstruct employees during their work and even cause casualties. As countermeasures, the Group has taken out insurance for its employees and assets, and has formulated relevant policies and response plans, such as regular inspection of drainage facilities to avoid casualties or property losses caused by extreme weather in the workplace. In addition, the Group pays close attention to the emergency notices issued by the local government and informs all departments of the latest warning in a timely manner. We also provide special training for employees on a regular basis, including emergency evacuation, communications security, medical assistance and other programmes.

TRANSITION RISKS

Governments around the world have formulated climate-related legislation or more stringent regulations to support the global vision of decarbonisation, with an aim to achieve sustainable development. In response to climate change, the Chinese government has set the goal of “peaking carbon dioxide emissions by 2030 and achieving carbon neutrality by 2060”, with focusing on the promotion of low-carbon strategic direction. The Group shall actively cooperate with such decisions and deployment by following the green and low-carbon development goals. The Group has set targets for reducing emissions and resource use, and regularly monitored existing and emerging trends, policies and regulations related to climate change, so as to avoid reputational risks due to delayed response. The Group will continue to assess the effectiveness of its actions on climate change and enhance its capacity to deal with climate change.

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B. SOCIAL

B1. EMPLOYMENT

The Group believes that human resource is essential for the sustainable development of enterprises. Therefore, the Group has established the Staff Handbook which contains provisions in relation to recruitment, promotion, working hours, compensation, rest periods, diversity, dismissal and other benefits. The Group has also established a definite employment policy, remuneration and welfare system, incentive and punishment system, and code of conduct and has also defined specific responsibilities and qualifications required for each position to provide reference and basis for employment. During the Reporting Period, the Group was not in violation of any relevant laws or regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, that have a significant impact on the Group. These laws and regulations include, but are not limited to, the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China in Mainland China, as well as the Employment Regulations in Hong Kong.

As at 31 December 2024, the Group has a total of 9,319 employees (as at 31 December 2023: 9,682 employees), all of whom were full-time employees, with its composition shown as below:

Indicators	As at 31 December 2024	As at 31 December 2023
By gender		
Male	6,954	7,211
Female	2,365	2,471
By age group		
<31	1,877	1,929
31-50	6,640	6,817
>50	802	936
By region		
Mainland China	9,312	9,678
Hong Kong	6	3
Singapore	1	1

RECRUITMENT, PROMOTION, REMUNERATION AND DISMISSAL

In respect of staff recruitment, the Group has adopted a highly transparent recruitment procedure, under which job applicants, after preliminary selection by the department of human resources, will go through the written examination and interview. They will then undergo professional tests conducted by relative departments to select the best suitable candidates. In order to attract and retain talents, the Group provides a competitive remuneration package. The value of the post is linked with remuneration, which means that the same post shall be offered with the same remuneration. Besides, emoluments are paid based on positions, personnel capability and performance through the construction of the remuneration system.

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Various promotion opportunities are also provided by the Group to employees, and corresponding salary and bonus policies are implemented according to their qualifications, performance and work experience, as well as current market conditions. In addition to promotions made by reference to the normal working performance of individual staff and assessment of their capability through the annual review, the Group has also optimised staff's occupational development direction based on the particular features of various work positions. By adopting of a dual-way development model, employees are enabled to develop their causes either in terms of management sequence or in terms of professional technology sequence.

In addition, the relevant procedures for the dismissal of personnel of the Group are clearly stipulated in the Staff Handbook, and all dismissal procedures shall be properly conducted in accordance with local laws and regulations, and fully communicated.

During the Reporting Period, the total employee turnover rate⁶ of the Group was approximately 3.93% (2023: approximately 1.57%), with its composition shown below:

Indicators ⁷	2024	2023
By gender		
Male	3.70%	1.53%
Female	4.61%	1.70%
By age group		
<31	2.77%	1.40%
31-50	2.71%	0.98%
>50	16.71%	6.20%
By region		
Mainland China	3.93%	1.57%
Hong Kong	—	—
Singapore	—	—

Notes:

- Total employee turnover rate = (total number of resigned employees during the year ÷ total number of employees at the end of the year) × 100%.
- Employee turnover rate by categories = (number of resigned employees in the category during the year ÷ number of employees in the category at the end of the year) × 100%. As all employees were full-time employees, its turnover rate was the same as the total employee turnover rate.

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EMPLOYEE BENEFITS

A full range of employee benefits is available in the Group, including, among others, social insurance and provident fund. The Group attaches great importance to the balance between work and life. Employees who worked for 40 hours per week on an average basis, are entitled to paid leaves such as marriage leave, maternity leave and annual paid leave. Besides, we organise diversified staff activities from time to time, such as annual dinner and outdoor sports, to enrich staff's life and strengthen their sense of belonging.

EQUAL OPPORTUNITIES, DIVERSITY AND ANTI-DISCRIMINATION

The Group is committed to providing equal opportunities for all employees in all aspects of employment and maintaining workplaces that are free from discrimination, physical or verbal harassment against any individual on the basis of gender, race, religion, age, marital and family status or physical disability. To ensure that all employees enjoy fair and equal protection, the Group will not tolerate sexual harassment or abuse in the workplace in any form.

B2. HEALTH AND SAFETY

During the Reporting Period, the Group was not in violation of any relevant laws or regulations in relation to providing a safe working environment and protecting the employees from occupational hazards that have a significant impact on the Group. These laws and regulations include, but are not limited to, the Labour Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Occupational Diseases and the Fire Protection Law of the People's Republic of China in Mainland China, as well as the Occupational Safety and Health Ordinance in Hong Kong. In 2024, the Group did not record any significant safety incidents or work-related fatalities (2023: two deaths, with a fatality rate of approximately 2.07% per hundred employees), nor did it pay any claims or compensation to its employees in connection with such incidents. During the year ended 31 December 2022, the Group did not record any significant safety incidents or work-related fatalities. Moreover, the Group did not have any work day lost due to work-related injuries in 2024 (2023: Nil).

OCCUPATIONAL HEALTH AND SAFETY

The Group attaches great importance to the health and safety of its employees by striving to ensure employee safety and providing a safe and comfortable working environment. Therefore, the Group has obtained valid safety permits issued by the provincial Bureau of Coal Mine Safety, and the coal washing and related management activities are also all covered by certification subject to international and national standards for occupational health and safety management systems.

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To ensure strict compliance with the regulatory requirements for coal mines by the Chinese government, the Group has established safety monitor departments in the respective coal mines, responsible for monitoring safety production-related matters of the Group. All the employees working in the coal mines are required to comply with an internal safety management manual for mine operations and adopt detailed safety procedures according to the State Coal Mine Safety Guideline. The Group has also determined the in-house safety production administrative rules and emergency planning for safety production accidents which set six specific requirements on its subsidiaries in terms of education and training, hidden danger investigation, costs management, emergency rescue, information reporting as well as accident investigation and handling. Besides, safety production, which is linked with the performance-based remuneration in the remuneration policies of the Group, is taken as one of the KPIs adopted by the Group when making annual assessments on the operating results of the management of the subsidiaries, so as to ensure the implementation of various rules and regulations. The Group will review and evaluate these procedures regularly to ensure their effectiveness.

The Group has established a full-time mine rescue team to ensure “professional, prompt and efficient” measures would be taken in treating various safety accidents, which in turn further secures the personal safety of employees. Meanwhile, the Group also has an independent safety committee that comprises experienced retired mining experts to supervise mine safety.

B3. DEVELOPMENT AND TRAINING

The Group attaches great importance to the reserve and development of talents and actively promotes staff training. Through a combination of internal and external training, the Group advocates the concept of continuous learning and creates an enthusiastic study atmosphere to inspire employees’ potential and promote the development and innovation of the Group.

As such, an overall training and management plan is prepared by the Group at the beginning of each year, targeting to provide comprehensive training for employees, including but not limited to induction training, safety knowledge training, special business training, qualification education in various high education institutions majoring in mining for those staff who stop working for education purpose with work positions maintained, as well as further continuous education to obtain qualification and titles required for the occupation. Employees also participate in training activities organised by the local government industry regulatory departments. The Group emphasises on the cultivation of talent reserve and the improvement of employees’ quality, and regularly dispatches employees to Tsinghua University, Sichuan University, China University of Mining and Technology and other higher education institutions for professional training.

During the Reporting Period, the percentage of total trained employees⁸ of the Group was approximately 8.60% (2023: approximately 9.76%), and the average training hours completed per employee⁹ was approximately 0.19 hours (2023: approximately 0.22 hours). The percentage of trained employees and average training hours by gender and employee category is as follows:

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Indicators	Percentage of trained employees ¹⁰		Average training hours ¹¹	
	2024	2023	2024	2023
By gender				
Male	11.22%	12.69%	0.22	0.25
Female	0.89%	1.21%	0.09	0.12
By employee category				
Senior management	25.00%	33.33%	10.00	13.33
Middle management	44.59%	28.83%	4.46	2.88
General staff	7.96%	9.19%	0.11	0.13

Notes:

8. Percentage of total trained employees = (total number of trained employees during the year ÷ total number of employees at the end of the year) × 100%.
9. Average training hours completed per employee = total number of training hours during the year ÷ total number of employees at the end of the year.
10. Percentage of trained employees by categories = (number of trained employees in the category during the year ÷ number of employees in the category at the end of the year) × 100%.
11. Average training hours of employees by categories = number of training hours of employees in the category during the year ÷ number of employees in the category at the end of the year.

B4. LABOUR STANDARDS

PREVENTION OF CHILD LABOUR AND FORCED LABOUR

During the Reporting Period, the Group was not in violation of any relevant laws or regulations in relation to the prevention of child labour and forced labour that have a significant impact on the Group. These laws and regulations include, but are not limited to, the Regulations on Labour Security Supervision, the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China in Mainland China, as well as the Employment Ordinance in Hong Kong. In addition, the Group did not have any incidents of discrimination involving race, religion and disability, etc..

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In addition, the Group conducts regular self-examination and inspections, strictly abides by labour standards and protects the legitimate rights and interests of employees, and prohibits punitive measures, management methods and behaviours such as verbal abuse, corporal punishment, violence, mental oppression, and sexual harassment (including inappropriate language, posture, and physical contact) for any reason. Meanwhile, the Group also prohibits the employment of child labour and forced labour under any circumstances. The Group will conduct investigations, punishment or dismissal of relevant employees immediately when any illegal behaviour is being discovered. If necessary, the Group will further improve its labour policies and mechanism against illegal behaviours.

B5. SUPPLY CHAIN MANAGEMENT

As the primary raw material of clean coal production of the Group is raw coal, which is mainly self-produced, only a small number of external raw coal suppliers are employed. Other major suppliers in connection with coal mining, coal washing and mine development and construction include suppliers of cement, wood, explosives and construction parts.

During the Reporting Period, the Group has a total of 2,212 suppliers (2023: 2,692 suppliers). The Group implemented its engagement practices for all suppliers. The number of suppliers by region is as follows:

Indicators	2024	2023
By region		
Mainland China	2,212	2,686
Hong Kong	5	5
Singapore	1	1

PROCUREMENT MECHANISM

We promote fair and open competition and strive to establish a long-term cooperative relationship of mutual trust. The subsidiaries of the Group strictly abide by the relevant provisions such as the Law of the People's Republic of China on Bid Invitation and Bidding in the procurement process. Therefore, our suppliers act in good faith and abide by all laws, international conventions and contractual obligations.

The operation department of the Group selects suitable suppliers based on clear internal standards (including product quality, after-sales services, prices, anti-corruption, credit terms and cooperation records, etc.) and relevant policies, and strictly prohibits any violation of business ethics, with an aim to provide the most competitive resources, products and services. Moreover, the Group also ensures that suppliers comply with our standard requirements in terms of ESG aspects and reviews suppliers' awareness in these areas, to reduce environmental and social risks in the supply chain. We will review relevant policies regularly to ensure the effectiveness.

In addition, the Group gives priority to selecting local suppliers to reduce the carbon footprint in the transportation process. The Group also gives priority to employing suppliers of environmentally-friendly products and services in the selection process. The Group will continue to regularly review its internal selection process and the sustainability policies and business performance of its suppliers to ensure the effectiveness of related practices. With regard to any identified serious violations of laws and regulations, the Group will terminate its contract with such suppliers.

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B6. PRODUCT RESPONSIBILITY

The Group is committed to providing quality products and services to meet customer needs. During the Reporting Period, the Group was not in violation of any relevant laws or regulations in relation to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redressal that have a significant impact on the Group. These laws and regulations include, but are not limited to, the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, the Advertisement Law of the People's Republic of China and the Interim Measures for the Administration of Internet Advertisement in Mainland China, as well as the Trade Descriptions Ordinance in Hong Kong.

PRODUCTS AND SERVICES QUALITY

The Group has compiled a detailed Quality Control Manual and implemented a comprehensive quality control system. In addition, we have a quality control department to implement quality control system. Such quality control department performs on-site inspections and monitors internal production procedures and the storage and delivery of raw materials, semi-finished products and finished products, so as to ensure up-to-standard product quality and stable operation of the production system. The Group is subject to the Law of the People's Republic of China on Product Quality, the Regulations on Quality Responsibility for Industrial Products, the Several Provisions of the Ministry of Coal Industry on Clarifying Quality Responsibility for Coal Products and Improving the Control of Quality of Coal Products and relevant laws and regulations in Mainland China.

The sales and marketing team of the Group is mainly responsible for planning and formulating the overall marketing strategy, conducting market research and coordinating sales and marketing activities to carry out the marketing and promotion of products and services. We shall strictly regulate the promotion of all products and services to ensure that the relevant work complies with the applicable laws and regulations governing advertising and labelling. During the Reporting Period, the Group did not receive any material complaints about products and services (2023: Nil). Due to the nature of the Group's businesses, there are no recall products for health and safety reasons, nor is it applicable to the disclosure of product recall procedures.

CUSTOMER COMMUNICATION

The Group is committed to providing customers with quality products and services, maintaining close communication with customers, understanding customer needs to improve our service quality and customer satisfaction and maintaining a good relationship with customers, with an aim to build a better corporate reputation. Customers can give feedback or lodge complaints by e-mail and telephone, which shall be treated on a confidential basis to ensure that the complaint processes are conducted fairly with proper records. Relevant departments of the Group will also strive to protect the interests of all parties and improve the customer service system by quickly following up on the complaints, identifying the responsible parties and areas for improvement and making appropriate responses in a timely manner.

PROTECTION OF CUSTOMERS' PRIVACY

The Group attaches great importance to the protection of customer rights and privacy. As such, the Group has implemented relevant policies and measures to maintain and protect customers' data, and ensures that employees rigidly follow the regulations on data privacy. We have formulated relevant guidelines and arranged training to make staff understand the importance of prudent handling of personal data, raise their awareness of proper collection, use, maintenance, management, storage and handling of information, so as to better protect customers' privacy. In order to monitor the performance of employees, the Group regularly reviews relevant policies and information systems to ensure that there is no risk of leakage of confidential information.

INTELLECTUAL PROPERTY RIGHTS

The Group does not lose sight of the importance of protecting intellectual property rights due to the nature of its businesses. We have formulated relevant policies to manage internal information technology, including ensuring that the software, hardware, and graphic information downloaded and used in its business operations do not infringe any copyrights. In addition, the Group shall continue to monitor and prevent infringement of its intellectual property rights such as counterfeit trademarks in the market.

B7. ANTI-CORRUPTION

The Group incorporated anti-corruption and bribery clauses into the Staff Handbook and Employment Contracts, and encouraged employees to maintain honesty, refuse corruption, and refuse to accept kickbacks. Meanwhile, the Group has also implemented the Regulations on Audit Discipline Inspection and Supervision to strengthen the relevant internal control measures. During the Reporting Period, the Group was not in violation of any relevant laws or regulations in relation to the prevention of bribery, extortion, fraud and money laundering that have a significant impact on the Group. These laws and regulations include, but are not limited to, the Anti-Corruption Law of the People's Republic of China in Mainland China and the Prevention of Bribery Ordinance in Hong Kong. At the same time, the Group did not record any concluded corruption litigation cases against it or its employees (2023: Nil).

The Group organises anti-corruption related training regularly to enhance the corruption prevention capability and awareness of Directors and employees. Due to limited resources, the Group did not organise anti-corruption related training during the Reporting Period (2023: approximately 2 hours and 48 hours of anti-corruption training to 2 directors and 48 employees respectively). In the future, the Group will re-invest resources in anti-corruption training to cultivate anti-corruption awareness and good professional conduct among employees and comply with all local laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

WHISTLE-BLOWING MECHANISM

The Group is committed to fostering anti-corruption awareness among employees and encourages them to report any corruption or fraud incidents through emails and the complaint and monitoring channels on the Group's website. If any report is received, we will also conduct immediate investigations and take necessary and appropriate actions while promising to protect the identity of the whistleblower, so as to prevent any behaviour that may harm the interests of the Group and related stakeholders. The Group shall regularly monitor the effectiveness of its policy and whistle-blowing mechanism.

B8. COMMUNITY INVESTMENT

The Group aims to address community concerns through engaging in volunteer work and charity donations. It also encourages the employees to dedicate their time and skills to support the local communities by formulating its internal guidelines, in the hope of cultivating employees' sense of social responsibility.

We help different institutions and engage in social activities to contribute and give back to society by making donations to perform social responsibility as a corporate citizen and develop a better public image. During the Reporting Period, the Group donated a total of approximately RMB0.5 million (2023: approximately RMB2.4 million) to support local education and provide social welfare. The Group will continue to seek cooperation with various charitable organisations, and meanwhile be aware of the difficulties and needs of society and vulnerable groups, aiming to give back to society and promote social harmony.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE

Mandatory Disclosure Requirements		Section/Declaration
Governance Structure		ESG GOVERNANCE STRUCTURE
Reporting Principles		ABOUT THE ESG REPORT – REPORTING FRAMEWORK
Reporting Boundary		ABOUT THE ESG REPORT – REPORTING SCOPE

Aspects, General Disclosures and KPIs	Descriptions	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on:	EMISSIONS
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	
KPI A1.1	The types of emissions and respective emissions data.	EMISSIONS – AIR EMISSIONS
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) GHG emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	EMISSIONS – GHG EMISSIONS
KPI A1.3	Total hazardous waste generated (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	EMISSIONS – WASTE MANAGEMENT
KPI A1.4	Total non-hazardous waste generated (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	EMISSIONS – WASTE MANAGEMENT
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	ENVIRONMENTAL TARGETS; EMISSIONS – GHG EMISSIONS
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	ENVIRONMENTAL TARGETS; EMISSIONS – WASTE MANAGEMENT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Descriptions	Section/Declaration
Aspect A2: Use of resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	USE OF RESOURCES
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	USE OF RESOURCES – ENERGY MANAGEMENT
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	USE OF RESOURCES – WATER MANAGEMENT
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	ENVIRONMENTAL TARGETS; USE OF RESOURCES – ENERGY MANAGEMENT
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	ENVIRONMENTAL TARGETS; USE OF RESOURCES – WATER MANAGEMENT
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	USE OF RESOURCES – USE OF PACKAGING MATERIALS (N/A – EXPLAINED)
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	THE ENVIRONMENT AND NATURAL RESOURCES
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	THE ENVIRONMENT AND NATURAL RESOURCES – ENVIRONMENTAL OPERATIONS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Descriptions	Section/Declaration
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	CLIMATE CHANGE
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	CLIMATE CHANGE – PHYSICAL RISKS, TRANSITION RISKS
Aspect B1: Employment		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. 	EMPLOYMENT
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	EMPLOYMENT
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	EMPLOYMENT – RECRUITMENT, PROMOTION, REMUNERATION AND DISMISSAL

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Descriptions	Section/Declaration
Aspect B2: Health and Safety		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. 	HEALTH AND SAFETY
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	HEALTH AND SAFETY
KPI B2.2	Lost days due to work injury.	HEALTH AND SAFETY
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	HEALTH AND SAFETY – OCCUPATIONAL HEALTH AND SAFETY
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	DEVELOPMENT AND TRAINING
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	DEVELOPMENT AND TRAINING
KPI B3.2	The average training hours completed per employee by gender and employee category.	DEVELOPMENT AND TRAINING

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Descriptions	Section/Declaration
Aspect B4: Labour Standards		
General Disclosure	Information on:	LABOUR STANDARDS
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	LABOUR STANDARDS – PREVENTION OF CHILD LABOUR AND FORCED LABOUR
KPI B4.2	Description of steps taken to eliminate such violations when discovered.	LABOUR STANDARDS – PREVENTION OF CHILD LABOUR AND FORCED LABOUR
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	SUPPLY CHAIN MANAGEMENT
KPI B5.1	Number of suppliers by geographical region.	SUPPLY CHAIN MANAGEMENT
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	SUPPLY CHAIN MANAGEMENT – PROCUREMENT MECHANISM
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	SUPPLY CHAIN MANAGEMENT – PROCUREMENT MECHANISM
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	SUPPLY CHAIN MANAGEMENT – PROCUREMENT MECHANISM

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Descriptions	Section/Declaration
Aspect B6: Product Responsibility		
General Disclosure	Information on:	PRODUCT RESPONSIBILITY
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	PRODUCT RESPONSIBILITY – PRODUCT AND SERVICE QUALITY (N/A – EXPLAINED)
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	PRODUCT RESPONSIBILITY – PRODUCT AND SERVICE QUALITY, CUSTOMER COMMUNICATION
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	PRODUCT RESPONSIBILITY – INTELLECTUAL PROPERTY RIGHTS
KPI B6.4	Description of quality assurance process and recall procedures.	PRODUCT RESPONSIBILITY – PRODUCT AND SERVICE QUALITY
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	PRODUCT RESPONSIBILITY – PROTECTION OF CUSTOMERS' PRIVACY

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Descriptions	Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on:	ANTI-CORRUPTION
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to the prevention of bribery, extortion, fraud and money laundering.	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	ANTI-CORRUPTION
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	ANTI-CORRUPTION – WHISTLE-BLOWING MECHANISM
KPI B7.3	Description of anti-corruption training provided to Directors and staff.	ANTI-CORRUPTION
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	COMMUNITY INVESTMENT
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	COMMUNITY INVESTMENT
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	COMMUNITY INVESTMENT

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HIDILI INDUSTRY INTERNATIONAL DEVELOPMENT LIMITED

(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Hidili Industry International Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 70 to 143, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

MATERIAL UNCERTAINTIES RELATING TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of approximately RMB635,942,000 for the year ended 31 December 2024 and as at 31 December 2024 the Group had net current liabilities of RMB7,724,646,000. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon (i) the successful negotiation with banks and relevant financial institution to roll over the loan repayments and extend repayment of interests; (ii) the successful negotiation with offshore creditors for constructive and feasible repayment proposals; (iii) the successful disposal of certain assets of the Group; (iv) the successful outcome that keep to improve the liquidity and profitability of the Group; and (v) the successful outcome that certain measures to control the administrative and production costs. The consolidated financial statements do not include any adjustments that would result from the failure to negotiate with banks and relevant financial institution to roll over the loan repayments and extend repayment of interests, the failure to negotiate with offshore creditors for constructive and feasible repayment proposals, the failure to disposal of certain assets of the Group, the failure to improve the liquidity and profitability of the Group and the failure to control the administrative and production costs.

We have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of sufficient appropriate audit evidence in relation to the negotiations with banks, relevant financial institution and offshore creditors and the disposal of the Group's assets and the future action plans and measures regarding the improvement on the Group's liquidity and profitability and the control of the Group's administrative and production costs. Because of the significance of the matters above, we disclaim our opinion as to whether the use of the going concern assumption in the preparation of the consolidated financial statements is appropriate.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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 IFRS Accounting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the significance of the material uncertainties relating to the going concern basis described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Yeung Hong Chun

Audit Engagement Director

Practising Certificate Number P07374

Hong Kong, 31 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	NOTES	2024 RMB'000	2023 RMB'000
Revenue	8	2,174,206	2,449,011
Cost of sales		(2,032,718)	(2,178,162)
Gross profit		141,488	270,849
Interest revenue		17,278	15,573
Other income	9	31,526	53,267
Other gains and losses	10	(26,407)	(55,009)
Distribution expenses		(209,682)	(216,571)
Administrative expenses		(252,702)	(315,475)
Share of loss of an associate		(6)	(556)
Share of loss of a joint venture		(38,813)	(225,178)
Finance costs	11	(279,400)	(259,062)
Loss before tax		(616,718)	(732,162)
Income tax expense	12	(19,224)	(18,216)
Loss and total comprehensive expense for the year	13	(635,942)	(750,378)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		(634,361)	(746,192)
Non-controlling interests		(1,581)	(4,186)
		(635,942)	(750,378)
Loss per share	16		
– Basic (RMB cents)		(13.77)	(18.74)
– Diluted (RMB cents)		(13.77)	(18.74)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	NOTES	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment	17	8,765,014	9,118,511
Right-of-use assets	18	17,558	17,446
Investment in an associate	19	44,016	44,022
Interests in a joint venture	20	1,078,412	1,117,225
Equity investment at fair value through other comprehensive income	21	5,500	5,500
Long-term deposits	22	14,404	14,259
Derivative financial assets	23	–	29,205
Goodwill	24	1,427	1,600
		9,926,331	10,347,768
Current assets			
Inventories	25	275,003	470,855
Bills and trade receivables	26(a)	452,565	486,641
Bills receivables discounted with recourse	26(b)	10,000	12,463
Other receivables and prepayments	27	814,127	808,985
Amount due from a joint venture	28	394,281	321,033
Pledged bank deposits	29	822	821
Bank and cash balances	29	22,079	46,654
		1,968,877	2,147,452
Current liabilities			
Bills and trade payables	30(a)	723,085	748,675
Contract liabilities	31	368,569	331,806
Advances drawn on bills receivables discounted with recourse	30(b)	10,000	12,463
Accruals and other payables	32	2,410,720	2,097,949
Lease liabilities	37	5,895	3,883
Tax payables		40,018	29,914
New USD Senior Notes	39	575,922	–
Bank borrowings	33	5,559,314	4,256,311
		9,693,523	7,481,001
Net current liabilities		(7,724,646)	(5,333,549)
Total assets less current liabilities		2,201,685	5,014,219

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	NOTES	2024 RMB'000	2023 RMB'000
Non-current liabilities			
Bank borrowings	33	–	1,363,403
Other payables	32	–	289,980
Provision for restoration and environmental costs	36	16,724	15,445
New USD Senior Notes	39	–	541,834
Lease liabilities	37	13,822	15,808
Deferred tax liabilities	38	11,731	12,771
Preferred Shares	40	1,048,012	1,027,640
		1,090,289	3,266,881
NET ASSETS		1,111,396	1,747,338
Capital and reserves			
Share capital	34	421,298	421,298
Reserves	35	669,913	1,304,274
Equity attributable to owners of the Company		1,091,211	1,725,572
Non-controlling interests		20,185	21,766
TOTAL EQUITY		1,111,396	1,747,338

The consolidated financial statements on pages 70 to 143 were approved and authorised for issue by the Board of Directors on 31 March 2025 and are signed on its behalf by:

XIAN FAN
Director

SUN JIANKUN
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Attributable to owners of the Company									Attributable to non-controlling interests	Total equity
	Share capital	Share premium	Share reserve	Statutory surplus reserve	Future development fund	Other reserve	Equity revaluation reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023	197,506	2,935,794	695,492	451,303	109,346	(99,070)	(18,000)	(2,841,239)	1,431,132	29,003	1,460,135
Issue of shares under debt restructuring (note 34)	223,792	816,840	-	-	-	-	-	-	1,040,632	-	1,040,632
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	(3,051)	(3,051)
Loss and total comprehensive expense for the year	-	-	-	-	-	-	-	(746,192)	(746,192)	(4,186)	(750,378)
Balance at 31 December 2023 and 1 January 2024	421,298	3,752,634	695,492	451,303	109,346	(99,070)	(18,000)	(3,587,431)	1,725,572	21,766	1,747,338
Loss and total comprehensive expense for the year	-	-	-	-	-	-	-	(634,361)	(634,361)	(1,581)	(635,942)
Balance at 31 December 2024	421,298	3,752,634	695,492	451,303	109,346	(99,070)	(18,000)	(4,221,792)	1,091,211	20,185	1,111,396

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 RMB'000	2023 RMB'000
Cash flows from operating activities		
Loss before tax	(616,718)	(732,162)
Adjustments for:		
Interest revenue	(17,278)	(15,573)
Depreciation and amortisation of property, plant and equipment	293,315	265,608
Depreciation on right-of-use assets	10,620	7,608
Finance costs	279,400	259,062
Losses/(gain) on disposal of property, plant and equipment	2,163	(28,551)
Loss allowance of trade receivables	6,985	6,800
Net reversal of loss allowance of other receivables and prepayments	(15,079)	(19,111)
Fair value change on financial assets at fair value through profit or loss	–	77
Waives of other payables	(979)	(3,583)
Gain on bargain purchases by acquisition of an associate	–	(14,578)
Fair value change on derivative financial assets	29,205	512,629
Provision for litigation	–	9,600
Gain on offshore debt restructuring	–	(570,211)
Unrealised exchange losses	26,232	54,239
Share of loss of an associate	6	556
Share of loss of a joint venture	38,813	225,178
Provision for restoration and environmental costs	1,279	1,404
Impairment loss on goodwill	173	–
Operating cash flows before movements in working capital	38,137	(41,008)
Decrease/(increase) in inventories	195,852	(195,245)
Decrease in bills and trade receivables	27,094	504,896
Decrease in other receivables and prepayments	9,938	112,762
Increase in amount due from a joint venture	(73,248)	(83,704)
Decrease in bills and trade payables	(25,590)	(175,989)
Increase in contract liabilities	36,763	219,905
Increase in other payables and accrued expenses	31,555	86,861
Net cash generated from operations	240,501	428,478
Income tax paid	(10,714)	(22,119)
Net cash generated from operating activities	229,787	406,359

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	2024 RMB'000	2023 RMB'000
Cash flows from investing activities		
Interest received	17,278	15,573
Investment in an associate	–	(30,000)
Proceeds from disposal of property, plant and equipment	8,778	56,798
Proceed from disposal of financial assets at fair value through profit or loss	–	5,267
Purchase of property, plant and equipment	(176,653)	(383,346)
Increase in long-term deposits	(145)	–
Net cash used in investing activities	(150,742)	(335,708)
Cash flows from financing activities		
Repayment of bank borrowings	(60,074)	(11,243)
Interest paid	(32,887)	(61,026)
Repayment of lease liabilities	(10,659)	(29,912)
Net cash used in financing activities	(103,620)	(102,181)
Net decrease in cash and cash equivalents	(24,575)	(31,530)
Cash and cash equivalents at beginning of year	46,654	78,184
Cash and cash equivalents at end of year, representing bank and cash balances	22,079	46,654

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

1. GENERAL INFORMATION

Hidili Industry International Development Limited (the “Company”) was incorporated in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 1 September 2006. Its shares are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The address of the registered office is Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman, KY1-1100, Cayman Islands. The address of its principal place of business is Room 1306, 13th Floor, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong. The Company acts as an investment holding company and its subsidiaries are engaged in mining and sale of raw coal and clean coal.

In the opinion of the Directors, the Company’s parent company is Sanlian Investment Holding Limited, a company incorporated in the British Virgin Islands and the ultimate holding company is Trident Trust Company (Singapore) Pte. Limited, which is controlled by Mr. Xian Yang (who passed away on 10 September 2024), the then chairman and executive director of the Company. As at the date of the approval of the consolidated financial statements, the spouse of Mr. Xian Yang, Ms. Qiao Qian (“**Ms. Qiao**”) had engaged legal counsel to process her application for the inheritance of Mr. Xian Yang’s estate.

The Group’s principal operations are conducted in the People’s Republic of China (the “PRC”). The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

2. GOING CONCERN BASIS

For the year ended 31 December 2024, the Group incurred a loss of approximately RMB635,942,000 and had net current liabilities of approximately RMB7,724,646,000. These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern for at least twelve months from 31 December 2024, taking into account the following plans and measures:

- (a) The Group is negotiating with banks and relevant financial institution to roll over the loan repayments and extend repayment of interests;
- (b) The Group is negotiating with offshore creditors for constructive and feasible repayment proposals;
- (c) The Group is planning on disposal of certain assets;
- (d) The Group expects that its operations will continue to improve liquidity and profitability; and
- (e) The Group will continue to take active measures to control administrative and production costs.

The directors of the Company have reviewed the Group’s cash flow projections, which cover a period of not less than twelve months from 31 December 2024. In the opinion of the directors, considering the anticipated cash inflows from operations, the implementation of cost control measures, and the above-mentioned plans and measures, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2024. Accordingly, the directors are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

2. GOING CONCERN BASIS *(Continued)*

Notwithstanding the above, material uncertainties exist as to whether the Group will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern depends upon the following:

- (i) the successful negotiation with banks and relevant financial institution to roll over the loan repayments and extend repayment of interests;
- (ii) the successful negotiation with offshore creditors for constructive and feasible repayment proposals;
- (iii) the successful disposal of certain assets of the Group;
- (iv) the successful outcome that keep to improve the liquidity and profitability of the Group; and
- (v) the successful outcome that certain measures to control the administrative and production costs.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ACCOUNTING STANDARDS ("IFRS ACCOUNTING STANDARDS")

In the current year, the Group has adopted all the new and revised IFRS Accounting Standards issued by International Accounting Standards Board (the "IASB") that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. IFRS Accounting Standards comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRS Accounting Standards did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised IFRS Accounting Standards that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRS Accounting Standards but is not yet in a position to state whether these new and revised IFRS Accounting Standards would have a material impact on its results of operations and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards, accounting principles generally accepted in Hong Kong, and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by investments which are carried at their fair values.

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

The material accounting policies applied in the preparation of these financial statements are set out below.

(A) CONSOLIDATION

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(A) CONSOLIDATION *(Continued)*

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

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

(B) BUSINESS COMBINATION AND GOODWILL

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(C) JOINT ARRANGEMENTS

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the IFRS Accounting Standards applicable to the particular assets, liabilities, revenues and expenses.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(C) JOINT ARRANGEMENTS *(Continued)*

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(D) ASSOCIATES

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(D) ASSOCIATES *(Continued)*

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(E) 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 Renminbi, which is the Company's functional and presentation currency and the functional currency of the principal operating subsidiaries of the Group.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(F) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation on these assets, other than mining structures and mining rights, is recognised so as to write off the cost of assets less their residual value over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives are as follows:

Buildings	Over the shorter of terms of relevant lease or 15 or 35 years
Machinery	3 to 15 years
Motor vehicles, office and electronic equipment	5 to 10 years
Mining structures and mining rights	Units of production method over the total proven and probable reserves of the coal mines.

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

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(G) LEASES

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal useful life or the lease term of right-of-use assets are as follows:

Land and buildings	1-10 years
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Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000.

(H) INVENTORIES

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

(I) RECOGNITION AND DERECOGNITION OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(J) FINANCIAL ASSETS

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories as financial assets at amortised cost, equity investment at fair value through other comprehensive income and investment at fair value through profit or loss;

Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Equity investment at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the other reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the other reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(J) FINANCIAL ASSETS *(Continued)*

Investment at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

(K) LOSS ALLOWANCES FOR EXPECTED CREDIT LOSSES

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, contract assets and lease receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(L) CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(M) FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRS Accounting Standards. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(N) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost 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.

(O) TRADE AND OTHER PAYABLES

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(P) DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives 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.

(Q) EQUITY INSTRUMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(R) REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance 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 a performance obligation is satisfied over time, revenue is recognised 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 product or service.

(S) OTHER REVENUE

Interest income is recognised using the effective interest method.

(T) RETIREMENT BENEFITS COSTS

Payments to state-managed retirement benefit schemes are recognised as expenses when employees have rendered service entitling them to the contributions.

(U) BORROWING COSTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(U) BORROWING COSTS *(Continued)*

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(V) GOVERNMENT GRANTS

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are deducted from the carrying amount of the assets. The grant is recognised in profit or loss over the life of a depreciable asset by way of a reduced depreciation charge.

Repayment of a grant related to income is applied first against any unamortised deferred income set up in respect of the grant. To the extent that the repayment exceeds any such deferred income, or where no deferred income exists, the repayment is recognised immediately in profit or loss. Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant is recognised immediately in profit or loss.

(W) TAXATION

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(W) TAXATION *(Continued)*

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(X) RELATED PARTIES

A related party is a person or entity that is related to the Group.

(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 the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

4. MATERIAL ACCOUNTING POLICIES *(Continued)*

(Y) IMPAIRMENT OF ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets except investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(Z) PROVISIONS AND CONTINGENT LIABILITIES

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

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

(AA) EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon certain measures as mentioned in note 2 to improve its operating results and cash flows. The directors of the Company believe that the Group will have sufficient funds to finance its current working capital requirements in the next twelve months from the end of the reporting date. Details are explained in note 2 to consolidated financial statements.

Classification of Yunnan Dongyuan Hidili Coal Industry Company Limited ("Yunnan Hidili") as a joint venture

Yunnan Hidili is a limited liability company whose legal form confers separation between the parties to the joint arrangement and the company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that specify that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Yunnan Hidili is classified as a joint venture of the Group. See note 20 for details.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Depreciation of property, plant and equipment

Property, plant and equipment other than mining structures and mining rights are depreciated on a straight-line basis over their useful lives, after taking into account their estimated residual values. Mining structures and mining rights are amortised using the units of production method based on the total proven and probable reserves of the coal mines.

The Group assesses annually the residual values and the useful lives of the property, plant and equipment, other than mining structures and mining rights, and assesses annually the reserves of the coal mines. If the expectation differs from the original estimate, such difference will impact the depreciation and the amortisation charged in the year in which such estimate is changed. As at 31 December 2024, the carrying amount of property, plant and equipment was approximately RMB8,765 million (2023: RMB9,119 million). Details of property, plant and equipment are disclosed in note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flow, a material impairment loss may arise. The directors performed impairment assessment of the Group's property, plant and equipment and no impairment was recognised in profit or loss during the year. (2023: no impairment)

Estimated impairment of interests in a joint venture

Interests in a joint venture are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flow, a material impairment loss may arise.

Reserve estimates

As explained in note 4(f), mining structures and mining rights are amortised using the units of production method based on the total proven and probable reserves of the coal mines.

Engineering estimates of the Group's mineral reserves involved subjective judgements by mineral engineers in developing such information. There is a Chinese system, which is the national standard set by the PRC Government, regarding the engineering criteria that have to be met before estimated mineral reserves can be designated as "proven and probable". Proven and probable reserve estimates are updated on a regular basis and are taken into account as a change in estimate for accounting purposes and are reflected on a prospective basis in related depreciation and amortisation rates. If the expectation differs from the original reserve estimate, such difference will impact the depreciation and amortisation charge in the year in which such estimate is changed. As at 31 December 2024, the carrying amount of mining structures and mining rights was approximately RMB7,136 million (2023: RMB7,494 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of trade receivables and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2024, the carrying amounts of trade and bills receivables and other receivables are approximately RMB453 million (2023: RMB487 million) and RMB814 million (2023: RMB809 million), respectively.

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.

Estimated impairment of mining structures and mining rights and construction in progress

Determining whether there is an impairment loss on mining structures and mining rights and construction in progress requires an estimate of the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Management consider that the Group continues to use the relevant assets and the recoverable amount of the relevant CGUs are determined on the basis of value in use calculation which is higher than its fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. In addition, the Group estimates the mergers and restructuring of mines in the PRC will be completed in one to two years and operations of the various mines will reach full capacity in one to three years after the end of the current reporting period. Where the future cash flows are less than expected or due to changes in estimates, a material impairment loss may arise. As at 31 December 2024, the carrying amount of mining structures and mining rights was approximately RMB7,136 million (2023: RMB7,494 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

FOREIGN CURRENCY RISK

The Group has foreign currency transactions which expose the Group to market risk arising from changes in foreign exchange rates. During the year ended 31 December 2024, the Group had bank and cash balances, senior notes and bank borrowings that are denominated in foreign currencies which exposed the Group to foreign currency risks.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 December 2024, if the RMB had weakened 5% against USD with all other variables held constant, consolidated loss (2023: loss) after tax for the year would have been RMB29,844,000 (2023: RMB28,124,000) higher (2023: higher), arising mainly as a result of the foreign exchange loss on senior notes and bank borrowings denominated in USD. If the RMB had strengthened 5% against the USD with all other variables held constant, consolidated loss (2023: loss) after tax for the year would have been RMB29,844,000 (2023: RMB28,124,000) lower (2023: lower), arising mainly as a result of the foreign exchange gain on senior notes and bank borrowings denominated in USD.

CREDIT RISK

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and deposit at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk on trade receivables. At 31 December 2024, the five largest debtors accounted for approximately 76% (2023: 79%) of the Group's total trade receivables. The five largest debtors are well established customers which have good internal credit rating by the Group. The Group has no significant credit risk with any of these customers since the Group maintains long-term and stable business relationship. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on these customers, the Group had also explored new customers in order to minimise the concentration of credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

CREDIT RISK *(Continued)*

In addition, the Group has concentration of credit risk on advance to suppliers.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The credit risk on deposits paid for environmental rehabilitation paid to the local government is limited because the counterparties are government bodies. The credit risk on the amount due from a joint venture is limited as there is no history of default.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 240 days past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade loan receivables which reflect their risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year or repayable on demand RMB'000	Between 1 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
2024				
Bills and trade payables	723,085	–	–	723,085
Advance drawn on bills receivables discounted with recourse	10,000	–	–	10,000
Accruals and other payables	2,410,720	–	–	2,410,720
Bank and other borrowings	5,559,314	–	–	5,559,314
New USD Senior Notes	–	–	–	–
Lease liabilities	6,790	14,946	–	21,736
Preferred Shares	–	1,048,012	–	1,048,012
	8,709,909	1,062,958	–	9,772,867

	Less than 1 year or repayable on demand RMB'000	Between 1 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
2023				
Bills and trade payables	748,675	–	–	748,675
Advance drawn on bills receivables discounted with recourse	12,463	–	–	12,463
Accruals and other payables	2,097,949	289,980	–	2,387,929
Bank and other borrowings	352,173	5,619,714	–	5,971,887
New USD Senior Notes	–	541,834	–	541,834
Lease liabilities	4,793	17,600	–	22,393
Preferred Shares	–	1,027,640	–	1,027,640
	3,216,053	7,496,768	–	10,712,821

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

INTEREST RATE RISK

The Group is exposed to fair value interest rate risk related to fixed-rate bank and other borrowings and senior notes. The Group is also exposed to cash flow interest rate risk related to variable-rate bank borrowings and bank balances.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point (2023: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates of variable-rate bank balances had been 50 basis points (2023: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss (2023: loss) would decrease/increase (2023: decrease/increase) by RMB115,000 (2023: RMB233,000).

If interest rates of variable-rate bank borrowings had been 50 basis points (2023: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss (2023: loss) would increase/decrease (2023: increase/decrease) by RMB109,000 (2023: RMB107,000).

CATEGORIES OF FINANCIAL INSTRUMENTS AT 31 DECEMBER 2024

	2024 RMB'000	2023 RMB'000
Financial assets		
Equity investments at fair value through other comprehensive income	5,500	5,500
Financial assets at fair value through profit or loss	–	29,205
Financial assets at amortised cost (including cash and cash equivalents)	961,724	997,668
Financial liabilities		
Financial liabilities at amortised cost	10,209,884	9,970,997

FAIR VALUE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

- Level 1 inputs : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2 inputs : inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs : unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(A) DISCLOSURES OF LEVEL IN FAIR VALUE HIERARCHY AT 31 DECEMBER:

Description	Fair value measurements using:			Total
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	2024 RMB'000
Recurring fair value measurements:				
Equity investments at fair value through other comprehensive income	–	–	5,500	5,500
Financial assets at fair value through profit or loss				
Derivative financial assets	–	–	–	–

	Fair value measurements using:			Total
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	2023 RMB'000
Recurring fair value measurements:				
Equity investments at fair value through other comprehensive income	–	–	5,500	5,500
Financial assets at fair value through profit or loss				
Listed securities options	–	–	29,205	29,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

7. FAIR VALUE MEASUREMENTS (Continued)

(B) RECONCILIATION OF ASSETS MEASURED AT FAIR VALUE BASED ON LEVEL 3:

	Derivative financial assets at fair value through profit or loss RMB'000	Equity investments at fair value through other comprehensive income RMB'000	Total 2024 RMB'000
At 1 January 2024	29,205	5,500	34,705
Total gains or losses recognised in profit or loss ⁽¹⁾	(29,205)	–	(29,205)
in other comprehensive income	–	–	–
Purchases	–	–	–
Issues	–	–	–
Settlements	–	–	–
At 31 December 2024	–	5,500	5,500
⁽¹⁾ Include gains or losses for assets held at the end of the reporting period	–	–	–

	Derivative financial assets at fair value through profit or loss RMB'000	Equity investments at fair value through other comprehensive income RMB'000	Total 2023 RMB'000
At 1 January 2023	–	5,500	5,500
Total gains or losses recognised in profit or loss ⁽¹⁾	(512,629)	–	(512,629)
in other comprehensive income	–	–	–
Purchases	–	–	–
Issues	541,834	–	541,834
Settlements	–	–	–
At 31 December 2023	29,205	5,500	34,705
⁽¹⁾ Include gains or losses for assets held at the end of the reporting period	(512,629)	–	(512,629)

The total gains or losses recognised in profit or loss including those assets held at the end of reporting period are presented in other gains and losses in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

7. FAIR VALUE MEASUREMENTS *(Continued)*

(C) DISCLOSURE OF VALUATION PROCESS USED BY THE GROUP AND VALUATION TECHNIQUES AND INPUTS USED IN FAIR VALUE MEASUREMENTS AT 31 DECEMBER 2024:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Group has a team that manages the valuation exercise of level 3 financial instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case-by-case basis. At least twice every year, the team would use valuation techniques to determine the fair value of the Group's level 3 financial instruments. External valuation experts will be involved when necessary.

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2024 RMB'000	Fair value 2023 RMB'000
Equity investments at fair value through other comprehensive income						
Private equity investments	Discounted cash flow	Discount rate	N/A	Decrease	5,500	5,500
	Market comparable companies	Discount for lack of marketabilities Discount for lack of marketabilities				
Financial assets at fair value through profit or loss						
Derivative financial assets	Binomial model	Expected Volatility Discount rate Expected dividend yield			-	29,205

During the year, there was no changes in the valuation techniques used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

8. REVENUE AND SEGMENT INFORMATION

The Group's operation is solely derived from the production and sales of clean coal and its by-products. For the purpose of resources allocation and performance assessment, the chief operating decision maker reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 4. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

An analysis of the Group's revenue from its major products is as follows:

	2024 RMB'000	2023 RMB'000
Sales of coal and its by-products:		
Clean coal	2,014,686	2,206,940
High-ash thermal coal	153,798	239,520
Others	5,722	2,551
Revenue from contracts with customers	2,174,206	2,449,011

Disaggregation of revenue from contracts with customers:

TIME OF REVENUE RECOGNITION

All timing of revenue recognition is at a point of time for the years ended 31 December 2024 and 2023.

GEOGRAPHICAL INFORMATION

All of the Group's turnover are derived from the operation in the PRC and all the customers of the Group are located in the PRC. In addition, all of the Group's non-current assets are located in the PRC. Therefore, no geographical information is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

8. REVENUE AND SEGMENT INFORMATION *(Continued)*

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2024 RMB'000	2023 RMB'000
Customer A ¹	219,237	–
Customer B ¹	479,333	*141,070
Customer C ¹	*–	320,796
Customer D ¹	*28,641	320,008
Customer E ¹	*66,697	255,415
Customer F ¹	*200,400	384,167

¹ Revenue from sales of clean coal.

* Revenue from this customer did not exceed 10% of the total revenue during the year. These amounts were shown for comparative purpose.

SALES OF COAL PRODUCTS

The Group's revenue is solely derived from the production and sales of clean coal and its by-products to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 90 to 120 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

9. OTHER INCOME

	2024 RMB'000	2023 RMB'000
Government grant (note)	9,488	15,286
Others	22,038	37,981
	31,526	53,267

Note: The amounts represent incentives received from government regarding renovation of mechanization and informatization.

10. OTHER GAINS AND LOSSES

	2024 RMB'000	2023 RMB'000
Allowance for loss allowance recognised on trade receivables	(6,985)	(6,800)
Net reversal of impairment of other receivables and prepayments	15,079	19,111
Loss on disposal of property, plant and equipment	(2,163)	(28,551)
Impairment loss of goodwill	(173)	–
Waives of other payables	979	3,583
Fair value change on derivative financial assets	(29,205)	(512,629)
Provision for litigation	–	(9,600)
Fair value change on financial assets at fair value through profit or loss	–	(77)
Net exchange losses	(30,103)	(108,789)
Others	26,164	3,954
Gain on bargain purchases by acquisition of an associate	–	14,578
Gain on offshore debt restructuring	–	570,211
	(26,407)	(55,009)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

11. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest expenses on borrowings:		
– bank and other borrowings	270,913	240,200
– advances drawn on bills receivable discounted	7,338	17,734
	278,251	257,934
Interest expenses on lease liabilities	1,149	1,128
	279,400	259,062

12. INCOME TAX EXPENSE

	2024 RMB'000	2023 RMB'000
Current tax:		
– PRC Enterprise Income Tax ("EIT")	20,264	18,216
Deferred taxation (Note 38)	(1,040)	–
Income tax expense for the year	19,224	18,216

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for 2024 and 2023.

The Company is not subject to any income tax expense in the Cayman Islands as the Cayman Islands levies no tax on the income of the Company (2023: Nil).

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong (2023: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

12. INCOME TAX EXPENSE *(Continued)*

The taxation for the year can be reconciled to the loss before tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 RMB'000	2023 RMB'000
Loss before tax	(616,718)	(732,162)
Tax at applicable tax rate of 25% (2023: 25%)	(154,180)	(183,041)
Tax effect of losses of associates	2	139
Tax effect of losses of a joint venture	9,703	56,295
Tax effect of temporary differences not recognised	(1,040)	-
Tax effect of tax losses not recognised	59,855	10,499
Tax effect of income not taxable and expenses not deductible for tax purpose	104,884	134,324
Income tax expense for the year	19,224	18,216

13. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2024 RMB'000	2023 RMB'000
Salaries and other benefits (including directors' remuneration)	940,538	986,660
Retirement benefits scheme contribution	47,118	16,987
Total staff costs	987,656	1,003,647
Auditor's remuneration	3,150	3,181
Provision for restoration and environmental costs	1,279	1,404
Depreciation and amortisation of property, plant and equipment	293,315	265,608
Depreciation of right-of-use assets	10,620	7,608
Cost of inventories sold	2,032,718	2,178,162

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

14. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the 7 (2023: 6) directors were as follows:

(A) DETAILS OF DIRECTORS' REMUNERATION PAID OR PAYABLE BY THE GROUP TO THE DIRECTORS OF THE COMPANY ARE AS FOLLOWS:

	2024 RMB'000	2023 RMB'000
Directors:		
Fees	625	600
Basic salaries and allowances	4,716	2,176
Retirement benefit scheme contributions	73	105
	5,414	2,881

For the year ended 31 December 2024

	Directors' fee RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme RMB'000	Total RMB'000
Executive directors				
Xian Fan (note i)	–	1,500	–	1,500
Xian Yang (note ii)	–	2,550	30	2,580
Sun Jiankun (CEO)	–	300	–	300
Zhuang Xianwei	–	366	43	409
Non-Executive director				
Qiao Qian (note iii)	25	–	–	25
Independent non-executive directors				
Huang Rongsheng	200	–	–	200
Xu Manzhen	200	–	–	200
Chan Shiu Yuen Sammy	200	–	–	200
	625	4,716	73	5,414

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

14. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(Continued)*

(A) DETAILS OF DIRECTORS' REMUNERATION PAID OR PAYABLE BY THE GROUP TO THE DIRECTORS OF THE COMPANY ARE AS FOLLOWS: *(Continued)*

For the year ended 31 December 2023

	Directors' fee RMB'000	Basic salaries and allowances RMB'000	Retirement benefit scheme RMB'000	Total RMB'000
Executive directors				
Xian Yang (note ii)	–	1,513	36	1,549
Sun Jiankun (CEO)	–	317	30	347
Zhuang Xianwei	–	346	39	385
Independent non-executive directors				
Huang Rongsheng	200	–	–	200
Xu Manzhen	200	–	–	200
Chan Shiu Yuen Sammy	200	–	–	200
	600	2,176	105	2,881

Notes:

- (i) Mr. Xian Fan was appointed as an executive director, the chairman of the Board, member of the nomination committee and the remuneration committee with effect from 12 September 2024.
- (ii) Mr. Xian Yang, the former chairman of the board and an executive director, passed away on 10 September 2024 due to illness.
- (iii) Ms. Qiao Qian was appointed as a non-executive director of the Company with effect from 12 September 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

14. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(Continued)*

(B) FIVE HIGHEST EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group for the year ended 31 December 2024, two (2023: two) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the three (2023: three) individuals were as follows:

	2024 RMB'000	2023 RMB'000
Basic salaries and allowances	2,100	1,890
Retirement benefit scheme contributions	43	36
	2,143	1,926

Their emoluments were within the following bands:

	2024 No. of employees	2023 No. of employees
Nil to HK\$1,000,000	2	2
HK\$1,000,001 to HK\$1,500,000	1	1

No emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

No director waived any emolument during the year 2024 and 2023.

15. DIVIDENDS

No dividend was proposed for the years ended 31 December 2024 and 2023 or since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

16. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

LOSS

	2024 RMB'000	2023 RMB'000
Loss for the purposes of basic and diluted loss per share		
Loss for the year attributable to owners of the Company	(634,361)	(746,192)

NUMBER OF SHARES

	2024 '000	2023 '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	4,605,259	3,981,123

The effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2024 and 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Mining structures and mining rights RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Office and electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2023	650,773	9,141,213	1,434,707	61,483	37,985	875,356	12,201,517
Additions	32,336	37,663	285,247	4,048	6,507	136,544	502,345
Transfer	(3,457)	2,525	8,652	70	(3,094)	(4,696)	-
Disposals	(3,949)	(2,997)	(45,137)	(2,935)	(1,867)	-	(56,885)
At 31 December 2023	675,703	9,178,404	1,683,469	62,666	39,531	1,007,204	12,646,977
Additions	8,057	9,298	193,378	330	3,174	26,502	240,739
Transfer	10,572	233	6,500	(6,081)	336	(11,560)	-
Disposals	(4,225)	(273,255)	(34,688)	(2,332)	(722)	-	(315,222)
At 31 December 2024	690,107	8,914,680	1,848,659	54,583	42,319	1,022,146	12,572,494
DEPRECIATION AND AMORTISATION AND IMPAIRMENT							
At 1 January 2023	251,347	1,587,803	503,180	40,298	33,512	875,356	3,291,496
Provided for the year	30,740	99,411	126,267	6,786	2,404	-	265,608
Eliminated on disposals	(867)	(2,997)	(19,896)	(3,050)	(1,828)	-	(28,638)
At 31 December 2023	281,220	1,684,217	609,551	44,034	34,088	875,356	3,528,466
Provided for the year	31,472	94,793	163,798	3,216	36	-	293,315
Transfer	-	-	-	-	-	-	-
Eliminated on disposals	(508)	(4)	(10,829)	(2,262)	(698)	-	(14,301)
At 31 December 2024	312,184	1,779,006	762,520	44,988	33,426	875,356	3,807,480
CARRYING AMOUNTS							
At 31 December 2024	377,923	7,135,674	1,086,139	9,595	8,893	146,790	8,765,014
At 31 December 2023	394,483	7,494,187	1,073,918	18,632	5,443	131,848	9,118,511

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The following estimated useful lives are used for the depreciation of property, plant and equipment, other than mining structures and mining rights as well as construction in progress:

Buildings	Over the shorter of the terms of the relevant lease or 15 to 35 years
Machinery	3 to 15 years
Motor vehicles, office and electronic equipment	5 to 10 years
Mining structures and mining rights	Units of production method over the total proven and probable reserves of the coal mines.

The buildings are situated on the land use rights as disclosed in note 18 and amortised over the shorter of the terms of the relevant lease or 15 to 35 years.

The mining structures and mining rights include the main and auxiliary mine shafts and underground tunnels. The mining rights have average legal lives of 10 to 15 years but in the opinion of the directors of the Company, the Group will be able to renew the mining rights without incurring significant costs.

The construction in progress comprises mainly the main and auxiliary mine shafts and underground tunnels in the course of construction.

Depreciation and amortisation are provided to write off the cost of the mining structures and mining rights using the units of production method over the total proven and probable reserves of the coal mine.

Pursuant to Notices issued by Panzhihua Government and Liupanshui Government in October 2013 and September 2013, respectively (collectively "Mines Restructuring Plans"), Panzhihua Government and Liupanshui Government had formulated mines restructuring plans to improve productivity and safety of coal mining operations. The Group's mines located in Guizhou province and Sichuan province with carrying amounts as at 31 December 2024 of RMB7,282,464,000 (2023: RMB7,626,035,000), which including mining structures and mining rights and construction in progress, are subject to the mines restructuring scheme and hence have to comply with the Mines Restructuring Plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

18. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2024 RMB'000	2023 RMB'000
At 31 December:		
– Land and buildings	17,558	17,446
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows		
– Less than 1 year	6,790	4,793
– Between 1 and 2 years	14,946	17,600
	21,736	22,393
Year ended 31 December:		
Depreciation charge of right-of-use assets		
– Land and buildings	10,620	7,608
Lease interests	1,149	1,128
Total cash outflow for leases	11,808	31,040
Additions to right-of-use assets	10,721	1,966

The Group leases various land and buildings. Lease agreements are typically made for fixed periods of 1 to 10 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

19. INVESTMENT IN AN ASSOCIATE

	2024 RMB'000	2023 RMB'000
Cost of investment, unlisted	44,022	30,000
Gain on bargain purchases	–	14,578
Subtotal	44,022	44,578
Share of loss from an associate	(6)	(556)
	44,016	44,022

Particulars of the Group's associate is as follows:

Name of associate	Place of incorporation and operation	Particulars of registered capital	Proportion of ownership interest and voting power held by the Group		Principal activities
			2024	2023	
盤州石橋馳浩選煤股份有限公司 ("Shiqiao Chihao")(Note a)	The PRC	RMB50,000,000	41.58%	41.58%	Coal mining

Notes:

- (a) On 24 March 2023, the Group completed the share transfer with an independent third party in the PRC to acquire 41.58% of equity interests in Shiqiao Chihao at a consideration of RMB30,000,000.

The associate is accounted for using the equity method in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

19. INVESTMENT IN AN ASSOCIATE *(Continued)*

The summarised financial information of the Group's associate that is not individually material is set out below:

	2024 RMB'000	2023 RMB'000
Total assets	106,948	106,932
Total liabilities	(1,090)	(1,060)
Net assets	105,858	105,872
Group's ownership interests	41.58%	41.58%
Group's share of net assets of an associate	44,016	44,022
Revenue	—	—
Loss and total comprehensive expense for the period	(14)	(1,338)
Group's share of results of an associate for the period	(6)	(556)

20. INTERESTS IN A JOINT VENTURE

	2024 RMB'000	2023 RMB'000
Cost of investments in a joint venture – unlisted	2,400,000	2,400,000
Share of post-acquisition losses	(1,321,588)	(1,282,775)
	1,078,412	1,117,225

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

Name of joint venture	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group		Principal activity
		2024	2023	
雲南東源恒鼎煤業有限公司 ("Yunnan Hidili")	The PRC	50%	50%	Coal mining

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

20. INTERESTS IN A JOINT VENTURE (Continued)

Name of Yunnan Hidili's subsidiaries	Place of incorporation and operation	Proportion of ownership interest and voting power held by Yunnan Hidili		Principal activity
		2024	2023	
富源縣大河青坪煤業有限公司 Translated as Fuyuan Country Dahe Qingping Coal Industry Co., Ltd.	The PRC	100%	100%	Coal mining
富源縣錦泰煤業有限公司 Translated as Fuyuan County Jintai Coal Industry Co., Ltd.	The PRC	100%	100%	Coal mining
富源縣坤源煤業有限公司 Translated as Fuyuan County Kunyuan Coal Industry Co., Ltd.	The PRC	100%	100%	Coal mining
富源縣通和煤業有限公司 Translated as Fuyuan County Tonghe Coal Industry Co., Ltd.	The PRC	100%	100%	Coal mining
富源縣祥達煤礦有限公司 Translated as Fuyuan County Xiangda Coal Mine Co., Ltd.	The PRC	100%	100%	Coal mining
雲南恒隆煤業有限公司 Translated as Yunnan Henglong Coal Industry Co., Ltd.	The PRC	100%	100%	Coal mining
雲南恒鼎實業有限公司 Translated as Yunnan Hidili Industry Co., Ltd.	The PRC	100%	100%	Coal mining
富源縣茂盛選煤有限責任公司 Translated as Fuyuan County Maosheng Coal Preparing Co., Ltd.	The PRC	100%	100%	Coal mining
富源縣富德選煤有限公司 Translated as Fuyuan County Fude Coal Washing Co., Ltd.	The PRC	100%	100%	Coal mining
富源縣鈺源煤業有限責任公司 Translated as Fuyuan Country Yuyuan Coal Washing Co., Ltd.	The PRC	100%	100%	Coal mining
富源東源恒鼎煤焦有限公司 Translated as Fuyuan Dongyuan Hidili Coal Coke Co., Ltd.	The PRC	100%	100%	Coking

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

20. INTERESTS IN A JOINT VENTURE *(Continued)*

All subsidiaries of a joint venture are engaged in coal washing and sales of raw and clean coal in Yunnan. The Group held these joint venture's subsidiaries to maintain mining exposure in Yunnan Province.

Consolidated financial information in respect of Yunnan Hidili and its subsidiaries is set out below. The summarised financial information below represents amounts shown in Yunnan Hidili's consolidated financial statements prepared in accordance with IFRS Accounting Standards.

The joint venture is accounted for using the equity method in Yunnan Hidili's consolidated financial statements.

	2024 RMB'000	2023 RMB'000
Current assets	69,379	87,232
Non-current assets	3,424,245	3,200,977
Current liabilities	1,699,906	1,434,421
Non-current liabilities	490,590	473,034
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	10,314	6,178
Current financial liabilities (excluding trade and other payables and provisions)	457,818	420,236
Non-current financial liabilities (excluding trade and other payables and provisions)	417,241	399,685

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

20. INTERESTS IN A JOINT VENTURE (Continued)

	Year ended 31.12.2024 RMB'000	Year ended 31.12.2023 RMB'000
Revenue	50,133	38,734
Loss and other comprehensive expense for the year	(77,625)	(450,356)
The above loss and other comprehensive expense for the year include the following:		
Depreciation and amortisation	(2,621)	(5,877)
Interest income	340	4,088
Interest expense	(40,321)	(37,495)
Income tax credit/(expense)	—	—

Reconciliation of the above summarised consolidated financial information to the carrying amount of the interest in Yunnan Hidili recognised in the consolidated financial statements:

	2024 RMB'000	2023 RMB'000
Net assets of Yunnan Hidili	1,303,128	1,380,754
Proportion of the Group's ownership interest in Yunnan Hidili	50%	50%
Effect of fair value adjustments at acquisition on Mining Right and Structure	426,848	426,848
Carrying amount of the Groups' interest in Yunnan Hidili	1,078,412	1,117,225

There is no significant restriction on transferring the funds to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

21. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 RMB'000	2023 RMB'000
Equity securities, at fair value		
Unlisted securities	5,500	5,500

Notes:

- (i) Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss.

22. LONG-TERM DEPOSITS

	2024 RMB'000	2023 RMB'000
Deposits for environmental rehabilitation paid to the local government	14,404	14,259

Deposits for environmental rehabilitation paid to the local government in the PRC carried interest at market rate determined by local government. The amounts will be refunded at the cessation of mining activities or closure of mines if and only if the environmental rehabilitation work of the relevant mines meets government's requirements. They are not expected to be refunded within the next twelve months.

23. DERIVATIVE FINANCIAL ASSETS

	2024 RMB'000	2023 RMB'000
Derivative financial assets related to the Share Placement Programme ("SPP")	–	29,205

For those Scheme Creditors that elected to participate in the SPP, the Scheme Shares to which they are entitled were issued directly to and held on behalf by the Creditor SPV. The Company will use its best efforts to sell or procure the sale of all the SPP Shares for the SPP Participants. At the same time, the Company issued the New USD Senior Notes in the aggregate principal amount of USD76,501,000 to the Creditor SPV as an added measure of protection to the SPP Participants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

23. DERIVATIVE FINANCIAL ASSETS *(Continued)*

The Creditor SPV hold all the assets of the Creditor SPV on trust absolutely for the benefit of the SPP Participants until such assets are sold or otherwise dealt with in accordance with the terms of the SPP Deed.

Pursuant to the terms of the Scheme and the SPP Deed, the Company use its best efforts to sell or procure the sales of the SPP Shares for the benefit of the SPP Participants under the following sales conditions:

MINIMUM THRESHOLD

- (a) at least 30% of the SPP Shares on or before 12-month anniversary of the Restructuring Effective Date;
- (b) at least 75% of the SPP Shares on or before 18-month anniversary of the Restructuring Effective Date;
- (c) at least 90% of the SPP Shares on or before 27-month anniversary of the Restructuring Effective Date; and
- (d) 100% of the SPP Shares on or before 36-month anniversary of the Restructuring Effective Date.

MINIMUM SPP SHARE SALE PRICE

- (a) if the SPP Shares are sold on the Stock Exchange (other than by way of a SPP Issuer Buyback), 75% of the Conversion Price;
- (b) unless prior approval of the SPP Shares Account Secondary Manager has been obtained, if the SPP Shares are sold by way of an over-the-counter transaction (other than by way of a SPP Issuer Buyback), 90% of the higher of the (i) the Conversion Price; (ii) the previous closing price of the SPP Shares; and (iii) average-daily volume weighted average price of the SPP Shares for the last ten (10) trading days (including the date of the placing); or
- (c) if the SPP Shares are sold by way of a SPP Issuer Buyback, the minimum price applicable to the SPP Issuer Buyback as specified in the paragraph below.

THE SPP ISSUER BUYBACK

Subject to applicable laws and regulations, the Company may use its own cash to buy back all or part of the unsold SPP Shares (i) at 90% of the USD Conversion Price, if (and only if) the five-day-average daily volume weighted average price of the SPP Shares is less than 90% of the Conversion Price at the immediate close prior to the announcement of the buyback of the unsold SPP Shares; or else (ii) at the USD Conversion Price, provided that, at the time of such buyback, (i) the Zero-coupon Bonds have been fully repaid; and (ii) the SPP Shares Account Secondary Manager intervention has not been triggered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

23. DERIVATIVE FINANCIAL ASSETS *(Continued)*

PAYMENT OF SHORTFALL AMOUNT

The Company undertakes that for each SPP Share sold, an amount equal to the USD Conversion Price (or, in the case of a SPP Issuer Buyback, the actual price (converted into USD) at which the buyback took place) shall be paid to the SPP Participants.

As such, if the sale price of each SPP Share is below the USD Conversion Price (assuming that there is no SPP Buyback), the Company shall compensate the SPP Participants by paying such Shortfall Amount.

24. GOODWILL

RMB'000		
Reconciliation of carrying amount:		
At 1 January 2023	–	
Additions-acquisition of a subsidiary (note a)	4,577	
At 31 December 2023 and 2024	4,577	
	2024 RMB'000	2023 RMB'000
Cost	4,577	4,577
Accumulated impairment losses	(3,150)	(2,977)
	1,427	1,600

Note (a): On 31 March 2023, the Group acquired 60% interests in Panzhihua Quanrui Industrial Co., Ltd. ("Panzhihua Quanrui") at a consideration of RMB1. Panzhihua Quanrui principally engaged in the research and development of titanium dioxide production process and production of related products during the year.

25. INVENTORIES

	2024 RMB'000	2023 RMB'000
Coal products	56,949	88,151
Auxiliary materials and spare parts	218,054	382,704
	275,003	470,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

26. BILLS AND TRADE RECEIVABLES AND BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

The Group's trading terms with customers are mainly on credit. The Group generally allows an average credit period ranging from 90-120 days to its trade customers and the average credit period for bills receivables is ranging from 90-180 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

(A) BILLS AND TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	533,359	521,204
Less: allowance for doubtful debts	(84,794)	(77,809)
	448,565	443,395
Bills receivables	4,000	43,246
	452,565	486,641

The aged analysis of trade receivables, net of allowances presented based on the invoice date at the end of the reporting period, which approximates the respective revenue recognition dates is as follows:

	2024 RMB'000	2023 RMB'000
Aged:		
0 – 90 days	221,605	246,004
91 – 120 days	642	24,712
121 – 180 days	40,247	72,168
181 – 365 days	41,974	100,237
Over 365 days	144,097	274
	448,565	443,395

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

26. BILLS AND TRADE RECEIVABLES AND BILLS RECEIVABLES DISCOUNTED WITH RECOURSE (Continued)

(A) BILLS AND TRADE RECEIVABLES (Continued)

Before accepting any new customer, the Group will assess credit worthiness by customer. As the customers are mainly the renowned steel manufacturer, therefore based on the past history, the eventual collectability of the receivables neither past due nor impaired is expected.

Movement in loss allowance

	2024 RMB'000	2023 RMB'000
Balance at beginning of the year	77,809	128,584
Loss allowance during the year	6,985	6,800
Amounts written off	–	(57,575)
Balance at end of the year	84,794	77,809

Loss allowance of RMB84,791,000 (2023: RMB77,809,000) included individually impaired trade receivables who have severe financial difficulties or long aged trade receivables. The Group does not hold any collateral over these balances.

The Group applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all bills and trade receivables. To measure the expected credit losses, bills and trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	1-60 days past due	61-240 days past due	Over 240 days past due	Total
At 31 December 2024					
Weighted average expected loss rate	0%	N/A	0%	37%	16%
Receivable amount (RMB'000)	222,247	40,247	41,974	228,891	533,359
Loss allowance (RMB'000)	–	–	–	84,794	84,794
At 31 December 2023					
Weighted average expected loss rate	0%	N/A	N/A	100%	15%
Receivable amount (RMB'000)	270,716	72,168	100,237	78,083	521,204
Loss allowance (RMB'000)	–	–	–	77,809	77,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

26. BILLS AND TRADE RECEIVABLES AND BILLS RECEIVABLES DISCOUNTED WITH RECOURSE *(Continued)*

(B) BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

The Group generally allows an average credit period ranging from 90 - 180 days to its customers. The aged analysis of bills receivables discounted with full recourse is as follows:

	2024 RMB'000	2023 RMB'000
Aged:		
0 – 120 days	–	2,463
121 – 180 days	10,000	10,000
	10,000	12,463

27. OTHER RECEIVABLES AND PREPAYMENTS

	2024 RMB'000	2023 RMB'000
Advances and deposit paid for suppliers	639,224	578,240
Prepayments for acquisition of property, plant and equipment	86,108	120,472
Prepayments	932	218
Staff advances	50,480	47,267
Other deposits	5,482	7,993
Other loan	27,000	30,000
Deposits paid for government	198	4,018
Others	4,703	20,777
	814,127	808,985

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

28. AMOUNTS DUE FROM A JOINT VENTURE

Name of joint venture	2024 RMB'000	2023 RMB'000
Yunnan Hidili	394,281	321,033

The amount is repayable on demand and expected to receive within one year.

All above balances are unsecured and interest free. The directors of the Group consider that there has not been a significant change in credit quality of these related parties and there is no recent history of default. The Group does not hold any collateral over the balances.

29. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

Pledged bank deposits amounting to RMB822,000 (2023: RMB821,000) are used to secure the bills payable and bank borrowings which are repayable within one year. Accordingly, the pledged bank deposits are classified as current assets.

Bank and cash balances comprise cash held by the Group with the original maturity of three months or less.

The average effective interest rate of the pledged and restricted bank deposits and bank balances as at 31 December 2024 is 0.1% (2023: 0.24%) per annum.

As at 31 December 2024, the bank and cash balances of the Group denominated in RMB amounted to RMB22,079,000 (2023: RMB46,654,000). Conversion of RMB into foreign currencies is subjected to the PRC's Foreign Exchange Control Regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

30. BILLS AND TRADE PAYABLES AND ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

(A) BILLS AND TRADE PAYABLES

The aged analysis of the Group's bills and trade payables based on invoice date at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
Aged:		
0 – 90 days	44,080	213,147
91 – 180 days	81,217	6,921
181 – 365 days	93,211	6,506
Over 365 days	504,577	522,101
	723,085	748,675

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

(B) ADVANCES DRAWN ON BILLS RECEIVABLES DISCOUNTED WITH RECOURSE

	2024	2023
Effective interest rate	1.70%	0.43%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

31. CONTRACT LIABILITIES

	As at 31 December 2024 RMB'000	2023 RMB'000	As at 1 January 2023 RMB'000
Contract liabilities	368,569	331,806	111,901

	As at 31 December 2024 RMB'000	2023 RMB'000	As at 1 January 2023 RMB'000
Contract receivables (included in bills and trade receivables)	452,565	486,641	991,537

Transaction prices allocated to performance obligations unsatisfied at end of years and expected to be recognised as revenue in:

	2024 RMB'000	2023 RMB'000
2024	N/A	331,806
2025	368,569	–

	2024 RMB'000	2023 RMB'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	331,806	111,901

SIGNIFICANT CHANGES IN CONTRACT LIABILITIES DURING THE YEAR

	2024 RMB'000	2023 RMB'000
Increase due to operations in the year	97,909	331,806
Transfer of contract liabilities to revenue	(61,146)	(111,901)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

32. ACCRUALS AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000
Accrued wages and welfare	570,564	391,173
Accrued expenses	316,090	365,266
Interest payables	1,248,516	1,059,755
Payables for acquisition of property, plant and equipment	27,797	381,863
Others	247,753	189,872
	2,410,720	2,387,929

Reallocated to:

	2024 RMB'000	2023 RMB'000
Current liabilities	2,410,720	2,097,949
Non-current liabilities	–	289,980
	2,410,720	2,387,929

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

33. BANK BORROWINGS

	2024 RMB'000	2023 RMB'000
Bank loans		
– Secured	5,559,314	5,619,714

The bank borrowings are repayable as follows:

	2024 RMB'000	2023 RMB'000
Bank borrowings		
On demand or within one year	5,559,314	4,256,311
In the second year	–	1,363,403
	5,559,314	5,619,714
Less: amount due within one year shown under current liabilities (Note)	(5,559,314)	(4,256,311)
Amount due after one year (Note)	–	1,363,403

Notes:

- (i) The amounts due are based on scheduled repayment dates set out in the loan agreements.

The above bank loans of RMB5,559,314,000 (2023: RMB4,256,311,000) is not repayable within one year pursuant to the scheduled repayment dates set out in the loan agreements but the loan agreements contain a repayable on demand clause.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

33. BANK BORROWINGS (Continued)

An analysis of the carrying amounts of the borrowings by nature and currency is as follows:

	2024 RMB'000	2023 RMB'000
At variable rates in USD	21,714	21,395
At fixed rates in RMB	5,537,600	5,598,319
	5,559,314	5,619,714

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Group's borrowings are as follows:

	2024	2023
Effective interest rates:		
Fixed-rate bank borrowings	4.28%	3.00%
Variable-rate bank borrowings	4.00%	2.38%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34. SHARE CAPITAL

	Number of Shares '000 2024	Number of Shares '000 2023	Amount HK\$'000 2024	Amount HK\$'000 2023	Equivalent to RMB'000 2024	Equivalent to RMB'000 2023
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Ordinary shares of HK\$0.1 each

Authorised:

At 1 January	8,000,000	10,000,000	800,000	1,000,000		
Reclassification (note a)	–	(2,000,000)	–	(200,000)		

At 31 December	8,000,000	8,000,000	800,000	800,000		
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Issued and fully paid:

At 1 January	4,605,259	2,045,598	460,526	204,560	421,298	197,506
Issue of shares under debt restructuring (note b)	–	2,559,661	–	255,966	–	223,792

At 31 December	4,605,259	4,605,259	460,526	460,526	421,298	421,298
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Notes:

- The resolution of reclassifying the authorised share capital of the Company into (i) 8,000,000,000 Ordinary Shares of par value of HK\$0.10 each and (ii) 2,000,000,000 non-convertible non-voting preferred shares of par value of HK\$0.10 each, was duly passed on the EGM held on 30 January 2023.
- As at 31 March 2023, the Scheme Creditors were entitled to receive the Scheme Consideration, which comprised: (1) the Scheme Shares; (2) the Zero-coupon Bonds and (3) the Cash Payment. Accordingly, 2,276,816,383 Scheme Shares were issued and allotted to the Participating Scheme Creditors. On 31 March 2023, the Company issued and allotted 282,844,625 Onshore Operating Creditors Converted Shares to 125 Onshore Operating Creditors to settle outstanding debts in the amount of approximately RMB149.4 million. 2,559,661,008 Shares were issued and allotted in total at closing price HK\$0.465 per share at 31 March 2023.

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from that of prior year.

The capital structure of the Group consists of net debt, which included bank and other borrowings and senior notes net of cash and cash equivalents and equity attributable to owners of the company, comprised share capital and reserves.

Management of the Group reviews the capital structure regularly, taking into account of the cost and risk associated with the capital. The Group will then balance its capital structure through the new shares issues as well as the issue of new debt or the redemption of the existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

35. RESERVES

(A) GROUP

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(B) COMPANY

	Share Premium RMB'000	Reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2023	2,935,794	687,768	(2,389,936)	1,233,626
Issue of shares under debt restructuring	816,840	–	–	816,840
Loss for the year	–	–	(746,192)	(746,192)
At 31 December 2023 and 1 January 2024	3,752,634	687,768	(3,136,128)	1,304,274
Loss for the year	–	–	(634,361)	(634,361)
At 31 December 2024	3,752,634	687,768	(3,770,489)	669,913

(C) NATURE AND PURPOSE OF THE RESERVES

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Statutory surplus reserve

According to the Articles of Association of the Company's subsidiaries incorporated/registered in the PRC, these companies are required to make an appropriation of 10% of their profit after taxation each year, as shown in the PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC, to the statutory surplus reserve until the balance reaches 50% of the registered capital of the relevant subsidiaries. According to the provision of the Articles of Association, in normal circumstances, the statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the production and operation of the relevant subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

35. RESERVES (Continued)

(C) NATURE AND PURPOSE OF THE RESERVES (Continued)

(iii) Future development fund

Pursuant to the relevant regulations in the PRC, the Company's subsidiaries registered in the PRC are required to make a transfer to future development fund based on a fixed amount per tonne of raw coal mine (net of usage). The fund can only be used for the future development of the coal mining business of the relevant PRC subsidiaries and is not available for distribution to shareholders.

(iv) Special reserve

The special reserve represents the aggregate amount of the capital of the subsidiaries which were acquired by the Company upon the group reorganisation in 2007 less the consideration payable to the shareholders and the amount contributed by a shareholder for waive of the balance due to him.

36. PROVISION FOR RESTORATION AND ENVIRONMENTAL COSTS

	RMB'000
At 1 January 2023	14,041
Provision for the year	1,404
At 31 December 2023	15,445
Provision for the year	1,279
At 31 December 2024	16,724

Mining activities may result in land subsidence and damage to the environment of the mining areas. Pursuant to the relevant PRC regulations, the Group is required to restore the mining areas back to certain acceptable conditions.

The provision for the restoration and environmental clean up costs has been determined by management based on their past experience with reference to the coal produced each year to the coal reserve and the unit restoration costs governed by respective regulation and best estimate of future expenditure by discounting the expected expenditures to their net present value at market rate. The amounts provided in relation to restoration and environmental clean up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are updated accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

37. LEASE LIABILITIES

	Group		Group	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	2024	2024	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	6,790	5,895	4,793	3,883
In the second to fifth years, inclusive	14,946	13,822	17,600	15,808
After five years	–	–	–	–
	21,736	19,717	22,393	19,691
Less: Future finance charges	(2,020)	N/A	(2,702)	N/A
Present value of lease obligations	19,716		19,691	
Less: Amount due for settlement within 12 months (show under current liabilities)		(5,895)		(3,883)
Amount due for settlement after 12 months		13,822		15,808

At 31 December 2024, the average effective borrowing rate was 3.78% (2023: 2.7%) and 0.5%-5.6% (2023: 2.8%-5.6%) for lease. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

The Group's finance lease payables are secured by the lessor's title to the leased assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

38. DEFERRED TAX ASSETS AND LIABILITIES

The following are the major deferred tax asset and liabilities provided by the Group and movements thereon during the current and prior reporting periods:

	2024 RMB'000	2023 RMB'000
Deferred tax liabilities	(11,731)	(12,771)
<div>Deferred tax liabilities</div> <div>Fair value adjustment on property, plant and equipment at acquisition</div> <div>RMB'000</div>		
At 1 January 2023		(8,025)
Acquisition of a subsidiary		(4,746)
At 31 December 2023 and 1 January 2024		(12,771)
Credit to profit of loss for the year		1,040
At 31 December 2024		(11,731)

Note:

At the end of the reporting period, the Group has unused tax losses of approximately RMB239,421,000 (2023: RMB41,996,000) available for offsetting against future profits. These tax losses primarily arose from the Group's PRC subsidiaries and will expire during 2025 to 2029 (2023: 2024 to 2028). No deferred tax asset has been recognised in respect of such losses (2023: NIL). No deferred tax asset has been recognised in respect of the remaining RMB239,421,000 (2023: RMB41,996,000) due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

39. NEW USD SENIOR NOTES

For those Scheme Creditors that elected to participate in the SPP, the Scheme Shares to which they are entitled were issued directly to and held on behalf by the Creditor SPV. The Company will use its best efforts to sell or procure the sale of all the SPP Shares for the SPP Participants. At the same time, the Company issued the New USD Senior Notes in the aggregate principal amount of USD76,501,000 to the Creditor SPV as an added measure of protection to the SPP Participants.

The Creditor SPV (initially, as the sole noteholder of the New USD Senior Notes) hold the New USD Senior Notes on trust absolutely for the benefit of the SPP Participants until the Notes Transfer Date and will, on that date, transfer and otherwise deal with the New USD Senior Notes in accordance with the terms of the SPP Deed.

The maturity date of the New USD Senior Notes will be 31 January 2025, unless repurchased or redeemed earlier. Interest on the New USD Senior Notes will accrue at the interest rate on and from the interest calculation start date. The interest calculation start date commences on the relevant trigger date which preceded the Notes Transfer Date. Interest is payable semi-annually on each interest payment date, i.e. the date falling six months after the interest calculation start date and every six months thereafter.

40. PREFERRED SHARES

Preferred shares of HK\$0.1 each	Number of Shares	Amount HK\$'000	Equivalent to RMB'000
As at 1 January 2023 (note a)	–	–	–
Issue of preferred shares under debt restructuring (note b)	1,793,524,789	1,131,714	1,027,640
As at 31 December 2023 and 1 January 2024	1,793,524,789	1,131,714	1,027,640
Exchange difference	–	–	20,372
As at 31 December 2024	1,793,524,789	1,131,714	1,048,012

Note:

- The resolution of reclassifying the authorised share capital of the Company into (i) 8,000,000,000 Ordinary Shares of par value of HK\$0.10 each and (ii) 2,000,000,000 non-convertible non-voting preferred shares of par value of HK\$0.10 each, was duly passed on the EGM held on 30 January 2023.
- On 28 February 2023, the Company has issued 1,793,524,789 Preferred Shares at issue price of HK\$0.631 to certain PRC Lending Banks to satisfy and discharge the Conversion Interest in the amount of approximately RMB948 million. For a period of 36 months from the Issue Date, the Company can repurchase the Preferred Shares at the Preferred Shares Issue Price. If the Company fails to repurchase all or part of the Preferred Shares at the Preferred Shares Issue Price within the Repurchase Period, interest shall accrue at the prevailing loan prime rate designated by the People's Bank of China on those Preferred Shares not yet repurchased by the Company starting from the fourth anniversary of the Issue Date at the Preferred Shares Issue Price per Preferred Share and interest shall be payable on 30 June and 31 December commencing from the fourth anniversary of the Issue Date, until all the Preferred Shares are repurchased by the Company. Such interest shall be payable by the Company to the PRC Lending Banks. Therefore the amount is classified as non-current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

41. CAPITAL COMMITMENTS

	2024 RMB'000	2023 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of – acquisition of property, plant and equipment	438,224	555,564

The Group's share of the capital commitments made jointly with other joint venturers relating to its joint venture, Yunnan Hidili, is as follows:

	2024 RMB'000	2023 RMB'000
Commitments to contribute funds for the acquisition of property, plant and equipment	32,240	31,259

42. PLEDGE OF ASSETS

At the end of respective reporting period, the Group pledged the following assets to secure bank and other borrowings of the Group:

	2024 RMB'000	2023 RMB'000
Property, plant and equipment	4,455,931	4,889,876
Bank deposits	822	821
	4,456,753	4,890,697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

43. RELATED PARTY TRANSACTIONS

(A) DURING THE YEAR, THE GROUP ENTERED INTO THE FOLLOWING TRANSACTIONS WITH RELATED PARTIES:

Name of Company/ person	Relationship	Nature of transaction	2024 RMB'000	2023 RMB'000
Mr. Xian Jilun	Father of Mr. Xian Fan	Rental payable by the Group	655	600

(B) THE REMUNERATION OF DIRECTORS AND OTHER MEMBERS OF KEY MANAGEMENT DURING THE YEAR WAS AS FOLLOWS:

	2024 RMB'000	2023 RMB'000
Short-term benefits	7,441	4,666
Post-employment benefits	116	141
	7,557	4,807

44. RETIREMENT BENEFITS SCHEME

The Group participates in a defined contribution retirement scheme organised by the relevant local government authority in the PRC. Eligible employees of the Group to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at 16% of the local standard basic salaries.

As at 31 December 2024 and 2023, the Group had no significant obligation apart from the contribution as stated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

45. EVENTS AFTER THE REPORTING PERIOD

On 31 January 2025, the New USD Senior Notes amounting to USD76,501,000 held by the Creditor SPV, Hidili Scheme Company Limited, as an added measure of protection to the creditors that elected to join the share placement programme matured.

46. CONTINGENT LIABILITIES

- (A) Hidili Industry (China) Group Limited (“Hidili China”), a wholly owned subsidiary of the Company, received a Notice of Court Action attaching the writ of summons (the “2016 Writ”) issued by the Higher People’s Court of Guangdong Province of the People’s Republic of China (廣東省高級人民法院) on 15 April 2016.

Pursuant to the 2016 Writ, China Merchants Bank, Shenzhen Chegongmiao Branch (“2016 Plaintiff”) filed a civil complaint against (i) Hidili China, (ii) Liupanshui Hidili Industry Co., Ltd. (“Liupanshui Hidili”), a wholly owned subsidiary of the Company, (iii) Panxian Xileqing Coal Industry Co., Ltd. (“Panxian Xileqing”), a wholly owned subsidiary of the Company, and (iv) Sichuan Hidili Industry Co., Ltd. (“Sichuan Hidili”), a wholly owned subsidiary of the Company, in respect of a loan agreement dispute case. The 2016 Plaintiff claimed against Hidili China for relief, among others, the outstanding principal amount and the default interest payment of approximately RMB576 million as of 20 January 2016 under the security agreement entered into between 2016 Plaintiff and Hidili China on 13 January 2013 where Liupanshui Hidili and Panxian Xileqing acted as guarantors and Liupanshui Hidili, Panxian Xileqing and Sichuan Hidili pledged certain assets and mining rights.

- (B) Both of Sichuan Haohang Trading Company Limited (“Sichuan Haohang”) and Sichuan Hidili received a Notice of Court Action attaching the writ of summons (the “2017 Writ”) issued by the Higher People’s Court of Sichuan Province of the People’s Republic of China (四川省高級人民法院) on 1 June 2017.

Pursuant to the 2017 Writ, Chengdu Branch of Shanghai Pudong Development Bank (“2017 Plaintiff”) filed a civil complaint against (i) Sichuan Haohang, (ii) Sichuan Hidili, (iii) Liupanshui Hidili and (iv) Hidili China in respect of a loan agreement dispute case. The 2017 Plaintiff claimed against Sichuan Haohang and Sichuan Hidili for relief, among others, the outstanding principal amount as of 25 August 2016 and the default interest payment (calculated as at 18 April 2017) of approximately RMB134 million and RMB134 million respectively under the Agreement of Establishing Bank Promissory Note Business entered into between the 2017 Plaintiff and Sichuan Haohang and Sichuan Hidili on 25 February 2016 where Liupanshui Hidili pledged certain assets and mining rights and Hidili China acted as guarantor.

As advised by the legal advisor of the Company, it is not practical to assess the outcome of the cases at this stage, accordingly, no provision was made in the consolidated financial statements.

Save as disclosed above, as at 31 December 2024 and 2023, the Group did not have any material contingent liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31 December 2024 and 2023 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company		Principal activities
			Directly	Indirectly	
Hidili Investment Holding Limited	British Virgin Islands	HKD1,250,000	100%	–	Investment holding
Sichuan Hidili Industry Co. Ltd. ⁽¹⁾	The PRC	RMB1,800,000,000	–	100%	Manufacture and sale of clean coal
Panzhuhua Yanjiang Industry Co. Ltd. ⁽¹⁾	The PRC	RMB7,812,500	–	100%	Coal mining and development
Liupanshui Hidili Industry Co., Ltd. ⁽¹⁾	The PRC	RMB3,000,000,000	–	100%	Mine holding and development
Panxian Panyi Coal Preparation Co., Ltd. ⁽²⁾	The PRC	RMB15,000,000	–	70%	Clean coal washing
Hidili (China) Coal Distribution Co., Ltd. ⁽²⁾	The PRC	RMB1,310,933,000	–	100%	Sale of coal and coal products

Notes:

(1) Sino-foreign owned enterprise established in the PRC.

(2) Domestic enterprise established in the PRC.

The above companies are limited liabilities companies.

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

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

48. FINANCIAL INFORMATION OF THE COMPANY

STATEMENT OF FINANCIAL POSITION

	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	1,211	1,211
Amounts due from subsidiaries	2,772,881	3,349,546
Derivative financial assets	–	29,205
	2,774,092	3,379,962
CURRENT ASSET		
Other receivables	29,206	52,361
Bank and cash balances	3,407	9,688
	32,613	62,049
CURRENT LIABILITIES		
Accruals and other payables	69,846	117,071
Bank borrowings	21,714	29,894
	91,560	146,965
NET CURRENT LIABILITIES	(58,947)	(84,916)
TOTAL ASSETS LESS CURRENT LIABILITIES	2,715,145	3,295,046
NON-CURRENT LIABILITIES		
New USD Senior Notes	575,922	541,834
Preferred Shares	1,048,012	1,027,640
	1,623,934	1,569,474
NET ASSETS	1,091,211	1,725,572
CAPITAL AND RESERVES		
Share capital	421,298	421,298
Reserves	669,913	1,304,274
	1,091,211	1,725,572

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

49. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows the Company changes in liabilities arising from financing activities during the year:

	Interest payables for bank and other borrowings RMB'000	Bank and other borrowings RMB'000	Lease liabilities RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2023	2,026,916	5,716,612	47,638	7,791,166
Changes in cash flows	(59,898)	(11,243)	(31,040)	(102,181)
Non-cash changes				
– addition	–	–	1,965	1,965
– off-shore restructuring	(1,171,895)	(88,361)	–	(1,260,256)
– unrealised exchange gains	6,698	2,706	–	9,404
– interest charged	257,934	–	1,128	259,062
– Rent concession	–	–	–	–
At 31 December 2023 and 1 January 2024	1,059,755	5,619,714	19,691	6,699,160
Changes in cash flows	(31,738)	(60,074)	(11,808)	(103,620)
Non-cash changes				
– addition	–	–	10,721	10,721
– Reallocation	(57,752)	–	–	(57,752)
– unrealised exchange gains	–	(326)	(37)	(363)
– interest charged	278,251	–	1,149	279,400
At 31 December 2024	1,248,516	5,559,314	19,716	6,827,546

50. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2025.

FINANCIAL SUMMARY

	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Turnover	2,174,206	2,449,011	4,284,259	2,839,738	1,348,556
(Loss)/profit attributable to owners of the Company	(634,361)	(746,192)	536,683	645,145	(270,190)

	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000
Non-current assets	9,926,331	10,347,768	10,360,025	10,569,114	10,129,964
Current assets	1,968,877	2,147,452	2,856,129	1,560,162	1,123,127
Current liabilities	(9,693,523)	(7,481,001)	(11,424,471)	(10,869,105)	(10,927,058)
Non-current liabilities	(1,090,289)	(3,266,881)	(331,548)	(337,367)	(47,668)
Total equity	1,111,396	1,747,338	1,460,135	922,804	278,365
Minority interests	(20,185)	(21,766)	(29,003)	(28,355)	(29,061)
Equity attributable to owners of the Company	1,091,211	1,725,572	1,431,132	894,449	249,304



Hidili Industry International Development Limited