

GUOYUAN ELECTRIC POWER CO., LTD.

Accountants' Report on Historical Financial Information

**31 December 2022, 2023 and 2024 and the seven months ended
31 July 2024 and 2025**



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF GUOYUAN ELECTRIC POWER CO., LTD. TO THE DIRECTORS OF CHINA SHENHUA ENERGY COMPANY LIMITED

Introduction

We report on the historical financial information of Guoyuan Electric Power Co., Ltd. (the "Target Company") and its subsidiaries except for the Excluded Business as defined in note 2.1 to the Historical Financial Information (together, the "Target Group") set out on pages II-A-3 to II-A-123, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Group for each of the years ended 31 December 2022, 2023 and 2024 and the seven months ended 31 July 2025 (the "Relevant Periods"), and the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2022, 2023 and 2024 and 31 July 2025 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-A-3 to II-A-123 forms an integral part of this report, which has been prepared for inclusion in the circular of China Shenhua Energy Company Limited ("China Shenhua") dated 24 December 2025 (the "Circular") in connection with the proposed acquisition by China Shenhua (the "Acquisition").

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2022, 2023 and 2024 and 31 July 2025 and of the financial performance and cash flows of the Target Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the seven months ended 31 July 2024 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Target Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-A-3 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.



Certified Public Accountants
Hong Kong
24 December 2025

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

I HISTORICAL FINANCIAL INFORMATION
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Revenue						
Goods and services	4	30,050	31,096	25,844	15,586	12,468
Cost of sales	6	<u>(22,216)</u>	<u>(22,949)</u>	<u>(19,767)</u>	<u>(11,354)</u>	<u>(8,784)</u>
Gross profit		7,834	8,147	6,077	4,232	3,684
Selling expenses		(67)	(58)	(50)	(35)	(30)
General and administrative expenses		(602)	(1,256)	(572)	(335)	(255)
Other gains and losses	10	(2,815)	(2,066)	(576)	(544)	135
Other income	7	79	139	264	110	61
Loss allowances, net of reversal	10	(118)	(203)	175	174	55
Other expenses		(439)	(237)	(1,028)	(573)	(121)
Interest income	8	24	37	23	14	6
Finance costs	8	(966)	(781)	(630)	(380)	(241)
Share of results of joint ventures and associates		<u>630</u>	<u>303</u>	<u>523</u>	<u>145</u>	<u>247</u>
Profit before income tax		3,560	4,025	4,206	2,808	3,541
Income tax expense	9	<u>(1,166)</u>	<u>(996)</u>	<u>(831)</u>	<u>(505)</u>	<u>(628)</u>
Profit for the year/period	10	<u>2,394</u>	<u>3,029</u>	<u>3,375</u>	<u>2,303</u>	<u>2,913</u>
Other comprehensive income for the year/period		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year/period		<u>2,394</u>	<u>3,029</u>	<u>3,375</u>	<u>2,303</u>	<u>2,913</u>

I HISTORICAL FINANCIAL INFORMATION
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Profit for the year/period attributable to:					
Equity holders of the Company	1,537	1,997	2,232	1,492	2,378
Non-controlling interests	<u>857</u>	<u>1,032</u>	<u>1,143</u>	<u>811</u>	<u>535</u>
	<u>2,394</u>	<u>3,029</u>	<u>3,375</u>	<u>2,303</u>	<u>2,913</u>
Total comprehensive income for the year/period attributable to:					
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	<u>2,394</u>	<u>3,029</u>	<u>3,375</u>	<u>2,303</u>	<u>2,913</u>

I HISTORICAL FINANCIAL INFORMATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Non-current assets					
Property, plant and equipment	14	40,183	36,822	33,899	32,607
Construction in progress	15	1,077	4,407	5,164	4,266
Exploration and evaluation assets	16	74	75	78	79
Intangible assets	17	339	393	396	421
Right-of-use assets	21	3,302	3,310	1,819	1,773
Investments in joint ventures and associates	18	2,606	2,994	3,680	4,234
Financial assets at fair value through other comprehensive income		1	2	-	-
Other non-current assets	20	1,346	1,281	3,811	4,676
Deferred tax assets	27	208	354	365	344
Total non-current assets		49,136	49,638	49,212	48,400
Current assets					
Inventories	22	733	703	364	343
Accounts and bills receivables	23	2,802	2,497	2,240	2,564
Financial assets at fair value through other comprehensive income		4	1	-	-
Financial assets at fair value through profit or loss		2	-	-	-
Prepaid expenses and other current assets	24	4,439	5,334	5,114	3,892
Restricted bank deposits	25	42	391	468	501
Cash and cash equivalents	26	2,993	5,046	3,632	4,366
Total current assets		11,015	13,972	11,818	11,666
Current liabilities					
Borrowings	28	14,931	8,030	4,719	7,091
Accounts and bills payables	30	4,394	5,582	5,410	4,160
Accrued expenses and other payables	31	4,929	5,405	3,235	3,360
Current portion of lease liabilities	29	17	29	15	4
Current portion of long-term liabilities	32	305	641	773	872
Income tax payable		125	371	222	199
Contract liabilities		192	129	78	30
Total current liabilities		24,893	20,187	14,452	15,716
Net current liabilities		(13,878)	(6,215)	(2,634)	(4,050)
Total assets less current liabilities		35,258	43,423	46,578	44,350

I HISTORICAL FINANCIAL INFORMATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

	Notes	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Non-current liabilities					
Borrowings	28	9,050	13,323	12,581	9,249
Long-term liabilities	32	2,297	3,531	2,714	2,251
Accrued reclamation obligations	33	1,107	1,178	1,097	709
Deferred tax liabilities	27	49	12	19	16
Lease liabilities	29	59	177	41	78
Total non-current liabilities		<u>12,562</u>	<u>18,221</u>	<u>16,452</u>	<u>12,303</u>
Net assets		<u>22,696</u>	<u>25,202</u>	<u>30,126</u>	<u>32,047</u>
Equity					
Paid-up capital	34	47,261	47,261	47,261	47,261
Reserves		<u>(27,707)</u>	<u>(26,320)</u>	<u>(22,336)</u>	<u>(20,486)</u>
Equity attributable to equity holders of the Target Company		19,554	20,941	24,925	26,775
Non-controlling interests	40	<u>3,142</u>	<u>4,261</u>	<u>5,201</u>	<u>5,272</u>
Total equity		<u>22,696</u>	<u>25,202</u>	<u>30,126</u>	<u>32,047</u>

I HISTORICAL FINANCIAL INFORMATION
CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY

Year ended 31 December 2022

	Equity attributable to equity holders of the Target Company					Non-controlling interests RMB million	Total equity RMB million
	Paid-up capital RMB million	Statutory reserves RMB million	Other reserves RMB million	Accumulated losses RMB million	Total RMB million		
At 1 January 2022	47,261	1,090	(12,123)	(17,845)	18,383	3,872	22,255
Profit for the year	-	-	-	1,537	1,537	857	2,394
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,537	1,537	857	2,394
Acquisition of non-controlling interest in subsidiaries	-	-	-	(25)	(25)	25	-
Distributions to non-controlling shareholders	-	-	-	-	-	(1,612)	(1,612)
Disposal of subsidiaries	-	-	-	(190)	(190)	-	(190)
Capital contribution to the carved-out entities	-	-	(198)	-	(198)	-	(198)
Appropriation of maintenance and production funds	-	805	-	(805)	-	-	-
Utilisation of maintenance and production funds	-	(654)	-	654	-	-	-
Others	-	-	47	-	47	-	47
At 31 December 2022	47,261	1,241	(12,274)	(16,674)	19,554	3,142	22,696

I HISTORICAL FINANCIAL INFORMATION
CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY (continued)

Year ended 31 December 2023

	Equity attributable to equity holders of the Target Company					Non-controlling interests RMB million	Total equity RMB million
	Paid-up capital RMB million	Statutory reserves RMB million	Other reserves RMB million	Accumulated losses RMB million	Total RMB million		
At 1 January 2023	47,261	1,241	(12,274)	(16,674)	19,554	3,142	22,696
Profit for the year	-	-	-	1,997	1,997	1,032	3,029
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,997	1,997	1,032	3,029
Contributions from non-controlling shareholders	-	-	-	-	-	739	739
Distributions to non-controlling shareholders	-	-	-	-	-	(781)	(781)
Distributions from the carved-out entities	-	-	50	-	50	-	50
Capital contribution to the carved-out entities	-	-	(597)	-	(597)	-	(597)
Appropriation of maintenance and production funds	-	1,120	-	(1,120)	-	-	-
Utilisation of maintenance and production funds	-	(689)	-	689	-	-	-
Others	-	-	16	(79)	(63)	129	66
At 31 December 2023	47,261	1,672	(12,805)	(15,187)	20,941	4,261	25,202

I HISTORICAL FINANCIAL INFORMATION
CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY (continued)

Year ended 31 December 2024

	Equity attributable to equity holders of the Target Company					Non-controlling interests RMB million	Total equity RMB million
	Paid-up capital RMB million	Statutory reserves RMB million	Other reserves RMB million	Accumulated losses RMB million	Total RMB million		
At 1 January 2024	47,261	1,672	(12,805)	(15,187)	20,941	4,261	25,202
Profit for the year	-	-	-	2,232	2,232	1,143	3,375
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	2,232	2,232	1,143	3,375
Contributions from non-controlling shareholders	-	-	-	-	-	238	238
Distributions to non-controlling shareholders	-	-	-	-	-	(469)	(469)
Disposal of subsidiaries	-	-	2,534	-	2,534	28	2,562
Distributions from the carved-out entities	-	-	380	-	380	-	380
Capital contribution to the carved-out entities	-	-	(1,162)	-	(1,162)	-	(1,162)
Appropriation of maintenance and production funds	-	818	-	(818)	-	-	-
Utilisation of maintenance and production funds	-	(1,318)	-	1,318	-	-	-
At 31 December 2024	47,261	1,172	(11,053)	(12,455)	24,925	5,201	30,126

I HISTORICAL FINANCIAL INFORMATION
CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY (continued)

Seven months ended 31 July 2024 (unaudited)

	Equity attributable to equity holders of the Target Company					Non-controlling interests	Total equity
	Paid-up capital RMB million	Statutory reserves RMB million	Other reserves RMB million	Accumulated losses RMB million	Total RMB million (unaudited)	RMB million (unaudited)	RMB million (unaudited)
At 1 January 2024	47,261	1,672	(12,805)	(15,187)	20,941	4,261	25,202
Profit for the year	-	-	-	1,492	1,492	811	2,303
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,492	1,492	811	2,303
Contributions from non-controlling shareholders	-	-	-	-	-	238	238
Distributions to non-controlling shareholders	-	-	-	-	-	(144)	(144)
Disposal of subsidiaries	-	-	161	-	161	-	161
Capital contribution to the carved-out entities	-	-	(835)	-	(835)	-	(835)
Appropriation of maintenance and production funds	-	501	-	(501)	-	-	-
Utilisation of maintenance and production funds	-	(177)	-	177	-	-	-
At 31 July 2024	47,261	1,996	(13,479)	(14,019)	21,759	5,166	26,925

I HISTORICAL FINANCIAL INFORMATION
CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY (continued)

Seven months ended 31 July 2025

	Equity attributable to equity holders of the Target Company					Non-controlling interests RMB million	Total equity RMB million
	Paid-up capital RMB million	Statutory reserves RMB million	Other reserves RMB million	Accumulated losses RMB million	Total RMB million		
At 1 January 2025	47,261	1,172	(11,053)	(12,455)	24,925	5,201	30,126
Profit for the year			-	2,378	2,378	535	2,913
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	2,378	2,378	535	2,913
Contributions from non-controlling shareholders	-	-	-	-	-	128	128
Distributions to non-controlling shareholders	-	-	-	-	-	(174)	(174)
Disposal of subsidiaries	-	-	-	-	-	(418)	(418)
Capital contribution to the carved-out entities	-	-	(528)	-	(528)	-	(528)
Appropriation of maintenance and production funds	-	428	-	(428)	-	-	-
Utilisation of maintenance and production funds	-	(113)	-	113	-	-	-
At 31 July 2025	47,261	1,487	(11,581)	(10,392)	26,775	5,272	32,047

I HISTORICAL FINANCIAL INFORMATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Operating activities					
Profit before income tax	3,560	4,025	4,206	2,808	3,541
Adjustments for:					
Depreciation of property, plant and equipment (note 14)	2,993	2,731	2,257	1,766	1,358
Depreciation of right-of-use assets (note 21)	120	252	178	38	37
Amortisation of intangible assets (note 17)	14	25	7	4	17
Amortisation of long-term deferred expenses (note 20)	4	-	82	47	31
Losses/(gains) on disposal of property, plant and equipment, intangible assets and non-current assets (note 10)	(52)	7	54	27	(16)
Gains on disposal of subsidiaries and associates (note 10)	(27)	-	-	-	(133)
Gains on changes in fair value financial assets at fair value through profit or loss (note 10)	12	-	-	-	-
Impairment losses on property, plant and equipment (note 14)	2,791	2,064	453	379	1
Impairment losses on construction in progress (note 15)	29	35	78	78	-
Impairment losses on intangible assets (note 17)	2	1	-	-	-
Impairment losses on right-of-use assets (note 21)	-	19	140	140	-
Reversal of allowance for prepaid expenses (note 10)	-	-	(8)	(8)	-
Write-down of inventories (note 10)	22	6	-	-	-
Interest income (note 8)	(24)	(37)	(23)	(14)	(6)
Share of results of associates	(630)	(303)	(523)	(121)	(247)
Loss allowances, net of reversal (note 10)	118	203	(167)	(166)	(55)
Financial cost (note 8)	966	781	630	380	241
Operating cash flows before movements in working capital	9,898	9,809	7,364	5,358	4,769
Changes in working capital:					
(Increase)/decrease in inventories	(57)	25	(8)	(371)	16
(Increase)/decrease in accounts and bills receivables	(248)	263	(276)	(459)	(384)
Decrease/(increase) in prepaid expenses and other assets	1,428	(1,096)	(312)	(445)	219
(Increase)/decrease in restricted cash	(3)	32	3	3	6
(Decrease)/increase in accounts and bills payables	(1,933)	1,222	650	(609)	(934)
(Decrease)/increase in accrued expenses and other liabilities	(1,089)	721	(1,723)	531	86
Increase/(decrease) in contract liabilities	3	(63)	(8)	121	(48)
Cash generated from operations	7,999	10,913	5,690	4,129	3,730
Income tax paid	(1,099)	(1,204)	(618)	(361)	(579)
Net cash generated from operating activities	6,900	9,709	5,072	3,768	3,151

I HISTORICAL FINANCIAL INFORMATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Investing activities					
Repayments of entrusted loans	96	1,493	2,520	1,244	555
Income from entrusted loans	69	52	41	26	19
Investments in financial asset at fair value through profit or loss	2	2	-	-	-
Dividend received from associates	-	-	-	-	231
Distributions from the carved-out entities	-	50	380	-	-
Proceeds from disposal of property, plant and equipment, intangible assets and other non-current assets	144	56	272	245	8
Additions of property, plant and equipment, intangible assets, exploration and evaluation assets, construction in progress and other non-current assets	(1,605)	(5,077)	(7,724)	(5,877)	(2,822)
Capital contribution to the carved-out entities	(198)	(597)	(1,162)	(835)	(528)
Entrusted loans to the carved-out entities	(1,275)	(1,250)	(1,765)	(1,244)	(140)
Increase in restricted bank deposits	(20)	(381)	(82)	(94)	(39)
Net cash paid from disposal of subsidiaries	(37)	-	(1,515)	(1,515)	(78)
Investments in associates	(205)	(85)	(163)	(1)	-
Net cash used in investing activities	(3,029)	(5,737)	(9,198)	(8,051)	(2,794)

I HISTORICAL FINANCIAL INFORMATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Financing activities					
Capital contributions from equity holders	47	16	-	-	-
Contributions from non-controlling shareholders	-	739	238	238	128
New borrowings (note 26(c))	18,276	20,374	16,743	9,768	13,743
Repayments of borrowings (note 26(c))	(22,084)	(21,520)	(12,742)	(7,433)	(13,083)
Interest paid (note 26(c))	(867)	(708)	(509)	(335)	(155)
Distributions to non-controlling shareholders	(881)	(798)	(993)	(425)	(215)
Capital element of lease rentals paid (note 26(c))	(38)	(29)	(32)	(19)	(33)
Interest element of lease rentals paid (note 26(c))	(5)	(6)	(6)	(4)	(1)
Net cash used in financing activities	(5,552)	(1,932)	2,699	1,790	384
(Decrease)/increase in cash and cash equivalents	(1,681)	2,040	(1,427)	(2,493)	741
Cash and cash equivalents, at the beginning of the year/period	4,650	2,993	5,046	5,046	3,632
Effect of foreign exchange rate changes	24	13	13	-	(7)
Cash and cash equivalents, at the end of the year/period	2,993	5,046	3,632	2,553	4,366

I HISTORICAL FINANCIAL INFORMATION
STATEMENTS OF FINANCIAL POSITION

	Notes	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Non-current assets					
Property, plant and equipment	14	85	77	72	108
Construction in progress	15	6	6	-	-
Intangible assets	17	20	27	32	39
Right-of-use assets	21	24	18	17	14
Investments in subsidiaries	19	17,895	14,920	15,824	15,792
Investments in joint ventures and associates	18	2,603	2,993	3,680	4,244
Financial assets at fair value through other comprehensive income		1	-	-	-
Other non-current assets	20	3,000	4,240	4,180	2,642
Total non-current assets		23,634	22,281	23,805	22,839
Current assets					
Inventories		-*	-*	-*	-*
Accounts and bills receivables	23	50	6	1	2
Prepaid expenses and other current assets	24	13,184	7,706	2,927	4,300
Cash and cash equivalents	26	535	278	1,347	668
Total current assets		13,769	7,990	4,275	4,970

* Amount smaller than RMB500,000.

I HISTORICAL FINANCIAL INFORMATION
STATEMENTS OF FINANCIAL POSITION (continued)

	Notes	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Current liabilities					
Borrowings	28	6,257	833	202	1,804
Accounts and bills payables	30	75	22	16	15
Accrued expenses and other payables	31	2,597	1,963	1,888	2,024
Current portion of lease liabilities		-	2	4	-
Contract liabilities		9	9	-	13
Total current liabilities		<u>8,938</u>	<u>2,829</u>	<u>2,110</u>	<u>3,856</u>
Net current assets		<u>4,831</u>	<u>5,161</u>	<u>2,165</u>	<u>1,114</u>
Total assets less current liabilities		<u>28,465</u>	<u>27,442</u>	<u>25,970</u>	<u>23,953</u>
Non-current liabilities					
Borrowings	28	3,199	4,200	2,100	-
Long-term liabilities	32	4	-	-	-
Lease liabilities	29	14	8	3	4
Total non-current liabilities		<u>3,217</u>	<u>4,208</u>	<u>2,103</u>	<u>4</u>
Net assets		<u>25,248</u>	<u>23,234</u>	<u>23,867</u>	<u>23,949</u>
Equity					
Paid-up capital	34	47,261	47,261	47,261	47,261
Reserves		(22,013)	(24,027)	(23,394)	(23,312)
Total equity	43	<u>25,248</u>	<u>23,234</u>	<u>23,867</u>	<u>23,949</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. PRINCIPAL ACTIVITIES AND ORGANISATION

Principal activities

The Target Company is a limited liability company established in the People's Republic of China (the "PRC"). The registered office of the Target Company is located at No. 26, Finance Street, Xicheng District, Beijing, the PRC.

During the Relevant Periods, the Target Group was involved in integrated coal mining and coal-powered electricity generation business as well as coal-powered and solar-powered electricity generation business in the PRC.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Target Company is China Energy Group, which is established in the PRC.

As at the date of this report, the Target Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of registration and place of operations	Registered /paid-up capital RMB million	Proportion of ownership interest held by the Target Group (%)	Principal activities
Shaanxi Deyuan Fugu Energy Co., Ltd. 陝西德源府穀能源有限公司	PRC /Mainland China 23 Aug 2005	2,620	70	Integrated coal mining and coal-powered electricity generation business
Qinhuangdao Power Generation Co., Ltd. 秦皇島發電有限責任公司	PRC /Mainland China 18 Feb 1998	680	50	Integrated coal mining and coal-powered electricity generation business
Guoneng (Tianjin) Dagang Power Plant Co., Ltd. ("Tianjin Dagang Power") 國能(天津)大港發電廠有限公司	PRC /Mainland China 11 Dec 2015	960	94	Integrated coal mining and coal-powered electricity generation business
Guangdong Jinma Tourism Group Co., Ltd. 廣東金馬旅遊集團股份有限公司	PRC /Mainland China 8 Apr 1993	1,009	100	Investment holding
Shanxi Luneng Hequ Power Coal Development Co., Ltd 山西魯能河曲電煤開發有限責任公司	PRC /Mainland China 6 Jun 2002	233	70	Coal mining
Guoneng Shanxi Hequ Power Generation Co., Ltd. 國能山西河曲發電有限公司	PRC /Mainland China 1 Oct 2004	1,766	60	Coal-powered electricity generation business
Guoneng Bozhou New Energy Co., Ltd. 國能博州新能源有限公司	PRC /Mainland China 8 Apr 2023	300	100	Clean energy power generation

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. PRINCIPAL ACTIVITIES AND ORGANISATION (CONTINUED)

Principal activities (continued)

Name	Place and date of registration and place of operations	Registered /paid-up capital RMB million	Proportion of ownership interest held by the Target Group (%)	Principal activities
State Grid Energy Hami Coal power Co., Ltd. 國網能源哈密煤電有限公司	PRC /Mainland China 10 Jul 2003	3,666	100	Integrated coal mining and coal-powered electricity generation business
Guoneng Baoqing Coal Electrochemical Co., Ltd. 國能寶清煤電化有限公司	PRC /Mainland China 13 Oct 2004	4,176	55	Integrated coal mining and coal-powered electricity generation business
Zhongneng Fuel Logistics Co., Ltd. 中能燃料配送有限公司	PRC /Mainland China 26 Jun 2001	53	70	Coal sales business
Shenzhen Shandong Nuclear Power Construction Co., Ltd. 深圳山东核电工程有限责任公司	PRC /Mainland China 11 Nov 1991	52	70	Thermal power equipment installation
Shanxi Lujin Wangqu Power Generation Co., Ltd. 山西魯晉王曲發電有限公司	PRC /Mainland China 12 Jan 1998	1,164	75	Coal-powered electricity generation business

Note:

The statutory financial statements of the above entities for the years ended 31 December 2022 prepared under China Accounting Standards were audited by ShineWing Certified Public Accountants LLP, certified public accountants registered in the PRC, and the statutory financial statements of the above entities for the years ended 31 December 2023 and 2024 prepared under China Accounting Standards were audited by Baker Tilly China Certified Public Accountants LLP, certified public accountants registered in the PRC.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.1 BASIS OF PRESENTATION

Pursuant to the Acquisition, as more fully explained in the paragraph headed "Pre-reorganisation" in the section headed "MAJOR AND CONNECTED TRANSACTION" in the Circular, the Target Company agreed to dispose of its entire equity interests in Guoneng Power Technology Engineering Co., Ltd., Shenhua Guoneng Bayannur Coal Power Co., Ltd., Baotou Luneng Baiyunebo Wind Power Co., Ltd., Urad Zhongqi Luneng Wind Power Co., Ltd., Guoyuan Bayannur Energy Co., Ltd., Guoneng Shanxi Kelan New Energy Co., Ltd., Shanxi Lujin Wangqu Power Generation Co., Ltd. Kang Bao Wind Power Branch, State Grid Energy Xinjiang Zhundong Coal and Electricity Co., Ltd., State Grid Energy HeFeng Coal Power Co., Ltd., Guoneng (Gaomi) New Energy Co., Ltd., State Grid Energy Hami Coal power Co., Ltd. Dananhu Power Plant and State Grid Energy Hami Coal Power Co., Ltd. Coal Mine 1# (collectively, the "Excluded Business") before the Acquisition (the "Disposal"). The Target Group then comprised the Target Company and its subsidiaries except the Excluded Businesses.

The Historical Financial Information excludes the Excluded Business, which are under the control of the ultimate holding company, but are not strategically complementary for the Acquisition purpose. In evaluating whether the Historical Financial Information fairly presents the history of the Target Group's businesses, the directors considered, among others, the following:

- 1) whether the Excluded Business was in dissimilar businesses;
- 2) whether the Excluded Business was and would be operated autonomously both before and after the Disposal; and
- 3) whether the Excluded Business had no more than incidental common facilities and costs.

The Historical Financial Information has been prepared as if the Disposal had been completed at the beginning of the Relevant Periods and accounted for as a distribution to the holding company of Target Company. The Historical Financial Information does not include the assets, liabilities, results of the operations and cash flows of the Excluded Business. The transactions and balances between the Target Group and the Excluded Business have not been eliminated.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) as issued by the International Accounting Standards Board (the "IASB"). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the going concern basis notwithstanding the fact that, as at 31 July 2025, the Group recorded net current liabilities amounting to RMB4,050 million because there were unutilised banking facilities of RMB8 billion available to the Target Group as at 31 July 2025. In view of the above, the directors of the Target Company consider it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Historical Financial Information has been prepared under the historical cost basis, except for certain financial instruments as disclosed in note 36.3 to the Historical Financial Information which have been measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.2 BASIS OF PREPARATION (CONTINUED)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 3 to the Historical Financial Information.

Material accounting policies adopted by the Target Group are disclosed below.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Target Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Target Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective.

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

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

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

³ No mandatory effective date yet determined but available for adoption

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS (CONTINUED)

The Target Group is in the process of making an assessment of the impact of these new and revised IFRS Accounting Standards upon initial application. IFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information. The new requirements are expected to impact the Target Group's presentation in the statement of profit or loss and other comprehensive income and disclosures of the Target Group's financial performance. The application of IFRS 18 is not expected to have any impact on the Target Group's results of operations and financial position but has impact on the presentation and disclosure of the Historical Financial Information. Other than IFRS 18, so far, the Target Group considers that IFRS 19 and the revised IFRS Accounting Standards are unlikely to have a significant impact on the Target Group's results of operations and financial position.

2.4 MATERIAL ACCOUNTING POLICIES

Basis of combination

The Historical Financial Information incorporates the financial statements of the Target Company and its subsidiaries except the Excluded Business. Control is achieved when the Target Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Target Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Target Group considers all relevant facts and circumstances in assessing whether or not the Target Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Target Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Target Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Target Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to equity holders of the Target Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Target Group's accounting policies.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Target Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Target Group's ownership interests in existing subsidiaries

Changes in the Target Group's interests in subsidiaries that do not result in the Target Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Target Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Target Group and the non-controlling interests according to the Target Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holder of the Target Company.

Business combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Target Group, liabilities incurred by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Target Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Target Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Investments in associates

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

The results and assets and liabilities of associates are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Target Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Target Group's share of the profit or loss and other comprehensive income of the associate. When the Target Group's share of losses of an associate exceeds the Target Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Target Group's net investment in the associate, after applying the expected credit losses (the "ECL") model to such other long-term interests where applicable), the Target Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of that associate.

On acquisition of the investment in an associate, any excess of the cost of acquisition over the Target Group's share of the net fair value of the identifiable assets, liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Target Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Target Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss is recognised when the recoverable amount is less than the carrying value of the investment in associates. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Target Group reduces its ownership interest in an associate but the Target Group continues to use the equity method, the Target Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Target Group, profits and losses resulting from the transactions with the associate are recognised in the Historical Financial Information only to the extent of interests in the associate that are not related to the Target Group.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers

Under IFRS 15, the Target Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;
- the Target Group's performance creates and enhances an asset that the customer controls as the Target Group performs; or
- the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Target Group's right to consideration in exchange for goods or services that the Target Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Target Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than entity's functional currencies (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 added to as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Target Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Target Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Target Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes and a supplemental defined contribution pension plan approved by the government are recognised as an expense when employees have rendered service entitling them to the contributions.

The contributions made by the Target Group to such insurance plans on behalf of employees are fully attributed to the employees at the time of payment, therefore the Target Group has no abandoned contributions that can be utilised.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Target Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "OECD").

The Target Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, joint ventures and associates, except where the Target 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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. Unrecognised deferred tax assets are reassessed at the end of each reporting year and are recognised to the extent that it has become probable that future taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target 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 Target Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment, which consists of buildings, mining structures and mining rights, mining related machinery and equipment, and other items of plant and equipment, held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write-off the cost of items of property, plant and equipment (other than construction in progress, which are subject to impairment assessment) less their residual values over their estimated useful lives. 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.

Property, plant and equipment, except for mining structures and mining rights, are depreciated on a straight-line basis at the following rates per annum:

Categories	Term for depreciation (year)
Buildings	10 – 55 years
Mining related machinery and equipment	5 – 20 years
Generators related machinery and equipment	5 – 20 years
Furniture, fixtures, motor vehicles and other equipment	5 – 20 years

The directors reviewed the estimated useful lives of the assets annually based on the Target Group's historical experience with similar assets and taking into account anticipated technological changes.

Construction in progress intended to be used for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Target Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related cost are recognised in profit or loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Mining structures and mining rights

The costs of mining structures and mining rights, which include the costs of acquiring and developing mining structures and mining rights, are firstly capitalised as "construction in progress" in the reporting period in which they are incurred and then reclassified to "Mining structures and mining rights" under property, plant and equipment when they are ready for commercial production.

Mining structures and mining rights are depreciated on a units-of-production basis utilising only proved and probable coal reserves in the depletion base.

The Target Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

Stripping costs incurred to develop a mine (or pit) before the production commences or to improve access to the component of the ore body during the production stage are capitalised as part of the cost of constructing the mine (or pit) and subsequently amortised over the life of the mine (or pit) on a units-of-production basis. Stripping costs and secondary development expenditure, mainly comprising costs on blasting, haulage, excavation, etc. incurred during the production stage of the ore body and does not providing any improved access to the ore body are charged to profit or loss as incurred.

Commercial reserves are proved and probable reserves. Changes in the commercial reserves affecting unit of production calculations are dealt with prospectively over the revised remaining reserves.

Exploration and evaluation assets

Exploration and evaluation assets comprise costs which are directly attributable to the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource:

- researching and analysing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- conducting market and finance studies.

Expenditure during the initial exploration preparation stage of a project is charged to profit or loss as incurred. Exploration and evaluation costs, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project.

Once the final feasibility study has been completed and a development decision has been taken, accumulated capitalised exploration and evaluation expenditures in respect of an area of interest are transferred to property, plant and equipment. In circumstances when an area of interest is abandoned or management decides it is not commercially viable, any accumulated costs in respect of that area are written off in the period the decision is made.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

Obligations for land reclamation

The Target Group's obligations for land reclamation consist of spending estimates at both surface and underground mines in accordance with the PRC rules and regulations. The Target Group estimates its liabilities for land reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash flows for the required work. Spending estimates are discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Target Group records a corresponding asset associated with the liability for final reclamation and mine closure. The obligation and corresponding asset are recognised in the period in which the liability is incurred. The asset is depreciated on the units-of-production method over its expected life and the liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and the corresponding asset are recognised at the appropriate discount rate.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Intangible assets (Continued)

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Target Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leased assets

At inception of a contract, the Target Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Target Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Target Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Target Group enters into a lease in respect of a low-value asset, the Target Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Target Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Target Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Leased assets (Continued)

(ii) As a lessor

When the Target Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Target Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

When the Target Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Target Group applies the exemption method, then the Target Group classifies the sub-lease as an operating lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method, first-in first-out method, as well as specific identification method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities measured at fair value through profit and loss (the "FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities FVTPL are recognised immediately in profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (the "FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Target Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

In addition, the Target Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the other reserves; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Target Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets

The Target Group recognises a loss allowance for expected credit loss ("ECL") on financial assets which are subject to impairment under IFRS 9 (including accounts receivable, other receivables, etc.). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Group always recognises lifetime ECL for accounts receivable. The ECL on these assets are assessed individually for credit-impaired debtors or using a provision matrix with appropriate groupings.

For all other instruments, the Target Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

(i) *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external credit rating (if available);
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Target Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For financial guarantee contracts, the date that the Target Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Target Group considers the changes in the risk that the specified debtor will default on the contract.

The Target Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

(ii) *Definition of default*

For internal credit risk management, the Target Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group). The Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

(iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concessions that the lenders would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial re-organisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) *Write-off policy*

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

(v) *Measurement and recognition of ECL (Continued)*

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and the cash flows that the Target Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Target Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Target Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts, the Target Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Target Group's accounts and bills receivables and other receivables are each assessed as a separate group. Loans receivable are assessed for ECL on an individual basis);
- Past-due status; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Target Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Target Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in other reserves is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including borrowings, accounts and bills payables and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

2.4 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Related parties

- (a) A person, or a close member of that person's family, is related to the Target Group if that person:
 - (i) has control or joint control over the Target Group;
 - (ii) has significant influence over the Target Group; or
 - (iii) is a member of the key management personnel of the Target Group or the Target Group's parent.
- (b) An entity is related to the Target Group if any of the following conditions applies:
 - (i) The entity and the Target Group are members of the same group.
 - (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 Target Group or an entity related to the Target 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 Target Group or to the Target Group's parent.

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in note 2.4 to the Historical Financial Information, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

3.1 Critical judgements in applying accounting policies

The following are critical judgements, apart from those involving estimation (see note 3.2 to the Historical Financial Information below), that the Directors have made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Going concern

As described in note 2.2 to the Historical Financial Information, the Target Group's ability to continue as a going concern is dependent on obtaining cash inflows from borrowings to ensure sufficient cash flow to meet its liabilities as they fall due. Should the Target Group be unable to obtain adequate funding, there exists a material uncertainty regarding the Target Group's ability to continue as a going concern. The Historical Financial Information does not include any adjustments that would be necessary to the carrying amounts and classification of assets and liabilities should the Target Group be unable to continue as a going concern.

3.2 Key sources of estimation uncertainty

The following are 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.

Coal reserves

Engineering estimates of the Target Group's coal reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated coal reserves can be designated as "proved" and "probable". Proved and probable coal reserve estimates are updated at regular basis and have taken into account recent production and technical information of each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable coal reserves also changes. This change is considered as a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expenses and impairment loss. Depreciation rates are determined based on estimated proved and probable coal reserve quantity (the denominator) and capitalised costs of mining structures and mining rights (the numerator). The capitalised cost of mining structures and mining rights are amortised based on the units of coal produced.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

Impairment losses

In considering the impairment losses that may be required for certain of the Target Group's assets which mainly include property, plant and equipment, construction in progress, exploration and evaluation assets, intangible assets, right-of-use assets, interests in joint ventures and associates and other non-current assets, the recoverable amount of the asset needs to be determined. The recoverable amount is the higher of its fair value less cost of disposal and value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, the Target Group uses all readily available information in determining expected cash flows generated by the cash-generating unit to which the asset belongs, and they are discounted to their present value, which requires significant judgement relating to cash flow items such as level of sale volume, selling price, amount of operating costs and future returns.

In considering the impairment losses that may be required for current receivables and other financial assets, future cash flows need to be determined. One of the key assumptions that has to be applied is about the ability of the debtors to settle the receivables.

Notwithstanding that the Target Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher or lower than the amount estimated.

Deferred tax assets

The Target Group recognises the deferred income tax assets to the extent that it is probable that future taxable profit and taxable temporary differences will be available against which the deductible temporary differences and tax losses carried forward can be utilised, using tax rates that are expected to be applied in the period when the asset is recovered. Recognition of deferred income tax assets was complex because it requires significant estimation and judgement, and it involves significant assumptions, including future taxable profits, future tax rates, the reversal of deductible and taxable temporary differences, and the possible utilisation of tax losses carried forward that could be significantly affected by changes in the tax law framework and future market or economic conditions. Further details on deferred taxes are disclosed in note 27 to the Historical Financial Information.

Obligations for land reclamation

The estimation of the liabilities for reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Target Group considers the factors including development plan of the mines, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Target Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Target Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation will be recognised at the appropriate discount rate. The carrying amounts of the obligations are disclosed in note 33 to the Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

4. REVENUE FROM GOODS AND SERVICES

Disaggregation of revenue of business lines is as follows:

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Revenue from goods and services					
– Coal	7,161	6,162	5,026	3,419	1,924
– Power	22,286	24,121	20,589	12,016	10,482
– Others	295	60	50	66	1
Others	308	753	179	85	61
	<u>30,050</u>	<u>31,096</u>	<u>25,844</u>	<u>15,586</u>	<u>12,468</u>

The Target Group's revenues from contracts with customers are RMB30,038 million, RMB31,085 million, RMB25,819 million, RMB15,580 million (unaudited) and RMB12,464 million for the years ended 31 December 2022, 2023 and 2024 and the seven months ended 31 July 2024 and 2025, respectively.

The Target Group produces and sells coal to customers at spot market. For sales of coal, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location. According to the Target Group's historical experiences, there was no significant exchange or return occurred. There is no sales-related warranties associated with coal.

For sales of power, revenue is recognised upon the transmission of electric power to the power grid companies. Power could not be returned or exchanged and there is also no warranties associated with power sales.

All performance obligations of sales of coal and power are part of contracts with an original expected duration of one year or less, and as permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. SEGMENT AND OTHER INFORMATION

For management purposes, the Target Group only has one reportable operating segment. Management monitors the operating results of the Target Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

All of the Target Group's revenue from external customers was from Mainland China during the Relevant Periods and the seven months ended 31 July 2024. All of the Target Group's non-current non-financial assets (excluding deferred tax assets) were located in Mainland China as at the end of each of the Relevant Periods.

Revenue derived from single customers which accounted for 10% or more of the Target Group's total revenue is as follows:

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Customer A	21,794	23,549	19,930	11,627	10,117
Customer B	<u>3,635</u>	<u>4,877</u>	<u>3,252</u>	<u>2,282</u>	<u>1,917</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

6. COST OF SALES

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Materials, fuel and power	11,712	11,948	9,626	5,615	4,275
Personnel expenses	4,215	4,993	4,304	2,811	1,809
Depreciation and amortisation	2,360	2,186	1,959	1,244	921
Repairs and maintenance	552	577	402	280	305
Taxes and surcharges	1,606	1,626	1,542	890	706
Other operating costs	1,771	1,619	1,934	514	768
	<u>22,216</u>	<u>22,949</u>	<u>19,767</u>	<u>11,354</u>	<u>8,784</u>

7. OTHER INCOME

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Government grants	44	33	17	11	5
Claim income	5	1	3	3	1
Carbon emission quota income	-	57	57	-	-
Others	30	48	187	96	55
	<u>79</u>	<u>139</u>	<u>264</u>	<u>110</u>	<u>61</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

8. INTEREST INCOME/FINANCE COSTS

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Interest income from:					
– bank deposits	24	37	23	14	6
Total interest income	24	37	23	14	6
Interest on:					
– borrowings	1,133	833	554	352	202
– lease liabilities	5	6	6	4	1
Total finance costs on financial liabilities	1,138	839	560	356	203
Less: Amount capitalised	(210)	(127)	(99)	(62)	(42)
	928	712	461	294	161
Others	3	3	9	3	5
Unwinding of discount	60	81	174	83	68
Exchange loss, net	(25)	(15)	(14)	-	7
Total finance costs	966	781	630	380	241
Net finance costs	942	744	607	366	235

Note:

Borrowing costs capitalised during the years ended 31 December 2022, 2023 and 2024 and the seven months ended 31 July 2024 and 2025 arose on the general borrowing pools and were calculated by applying capitalisation rates from 2.3% to 3.6%, from 2.3% to 3.6%, from 2.3% to 4%, from 2.3% to 4% (unaudited) and from 1.86% to 3.6%, respectively, per annum to expenditure on qualifying assets.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

9. INCOME TAX EXPENSE

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Current tax	971	1,179	835	977	610
Deferred tax	<u>195</u>	<u>(183)</u>	<u>(4)</u>	<u>(472)</u>	<u>18</u>
	<u>1,166</u>	<u>996</u>	<u>831</u>	<u>505</u>	<u>628</u>

The tax charge for the year/period can be reconciled to the profit before income tax per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Profit before income tax	<u>3,560</u>	<u>4,025</u>	<u>4,206</u>	<u>2,808</u>	<u>3,541</u>
Tax at the PRC income tax rate of 25%	890	1,006	1,052	702	885
Tax effects of:					
– different tax rates of subsidiaries	(239)	(463)	(389)	(287)	(306)
– non-deductible expenses	83	120	134	103	37
– share of results of joint ventures and associates	(108)	(58)	(132)	(116)	(45)
– utilisation of tax losses and deductible temporary difference previously not recognised	(6)	(7)	(8)	(18)	(28)
– tax losses and deductible temporary difference not recognised	<u>546</u>	<u>398</u>	<u>174</u>	<u>121</u>	<u>85</u>
Income tax expense	<u>1,166</u>	<u>996</u>	<u>831</u>	<u>505</u>	<u>628</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate applicable for the PRC group entities were 25% for the Relevant Periods and for the seven months ended 2024 except for subsidiaries operating in the Western developing region of the PRC which are qualified to be entitled to a preferential tax rate of 15% from 2021 to 2030.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

10. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period has been arrived at after charging/(crediting)

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Personnel expenses, including	5,903	5,738	5,012	4,250	2,336
– Contributions to defined contribution plans	671	773	712	511	306
Depreciation of property, plant and equipment (note 14)	2,993	2,731	2,257	1,766	1,358
Depreciation of right-of- use assets (note 21)	120	252	178	38	37
Amortisation of intangible assets (note 17)	14	25	7	4	17
Amortisation of long-term deferred expenses (note 20)	4	-*	82	47	31
Depreciation and amortisation charged for the year	3,131	3,008	2,524	1,855	1,443
Less: amount capitalised	<u>172</u>	<u>241</u>	<u>277</u>	<u>162</u>	<u>28</u>
Depreciation and amortisation	<u>2,959</u>	<u>2,767</u>	<u>2,247</u>	<u>1,693</u>	<u>1,415</u>
Loss allowances					
– Accounts receivable (note 36.2)	79	8	(166)	(166)	(16)
– Other receivables and other loans (note 36.2)	39	195	(1)	-	(39)
– prepaid expenses	<u>-</u>	<u>-</u>	<u>(8)</u>	<u>(8)</u>	<u>-</u>
	<u>118</u>	<u>203</u>	<u>(175)</u>	<u>(174)</u>	<u>(55)</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

10. PROFIT FOR THE YEAR (CONTINUED)

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Other gains and losses, represent					
– gains on disposal of subsidiaries	(27)	-	-	-	(133)
– (gains)/losses on entrusted loans	(69)	(52)	(42)	(26)	(19)
– factoring services	3	-	1	-	-
– fair value gains on financial assets at fair value through profit or loss	(2)	(2)	-	-	-
– fair value losses on derivative financial instruments	14	2	-	-	-
– impairment losses on property, plant and equipment (note 14) (note)	2,791	2,064	453	379	1
– impairment losses on intangible assets (note 17) (note)	2	1	-	-	-
– impairment losses on construction in progress (note 15) (note)	29	35	78	78	-
– impairment losses on right- of-use assets (note 21) (note)	-	19	140	140	-
– write-down of inventories (note 22)	22	6	-	-	-
– losses/(gains) on disposal of property, plant and equipment, intangible assets and non-current assets	<u>52</u>	<u>(7)</u>	<u>(54)</u>	<u>(27)</u>	<u>16</u>
	<u>2,815</u>	<u>2,066</u>	<u>576</u>	<u>544</u>	<u>(135)</u>
Carrying amount of inventories sold	22,216	22,949	19,767	11,354	9,858
Operating lease charges relating to short-term leases, leases of low-value assets and variable lease payments	12	12	9	9	3
Auditors' remuneration					
– audit service	<u>2</u>	<u>-*</u>	<u>1</u>	<u>1</u>	<u>-*</u>

* Amount smaller than RMB500,000.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

10. PROFIT FOR THE YEAR (CONTINUED)

Note:

The Target Group has recorded impairment losses for certain long-term assets.

The recoverable amount is the higher of the fair value of the cash generating units ("CGU") less costs to sell and value in use ("VIU") of the CGUs.

Recoverable amount by calculating fair value less costs to sell:

As at 31 December 2022, 2023 and 2024 and 31 July 2025, the Target Group had determined the recoverable amount by using fair value less cost of disposal. Certain assets had been valued via market method. The fair value was categorised into Level 3 measurement.

Recoverable amount by calculating present value of estimated future cash flow:

The Target Group had treated companies with impairment indicators as individual cash-generating units and had made relevant impairment assessment by calculating the present value of estimated future cash flow of each cash generating unit.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

11. DIRECTORS', CHIEF EXECUTIVE AND SUPERVISORS' EMOLUMENTS

The remuneration of the Target Company's directors (including the chief executive) and supervisors during the Relevant Periods and the seven months ended 31 July 2024 are as follows:

Year ended 31 December 2022						
	Notes	Fee RMB million	Basic salaries, housing and other allowance and benefits in kind RMB million	Discretionary bonuses RMB million	Retirement scheme contributions RMB million	Total RMB million
Directors						
Xu Xiaohui	(iii)	-	0.06	0.15	0.01	0.22
Li Kan	(ii)&(iii)	-	0.29	0.74	0.12	1.15
Fang Chunyang	(i)&(iii)	-	-	-	-	-
Wang Zhilu	(iii)	-	0.34	0.89	0.15	1.38
Zhao Jian	(i)	-	-	-	-	-
Zhao Jianjun	(i)&(iii)	-	-	-	-	-
Sub-total		-	0.69	1.78	0.28	2.75
Supervisors						
Zhou Yanbin	(i)&(iii)	-	-	-	-	-
Total		-	0.69	1.78	0.28	2.75
Year ended 31 December 2023						
	Notes	Fee RMB million	Basic salaries, housing and other allowance and benefits in kind RMB million	Discretionary bonuses RMB million	Retirement scheme contributions RMB million	Total RMB million
Directors						
Li Kan	(ii)&(iii)	-	0.29	0.69	0.13	1.11
Fang Chunyang	(i)&(iii)	-	-	-	-	-
Zhao Jianjun	(i)&(iii)	-	-	-	-	-
Chen Ai	(ii)	-	0.06	0.15	0.03	0.24
Wan Jinmei	(i)&(ii)	-	-	-	-	-
Wang Zhilu	(iii)	-	0.09	0.23	0.04	0.36
Zhou Dayu	(i)&(ii)	-	-	-	-	-
Zhao Jian	(i)	-	-	-	-	-
Chen Jianqiang	(ii)	-	0.03	0.08	0.01	0.12
Sub-total		-	0.47	1.15	0.21	1.83
Supervisors						
Zhou Yanbin	(i)&(iii)	-	0.18	0.41	0.08	0.67
Total		-	0.65	1.56	0.29	2.50

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

The remuneration of the Target Company's directors (including the chief executive) and supervisors during the Relevant Periods and the seven months ended 31 July 2024 are as follows: (continued)

Year ended 31 December 2024					
Notes	Fee RMB million	Basic salaries, housing and other allowance and benefits in kind RMB million	Discretionary bonuses RMB million	Retirement scheme contributions RMB million	Total RMB million
Directors					
Chen Ai (ii)	-	0.26	0.86	0.16	1.28
Wan Jinmei (i)&(ii)	-	-	-	-	-
Zhou Dayu (i)&(ii)	-	-	-	-	-
Chen Jianqiang (ii)	-	0.26	0.86	0.16	1.28
Zhao Jian (i)	-	-	-	-	-
Total	-	0.52	1.72	0.32	2.56
Seven months ended 31 July 2024 (unaudited)					
Notes	Fee RMB million	Basic salaries, housing and other allowance and benefits in kind RMB million	Discretionary bonuses RMB million	Retirement scheme contributions RMB million	Total RMB million
Directors					
Chen Ai (ii)	-	0.15	0.42	0.09	0.66
Wan Jinmei (i)&(ii)	-	-	-	-	-
Zhou Dayu (i)&(ii)	-	-	-	-	-
Chen Jianqiang (ii)	-	0.15	0.67	0.10	0.92
Zhao Jian (i)	-	-	-	-	-
Total	-	0.30	1.09	0.19	1.58
Seven months ended 31 July 2025					
Notes	Fee RMB million	Basic salaries, housing and other allowance and benefits in kind RMB million	Discretionary bonuses RMB million	Retirement scheme contributions RMB million	Total RMB million
Directors					
Chen Ai (ii)	-	0.15	0.31	0.10	0.56
Wan Jinmei (i)&(ii)	-	-	-	-	-
Zhou Dayu (i)&(ii)	-	-	-	-	-
Chen Jianqiang (ii)	-	0.15	0.31	0.10	0.56
Zhao Jian (i)	-	-	-	-	-
Total	-	0.30	0.62	0.20	1.12

Discretionary bonuses were determined in accordance with the relevant human resources policies.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes:

- (i) The emoluments of these directors were borne by China Energy Group during the Relevant Periods and the seven months ended 31 July 2024.
- (ii) Mr. Li Kan was appointed as a director on 21 February 2022.
Mr. Zhou Dayu was appointed as a director on 8 October 2023.
Mr. Chen Ai was appointed as a director on 30 October 2023.
Mr. Chen Jianqiang was appointed as a director on 6 November 2023.
Ms. Wan Jinmei was appointed as a director on 27 December 2023.
- (iii) Mr. Xu Xiaohui ceased to serve as a director on 26 February 2022.
Mr. Wang Zhilu ceased to serve as a director on 21 March 2023.
Mr. Zhou Yanbin ceased to serve as a supervisor on 12 June 2023.
Mr. Zhao Jianjun ceased to serve as a director on 8 October 2023.
Mr. Li Kan ceased to serve as a director on 30 October 2023.
Mr. Fang Chunyang ceased to serve as a director on 27 December 2023.

Except for those emoluments of directors or supervisors whose emoluments were borne by China Energy Group, the directors' and supervisors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Target Company and the Target Group.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments within the Target Group, one, nil, two, nil and two were directors of the Target Company whose emoluments are disclosed in note 11 to the Historical Financial Information for the years ended 31 December 2022, 2023 and 2024 and for the seven months ended 31 July 2024 and 2025. The emoluments of other four, five, three, five and three highest paid individuals are as follows:

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Basic salaries, housing and other allowances and benefits in kind	1.34	1.72	0.84	1.21	0.36
Discretionary bonuses	3.05	4.58	2.53	4.10	0.75
Retirement scheme contributions	0.59	0.87	0.55	0.56	0.29
Total	4.98	7.17	3.92	5.87	1.40

Their emoluments are within the following band:

	Year ended 31 December 2022	Year ended 31 December 2023	Year ended 31 December 2024	Seven months ended 31 July 2024 (unaudited)	Seven months ended 31 July 2025
HKD500,001 to HKD1,000,000	-	-	-	-	3
HKD1,000,001 to HKD1,500,000	3	1	2	5	-
HKD1,500,001 to HKD2,000,000	1	4	1	-	-
Total	4	5	3	5	3

13. DIVIDENDS

During the Relevant Periods and the seven months ended 31 July 2024, no dividend was proposed, declared or paid by the Target Company.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

14. PROPERTY, PLANT AND EQUIPMENT

The Target Group

Cost	Buildings RMB million	Mining structures and mining rights RMB million	Mining related machinery and equipment RMB million	Generators related machinery and equipment RMB million	Furniture, fixtures, motor vehicles and other equipment RMB million	Total RMB million
At 1 January 2022	14,152	6,092	5,282	47,280	4,238	77,044
Additions	1	239	730	63	33	1,066
Transferred from construction in progress (note 15)	867	-	178	2,434	182	3,661
Reclassification	(183)	-	-	(1,477)	1,660	-
Disposals or write-off	(146)	(58)	(16)	(361)	(50)	(631)
Others	-	443	15	5	5	468
At 31 December 2022 and 1 January 2023	14,691	6,716	6,189	47,944	6,068	81,608
Additions	54	-	297	4	29	384
Transferred from construction in progress (note 15)	26	-	186	777	101	1,090
Reclassification	(581)	292	126	4	159	-
Disposals or write-off	(21)	-	(375)	(275)	(26)	(697)
Others	(35)	20	(20)	(2)	7	(30)
At 31 December 2023	14,134	7,028	6,403	48,452	6,338	82,355

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Target Group (continued)

	Buildings RMB million	Mining structures and mining rights RMB million	Mining related machinery and equipment RMB million	Generators related machinery and equipment RMB million	Furniture, fixtures, motor vehicles and other equipment RMB million	Total RMB million
Cost						
At 1 January 2024	14,134	7,028	6,403	48,452	6,338	82,355
Additions	3	-	496	24	36	559
Transferred from construction in progress (note 15)	488	-	92	3,418	171	4,169
Reclassification	(1,399)	-	29	990	380	-
Disposals or write-off	(49)	(718)	(183)	(226)	(80)	(1,256)
Disposals of subsidiaries (note 42)	(4,204)	(749)	(2,241)	(6,993)	(2,244)	(16,431)
Others	31	32	2	17	47	129
At 31 December 2024 and 1 January 2025	9,004	5,593	4,598	45,682	4,648	69,525
Additions	-	-	271	-	7	278
Transferred from construction in progress (note 15)	42	-	35	2,466	39	2,582
Reclassification	6	-	-	(7)	1	-
Disposals or write-off	(33)	-	(1)	(69)	(71)	(174)
Disposals of subsidiaries (note 42)	(301)	-	-	(2,139)	(100)	(2,540)
Others	39	(313)	33	(3)	(1)	(245)
At 31 July 2025	8,757	5,280	4,936	45,930	4,523	69,426

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Target Group (continued)

	Buildings RMB million	Mining structures and mining rights RMB million	Mining related machinery and equipment RMB million	Generators related machinery and equipment RMB million	Furniture, fixtures, motor vehicles and other equipment RMB million	Total RMB million
Depreciation and impairment						
At 1 January 2022	4,346	1,517	3,277	23,572	3,371	36,083
Charge for the year	372	222	363	1,827	209	2,993
Reclassification	7	-	-	(626)	619	-
Impairment losses	673	20	123	1,945	30	2,791
Disposals or write-off	(69)	(37)	(13)	(275)	(49)	(443)
Others	(2)	-	3	-	-	1
At 31 December 2022 and 1 January 2023	5,327	1,722	3,753	26,443	4,180	41,425
Charge for the year	359	218	422	1,534	198	2,731
Reclassification	(160)	107	22	5	26	-
Impairment losses	504	319	495	700	46	2,064
Disposals or write-off	(14)	-	(365)	(267)	(25)	(671)
Others	(14)	(2)	(5)	-	5	(16)
At 31 December 2023	6,002	2,364	4,322	28,415	4,430	45,533

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Target Group (continued)

	Buildings RMB million	Mining structures and mining rights RMB million	Mining related machinery and equipment RMB million	Generators related machinery and equipment RMB million	Furniture, fixtures, motor vehicles and other equipment RMB million	Total RMB million
Depreciation and impairment						
At 1 January 2024	6,002	2,364	4,322	28,415	4,430	45,533
Charge for the year	251	129	221	1,538	118	2,257
Reclassification	(98)	-	(3)	73	28	-
Impairment losses	1	147	172	127	6	453
Disposals or write-off	(33)	(518)	(173)	(220)	(78)	(1,022)
Disposals of subsidiaries (note 42)	(2,691)	(669)	(1,976)	(4,964)	(1,297)	(11,597)
Others	(6)	-	-	1	7	2
At 31 December 2024	3,426	1,453	2,563	24,970	3,214	35,626
Charge for the period	111	80	190	851	126	1,358
Reclassification	1	-	-	(1)	-	-
Impairment losses	-	1	-	-	-	1
Disposals or write-off	(28)	-	(1)	(53)	(69)	(151)
Disposals of subsidiaries (note 42)	(1)	-	-	(15)	(6)	(22)
Others	-	-	7	-	-	7
At 31 July 2025	3,509	1,534	2,759	25,752	3,265	36,819
Net carrying amounts						
At 31 December 2022	9,364	4,994	2,436	21,501	1,888	40,183
At 31 December 2023	8,132	4,664	2,081	20,037	1,908	36,822
At 31 December 2024	5,578	4,140	2,035	20,712	1,434	33,899
At 31 July 2025	5,248	3,746	2,177	20,178	1,258	32,607

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Target Group (continued)

Notes:

- (i) The Target Group was in the process of applying for the title certificates of certain of its properties with aggregate carrying amounts of RMB1,207 million, RMB1,157 million, RMB1,126 million and RMB1,099 million as at 31 December 2022, 2023 and 2024 and 31 July 2025, respectively. The directors are of the opinion that the Target Group is entitled to lawfully and validly occupy or use the above mentioned properties.
- (ii) There is no pledged property, plant and equipment of the Target Group to secure the banking facilities granted to the Target Group at 31 December 2022, 2023 and 2024 and 31 July 2025.
- (iii) Due to certain indicators of impairment for some assets, management performed an impairment assessments on the related assets and concluded that impairment provisions of RMB2,791 million, RMB1,954 million, RMB452 million, and RMB16 million were required, which were recognised in profit or loss for the years ended 31 December 2022, 2023 and 2024 and for the seven months ended 31 July 2025, respectively.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Target Company

	Buildings RMB million	Generators related machinery and equipment RMB million	Furniture, fixtures, motor vehicles and other equipment RMB million	Total RMB million
Cost				
At 1 January 2022	183	1	43	227
Additions	-	-	2	2
Disposals or write-off	-	-	(1)	(1)
At 31 December 2022 and 1 January 2023	183	1	44	228
Transferred from construction in progress (note 15)	-	-	3	3
Disposals or write-off	(12)	-	(1)	(13)
At 31 December 2023 and 1 January 2024	171	1	46	218
Additions	-	-	3	3
At 31 December 2024 and 1 January 2025	171	1	49	221
Others	39	-	1	40
At 31 July 2025	210	1	50	261

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Target Company (continued)

	Buildings RMB million	Generators related machinery and equipment RMB million	Furniture, fixtures, motor vehicles and other equipment RMB million	Total RMB million
Depreciation and impairment				
At 1 January 2022	108	1	27	136
Charge for the year	4	-	4	8
Disposals or write-off	-	-	(1)	(1)
At 31 December 2022 and 1 January 2023	112	1	30	143
Charge for the year	4	-	4	8
Disposals or write-off	(9)	-	(1)	(10)
At 31 December 2023 and 1 January 2024	107	1	33	141
Charge for the year	4	-	4	8
At 31 December 2024 and 1 January 2025	111	1	37	149
Charge for the period	2	-	2	4
At 31 July 2025	113	1	39	153
Net carrying amounts				
At 31 December 2022	71	-	14	85
At 31 December 2023	64	-	13	77
At 31 December 2024	60	-	12	72
At 31 July 2025	97	-	11	108

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Target Company (continued)

Notes:

- (i) The Target Company was in the process of applying for the title certificates of certain of its properties with aggregate carrying amounts of RMB0.21 million, RMB0.21 million, RMB0.20 million and RMB0.20 million as at 31 December 2022, 2023 and 2024 and 31 July 2025, respectively. The directors are of the opinion that the Target Company is entitled to lawfully and validly occupy or use the above mentioned properties.
- (ii) There is no pledged property, plant and equipment of the Target Company to secure the banking facilities granted to the Target Company at 31 December 2022, 2023 and 2024 and 31 July 2025.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

15. CONSTRUCTION IN PROGRESS

The Target Group

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2025 RMB million
At the beginning of the year/period	3,764	1,077	4,407	5,164
Additions	1,633	5,311	6,037	1,684
Transferred to property, plant and equipment (note 14)	(3,661)	(1,090)	(4,169)	(2,582)
Impairment losses (note)	(29)	(35)	(78)	-
Others	(630)	(856)	(1,033)	-
At the end of the year/period	<u>1,077</u>	<u>4,407</u>	<u>5,164</u>	<u>4,266</u>

Note:

As a result of deferral of certain projects, management performed impairment assessments on the related construction in progress and concluded that impairment provisions of RMB29 million, RMB35 million, RMB78 million and nil were required which were recognised in profit or loss for the years ended 31 December 2022, 2023 and 2024 and for the seven months ended 31 July 2025, respectively.

The Target Company

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2025 RMB million
At the beginning of the year/period	261	6	6	-
Transferred to property, plant and equipment (note 14)	-	(3)	-	-
Others	(255)	3	(6)	-
At the end of the year/period	<u>6</u>	<u>6</u>	<u>-</u>	<u>-</u>

16. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets represent the expenditures related to coal exploration and evaluation activities incurred by the Target Group. As at 31 December 2022, 2023 and 2024 and 31 July 2025, the carrying amounts of the exploration and evaluation assets were RMB74 million, RMB75 million, RMB78 million and RMB79 million, respectively.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

17. INTANGIBLE ASSETS

The Target Group

The movements of intangible assets, mainly software, are as follows:

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2025 RMB million
At the beginning of the year/period	344	339	393	396
Additions	20	80	114	64
Amortisation	(14)	(25)	(7)	(17)
Disposals	(9)	-	(104)	(22)
Impairment losses	(2)	(1)	-	-
At the end of the year/period	<u>339</u>	<u>393</u>	<u>396</u>	<u>421</u>

The Target Company

The movements of intangible assets, mainly software, are as follows:

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2025 RMB million
At the beginning of the year/period	21	20	27	32
Additions	2	11	8	11
Amortisation	(3)	(4)	(3)	(4)
At the end of the year/period	<u>20</u>	<u>27</u>	<u>32</u>	<u>39</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

The Target Group

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Unlisted shares, at cost	1,991	2,691	3,157	4,137
Share of post-acquisition profits and other comprehensive income, net of dividend received	615	303	523	97
	<u>2,606</u>	<u>2,994</u>	<u>3,680</u>	<u>4,234</u>

The Target Group's Joint ventures and associates are unlisted and established in the PRC. The following list contains only the particulars of joint ventures and associates, which principally affect the results or assets of the Target Group:

Name of entities	Proportion of ownership interest and voting power held by the Target Group				Principal activities
	31 December 2022	31 December 2023	31 December 2024	31 July 2025	
	%	%	%	%	
Joint ventures and associates					
China Energy Group Inner Mongolia Shanghai Temple Power Co. Ltd. ("Shanghai Temple Power") (note)	50	50	50	50	Thermal power generation
Ningxia Ninglu Coal and Power Co., Ltd. ("Ningxia Ninglu") (note)	50	50	50	50	Thermal power generation
Shanxi Hexin Electric Power Development Co., Ltd. ("Shanxi Hexin") (note)	29.5	29.5	29.5	29.5	Wind power generation
Shaanxi Binchang Wenjiapo Mining Co., Ltd. ("Wenjiapo Mining") (note)	49	49	49	49	Coal mining and dressing
Shaanxi Binchang Wenjiapo Power Generation Co., Ltd. ("Wenjiapo Power Generation") (note)	-	-	-	49	Wind power generation

Note: The equity interests of these entities are directly held by the Target Company.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

The Target Group (continued)

Summarised financial information of the material joint ventures and associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the Historical Financial Information, are disclosed below:

	Shanghai Temple Power			
	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Current assets	273	824	1,366	1,794
Non-current assets	4,049	4,758	4,677	4,566
Total assets	4,322	5,582	6,043	6,360
Current liabilities	822	1,861	2,220	2,446
Non-current liabilities	2,844	2,890	2,595	2,433
Total liabilities	3,666	4,751	4,815	4,879
Net assets	656	831	1,228	1,481
Target Group's proportion of ownership interest	50%	50%	50%	50%
Carrying amount of equity investment in a joint venture	328	416	614	741

	Shanghai Temple Power				
	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Revenue	30	2,524	3,278	2,742	2,020
Profit/(loss) for the year/period	(43)	24	198	120	258
Total comprehensive income/(loss) for the year/period	(43)	24	198	120	258

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

The Target Group (continued)

Summarised financial information of the material joint ventures and associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the Historical Financial Information, are disclosed below: (continued)

	Ningxia Ninglu			
	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Current assets	614	755	861	744
Non-current assets	2,539	2,528	2,532	2,487
Total assets	3,153	3,283	3,393	3,231
Current liabilities	1,053	864	877	728
Non-current liabilities	202	117	92	29
Total liabilities	1,255	981	969	757
Net assets	1,898	2,302	2,424	2,474
Target Group's proportion of ownership interest	50%	50%	50%	50%
Carrying amount of equity investment in a joint venture	949	1,151	1,212	1,237

	Ningxia Ninglu				
	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Revenue	1,492	1,708	1,328	829	753
Profit for the year/period	598	404	122	95	34
Total comprehensive income for the year/period	598	404	122	95	34

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

The Target Group (continued)

Summarised financial information of the material joint ventures and associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the Historical Financial Information, are disclosed below: (continued)

	Shanxi Hexin			
	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Current assets	1,007	621	528	494
Non-current assets	5,983	1,571	1,870	1,710
Total assets	6,990	2,192	2,398	2,204
Current liabilities	1,008	716	729	457
Non-current liabilities	481	370	542	614
Total liabilities	1,489	1,086	1,271	1,071
Non-controlling interests	4,774	149	71	87
Net assets	727	957	1,056	1,046
Target Group's proportion of ownership interest	29.5%	29.5%	29.5%	29.5%
Carrying amount of equity investment in an associate	215	282	312	309

	Shanxi Hexin				
	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Revenue	1,506	1,319	985	571	558
Profit/(loss) for the year/period	(212)	162	84	80	4
Total comprehensive income/(loss) for the year/period	(212)	162	84	80	4

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

The Target Group (continued)

Summarised financial information of the material joint ventures and associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the Historical Financial Information, are disclosed below: (continued)

	Wenjiapo Mining			
	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Current assets	601	228	793	337
Non-current assets	6,923	6,999	7,175	7,542
Total assets	7,524	7,227	7,968	7,879
Current liabilities	4,694	4,266	4,244	4,138
Non-current liabilities	560	629	698	821
Total liabilities	5,254	4,895	4,942	4,959
Net assets	2,270	2,332	3,026	2,920
Target Group's proportion of ownership interest	49%	49%	49%	49%
Carrying amount of equity investment in an associate	1,112	1,143	1,483	1,431

	Wenjiapo Mining				
	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Revenue	2,559	1,968	2,158	1,362	1,190
Profit for the year/period	596	70	713	246	217
Total comprehensive income for the year/period	596	70	713	246	217

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

The Target Group (continued)

Summarised financial information of the material joint ventures and associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the Historical Financial Information, are disclosed below: (continued)

	Wenjiapo Power Generation			
	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Current assets	-	-	-	515
Non-current assets	-	-	-	2,931
Total assets	-	-	-	3,446
Current liabilities	-	-	-	636
Non-current liabilities	-	-	-	1,874
Total liabilities	-	-	-	2,510
Net assets	-	-	-	936
Target Group's proportion of ownership interest	-	-	-	49%
Carrying amount of equity investment in an associate	-	-	-	458

	Wenjiapo Power Generation				
	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Revenue	-	-	-	-	450
Profit for the year/period	-	-	-	-	15
Total comprehensive income for the year/period	-	-	-	-	15

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

18. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

The Target Group (continued)

Aggregate information of joint ventures and associates that are not individually immaterial:

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Aggregate carrying amount of individually immaterial associates	<u>2</u>	<u>2</u>	<u>59</u>	<u>58</u>
	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)
Aggregate amounts of the Target Group's share of individually immaterial associates:				Seven months ended 31 July 2025 RMB million
– Profit for the year/period	15	15	-	-
– Total comprehensive income/(loss) for the year/period	<u>(7)</u>	<u>(6)</u>	<u>-</u>	<u>-</u>

The Target Company

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Unlisted shares, at cost	1,985	2,688	3,157	3,991
Share of post-acquisition profits and other comprehensive income, net of dividend received	<u>618</u>	<u>305</u>	<u>523</u>	<u>253</u>
	<u>2,603</u>	<u>2,993</u>	<u>3,680</u>	<u>4,244</u>

19. INVESTMENTS IN SUBSIDIARIES

The Target Company

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000	30 June 2025 RMB'000
Investments, at cost	28,376	28,200	15,861	15,829
Less: Impairment	<u>(10,481)</u>	<u>(13,280)</u>	<u>(37)</u>	<u>(37)</u>
Net carrying amount	<u>17,895</u>	<u>14,920</u>	<u>15,824</u>	<u>15,792</u>

The Target Company's balances with subsidiaries are unsecured, interest-free and repayable on demand. Further details of the Target Company's balances with subsidiaries are included in note 41 to the Historical Financial Information.

Particulars of the Target Company's principal subsidiaries, which are directly owned by the Target Company, are included in note 1 to the Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

20. OTHER NON-CURRENT ASSETS

The Target Group

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Prepayments in connection with construction work, equipment purchases and others	77	139	1,923	2,859
Entrusted loan	1,269	1,140	1,490	1,450
Long-term deferred expenses	-	2	398	367
	<u>1,346</u>	<u>1,281</u>	<u>3,811</u>	<u>4,676</u>

Note: As at the end of each of the Relevant Periods, the entrusted loans provided by the Target Group to the Excluded Business were 1 year loan and born the interest rates ranging from 3.15% to 4.35% per annum, 2.40% to 2.80% per annum, 2.10% to 3.65% per annum and 1.80% to 2.55% per annum, respectively.

The movements of long-term deferred expense during the year/period are as follows:

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2025 RMB million
At the beginning of the year/period	4	-	2	398
Additions	-	2	476	-
Amortisation	(4)	-	(80)	(31)
At the end of the year/period	<u>-</u>	<u>2</u>	<u>398</u>	<u>367</u>

The Target Company

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Entrusted loan	<u>3,000</u>	<u>4,240</u>	<u>4,180</u>	<u>2,642</u>

21. RIGHT-OF-USE ASSETS

The Target Group

The right-of-use assets represent the considerations of land use rights paid to the PRC's government authorities and the amounts of leased assets. The Target Group is in the process of applying for the title certificates of certain land use rights with aggregate carrying amounts of RMB89 million, RMB139 million and RMB138 million as at 31 December 2023 and 2024 and 31 July 2025, respectively. The directors are of the opinion that the Target Group is entitled to lawfully and validly occupy or use the above mentioned lands.

As at December 2022, 2023 and 2024 and 31 July 2025, the Target Group had no bank loans secured by the Target Group's right-of-use assets.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

21. RIGHT-OF-USE ASSETS (CONTINUED)

The Target Group (continued)

The Target Group leases assets including buildings, machinery, equipment and other properties, and land use rights. Information about leases for which the Target Group is a lessee is presented below.

	Buildings RMB million	Machinery, equipment and other properties RMB million	Land use rights RMB million	Total RMB million
Cost				
At 1 January 2022	30	420	3,493	3,943
Additions	-	-	474	474
Disposals	-	(323)	-	(323)
At 31 December 2022 and 1 January 2023	30	97	3,967	4,094
Additions	4	155	144	303
Disposals	-	-	(27)	(27)
At 31 December 2023 and 1 January 2024	34	252	4,084	4,370
Additions	8	-	349	357
Disposals	-	(155)	(2,097)	(2,252)
At 31 December 2024 and 1 January 2025	42	97	2,336	2,475
Additions	-	-	63	63
Disposals	-	-	(80)	(80)
At 31 July 2025	42	97	2,319	2,458
Accumulated depreciation				
At 1 January 2022	8	48	592	648
Depreciation	8	14	98	120
Disposals	-	(35)	-	(35)
At 31 December 2022 and 1 January 2023	16	27	690	733
Depreciation	10	25	217	252
Disposals	-	-	(3)	(3)
At 31 December 2023 and 1 January 2024	26	52	904	982
Depreciation	8	18	152	178
Disposals	-	(15)	(489)	(504)
At 31 December 2024 and 1 January 2025	34	55	567	656
Depreciation	3	8	26	37
Disposals	-	-	(8)	(8)
At 31 July 2025	37	63	585	685

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

21. RIGHT-OF-USE ASSETS (CONTINUED)

The Target Group (continued)

	Buildings RMB million	Machinery, equipment and other properties RMB million	Land use rights RMB million	Total RMB million
Impairment losses				
At 1 January 2022, 31 December 2022 and 1 January 2023	-	-	59	59
Additions	-	-	19	19
At 31 December 2023 and 1 January 2024	-	-	78	78
Additions	-	140	-	140
Disposals	-	(140)	(78)	(218)
At 31 December 2024, 1 January 2025 and 31 July 2025	-	-	-	-
Net carrying amounts				
At 31 December 2022	14	70	3,218	3,302
At 31 December 2023	8	200	3,102	3,310
At 31 December 2024	8	42	1,769	1,819
At 31 July 2025	5	34	1,734	1,773

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

21. RIGHT-OF-USE ASSETS (CONTINUED)

The Target Company

As at December 2022, 2023 and 2024 and 31 July 2025, the Target Company had no bank loans secured by the Target Company's right-of-use assets.

The Target Company leases assets including buildings and land use rights. Information about leases for which the Target Company is a lessee is presented below.

	Buildings RMB million	Land use rights RMB million	Total RMB million
Cost			
At 1 January 2022	30	14	44
At 31 December 2022 and 1 January 2023	30	14	44
Additions	4	-	4
At 31 December 2023 and 1 January 2024	34	14	48
Additions	8	-	8
At 31 December 2024 and 1 January 2025	42	14	56
At 31 July 2025	42	14	56
Accumulated depreciation			
At 1 January 2022	8	4	12
Depreciation	8	-	8
At 31 December 2022 and 1 January 2023	16	4	20
Depreciation	10	-	10
At 31 December 2023 and 1 January 2024	26	4	30
Depreciation	8	1	9
At 31 December 2024 and 1 January 2025	34	5	39
Depreciation	3	-	3
At 31 July 2025	37	5	42
Net carrying amounts			
At 31 December 2022	14	10	24
At 31 December 2023	8	10	18
At 31 December 2024	8	9	17
At 31 July 2025	5	9	14

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

22. INVENTORIES

The Target Group

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Coal	425	417	216	176
Materials and supplies	<u>363</u>	<u>342</u>	<u>182</u>	<u>201</u>
	788	759	398	377
Less: write-down of inventories	<u>(55)</u>	<u>(56)</u>	<u>(34)</u>	<u>(34)</u>
	<u>733</u>	<u>703</u>	<u>364</u>	<u>343</u>

The movements in write-down of inventories during the year/period are as follows:

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2025 RMB million
At the beginning of the year/period	76	55	56	34
Write-down of inventories	22	6	-	-
Write-off of inventories	<u>(43)</u>	<u>(5)</u>	<u>(22)</u>	<u>-</u>
At the end of the year/period	<u>55</u>	<u>56</u>	<u>34</u>	<u>34</u>

The Target Company

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Coal	-*	-	-	-*
Materials and supplies	<u>-</u>	<u>-*</u>	<u>-*</u>	<u>-*</u>
Less: write-down of inventories	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-*</u>	<u>-*</u>	<u>-*</u>	<u>-*</u>

* Amount smaller than RMB500,000

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

23. ACCOUNTS AND BILLS RECEIVABLES

The Target Group

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Accounts receivable				
– China Energy Group and fellow subsidiaries	183	34	57	306
– Associates	268	236	3	98
– Third parties	2,526	2,038	1,736	2,161
	<u>2,977</u>	<u>2,308</u>	<u>1,796</u>	<u>2,565</u>
Less: Allowance for credit losses	<u>323</u>	<u>281</u>	<u>17</u>	<u>1</u>
	<u>2,654</u>	<u>2,027</u>	<u>1,779</u>	<u>2,564</u>
Bills receivable				
– China Energy Group and fellow subsidiaries	-	-	200	-
– Third parties	148	470	261	-
	<u>148</u>	<u>470</u>	<u>461</u>	<u>-</u>
	<u>2,802</u>	<u>2,497</u>	<u>2,240</u>	<u>2,564</u>

As at the end of each of the Relevant Periods, all accounts and bills receivables are from contracts with customers.

Bills receivable were mainly issued by PRC banks and others financial institutions, which would expire within one year. As at the end of each of the Relevant Periods, the Target Group had no bills pledged to secure bills payable.

As at the end of each of the Relevant Periods, the ageing analysis of accounts receivable, based on the invoice date and/or acceptance date and net of loss allowance, is as follows:

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Less than one year	2,432	1,915	1,737	2,482
One to two years	96	58	11	40
Two to three years	91	9	-	11
More than three years	35	45	31	31
	<u>2,654</u>	<u>2,027</u>	<u>1,779</u>	<u>2,564</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

23. ACCOUNTS AND BILLS RECEIVABLES (CONTINUED)

The Target Group (continued)

As at the end of each of the Relevant Periods, there were no accounts and bills receivables of the Target Group that were past due.

Details of credit risks of accounts and bills receivables as at the end of each of the Relevant Periods are set out in note 36.2 to the Historical Financial Information.

All accounts and bills receivables are denominated in RMB.

The Target Company

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Accounts receivable				
– China Energy Group and fellow subsidiaries	50	5	1	2
– Third parties	-	1	-	-
	<u>50</u>	<u>6</u>	<u>1</u>	<u>2</u>
Less: allowance for credit losses	-	-	-	-
	<u>50</u>	<u>6</u>	<u>1</u>	<u>2</u>

As at the end of each of the Relevant Periods, all accounts receivable are from contracts with customers.

As at the end of each of the Relevant Periods, the ageing analysis of accounts receivable, based on the invoice date and/or acceptance date and net of loss allowance, is less than one year.

As at the end of each of the Relevant Periods, there were no accounts receivable of the Target Company that were past due.

Details of credit risks of accounts receivable as at the end of each of the Relevant Periods are set out in note 36.2 to the Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

24. PREPAID EXPENSES AND OTHER CURRENT ASSETS

The Target Group

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Financial assets measured at amortised cost	-	-	-	-
– Entrusted loan	8	700	516	144
– Other receivables due from associates	303	353	353	273
– Other receivables	2,959	3,450	3,224	3,065
	<u>3,270</u>	<u>4,503</u>	<u>4,093</u>	<u>3,482</u>
Less: impairment losses	<u>370</u>	<u>551</u>	<u>82</u>	<u>40</u>
	<u>2,900</u>	<u>3,952</u>	<u>4,011</u>	<u>3,442</u>
Prepaid expenses and deposits	654	1,094	679	323
Deductible VAT and other taxes	885	288	424	127
	<u>4,439</u>	<u>5,334</u>	<u>5,114</u>	<u>3,892</u>

Note: As at 31 December 2022, 2023 and 31 July 2025, the entrusted loans provided by the Target Group to the Excluded Business were 1 year loan and born the interest rates at 3.65% per annum, ranging from 2.10% to 3.92% per annum and 2.10% per annum, respectively. As at 31 December 2024, the RMB516 million entrusted loans provided by the Target Group to Inner Mongolia Dayan Mining Group Co., Ltd. (“Inner Mongolia Dayan”) were 1 year loan and born the interest rate at 2.50% per annum.

The Target Company

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Financial assets measured at amortised cost				
– Entrusted loan	9,745	4,563	1,118	2,244
– Other receivables	3,435	2,972	1,800	2,032
	<u>13,180</u>	<u>7,535</u>	<u>2,918</u>	<u>4,276</u>
Less: impairment losses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>13,180</u>	<u>7,535</u>	<u>2,918</u>	<u>4,276</u>
Prepaid expenses and deposits	4	8	8	24
Deductible VAT and other taxes	-	163	1	-
	<u>13,184</u>	<u>7,706</u>	<u>2,927</u>	<u>4,300</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

25. RESTRICTED BANK DEPOSITS

The Target Group

Restricted bank deposits mainly include the mine geographical environment governance recovery fund of coal mines and restoration development deposits.

The Target Group performed impairment assessment on restricted bank deposits and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

Details of impairment assessment of restricted bank deposits are set out in note 36.2 to the Historical Financial Information.

26. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

The Target Group

Cash and cash equivalents in the consolidated statements of financial position and the consolidated statement of cash flows comprise cash at bank and in hand, and time deposits with original maturity within three months.

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Deposits with banks and other financial institutions	3,035	5,437	4,100	4,867
Less: Restricted bank deposits	<u>42</u>	<u>391</u>	<u>468</u>	<u>501</u>
Cash and cash equivalents	<u>2,993</u>	<u>5,046</u>	<u>3,632</u>	<u>4,366</u>

As at the end of each of the Relevant Periods, the Target Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided. Details of impairment assessment of bank deposits are set out in note 36.2 to the Historical Financial Information.

The Target Company

Cash and cash equivalents in the statements of financial position comprise cash at bank and in hand, and time deposits with original maturity within three months.

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Deposits with banks and other financial institutions	<u>535</u>	<u>278</u>	<u>1,347</u>	<u>668</u>

As at the end of each of the Relevant Periods, the Target Company performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided. Details of impairment assessment of bank deposits are set out in note 36.2 to the Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

26. CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Major non-cash transaction

During the years ended 31 December 2022, 2023 and 2024 and seven months ended 31 July 2024 and 2025, the Target Group had non-cash additions to right-of-use assets and lease liabilities of nil, RMB159 million, RMB8 million, RMB8 million and RMB59 million, respectively, in respect of lease arrangements.

(c) Reconciliation of liabilities arising from financing activities

The table below shows the detailed changes in the Target Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings RMB million (note 28)	Sale-leaseback RMB million (note 32)	Lease liabilities RMB million (note 29)	Total RMB million
At 1 January 2022	28,642	-	351	28,993
Capital element of lease rentals paid	-	-	(38)	(38)
Interest element of lease rentals paid	-	-	(5)	(5)
Interest paid	(867)	-	-	(867)
New borrowings	18,046	230	-	18,276
Repayments of borrowings	(22,079)	(5)	-	(22,084)
Interest expenses	239	5	5	249
Disposal of subsidiaries	-	-	(15)	(15)
Revision of a lease term arising from a change in the non-cancellable period of a lease	-	-	(222)	(222)
At 31 December 2022	23,981	230	76	24,287
At 1 January 2023	23,981	230	76	24,287
Capital element of lease rentals paid	-	-	(29)	(29)
Interest element of lease rentals paid	-	-	(6)	(6)
Interest paid	(708)	-	-	(708)
New borrowings	18,874	1,500	-	20,374
Repayments of borrowings	(21,500)	(20)	-	(21,520)
Interest expenses	706	27	6	739
Increase in lease liabilities from entering into new leases during the year	-	-	159	159
At 31 December 2023	21,353	1,737	206	23,296

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

26. CASH AND CASH EQUIVALENTS (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Borrowings RMB million (note 28)	Sale-leaseback RMB million (note 32)	Lease liabilities RMB million (note 29)	Total RMB million
At 1 January 2024	21,353	1,737	206	23,296
Capital element of lease rentals paid	-	-	(32)	(32)
Interest element of lease rentals paid	-	-	(6)	(6)
Interest paid	(509)	-	-	(509)
New borrowings	14,453	2,290	-	16,743
Repayments of borrowings	(11,739)	(1,003)	-	(12,742)
Interest expenses	504	74	6	584
Disposal of subsidiaries	(6,762)	(905)	(126)	(7,793)
Increase in lease liabilities from entering into new leases during the year	-	-	8	8
At 31 December 2024	17,300	2,193	56	19,549
At 1 January 2025	17,300	2,193	56	19,549
Capital element of lease rentals paid	-	-	(33)	(33)
Interest element of lease rentals paid	-	-	(1)	(1)
Interest paid	(155)	-	-	(155)
New borrowings	13,743	-	-	13,743
Repayments of borrowings	(12,615)	(468)	-	(13,083)
Interest expenses	184	31	1	216
Disposal of subsidiaries	(2,117)	-	-	(2,117)
Increase in lease liabilities from entering into new leases during the period	-	-	59	59
At 31 July 2025	16,340	1,756	82	18,178

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

26. CASH AND CASH EQUIVALENTS (CONTINUED)

(d) Total cash outflow for leases

Amounts included in the consolidated statements of cash flows for leases comprise the following:

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Within operating cash flows	12	12	9	9	3
Within financing cash flows	43	35	38	23	34
	<u>55</u>	<u>47</u>	<u>47</u>	<u>32</u>	<u>37</u>

These amounts relate to the following:

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Lease rental paid	<u>55</u>	<u>47</u>	<u>47</u>	<u>32</u>	<u>37</u>

27. DEFERRED TAXATION

The Target Group

For the purpose of the presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose.

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million (unaudited)	31 July 2025 RMB million
Deferred tax assets	208	354	365	344
Deferred tax liabilities	<u>(49)</u>	<u>(12)</u>	<u>(19)</u>	<u>(16)</u>
	<u>159</u>	<u>342</u>	<u>346</u>	<u>328</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

27. DEFERRED TAXATION (CONTINUED)

The Target Group (continued)

The following are the major deferred tax assets and liabilities recognised and movements thereon during the year/period:

	1 January 2022 RMB million	Credited/(charged) to profit or loss RMB million	31 December 2022 RMB million
Provision for asset impairment	342	(144)	198
Long-term assets (reclamation expenses)	-	(31)	(31)
Lease transactions	-	(2)	(2)
Others	12	(18)	(6)
Net deferred tax assets	354	(195)	159
	1 January 2023 RMB million	Credited/(charged) to profit or loss RMB million	31 December 2023 RMB million
Provision for asset impairment	198	98	296
Long-term assets (reclamation expenses)	(31)	80	49
Lease transactions	(2)	4	2
Others	(6)	1	(5)
Net deferred tax assets	159	183	342
	1 January 2024 RMB million	Credited/(charged) to profit or loss RMB million	31 December 2024 RMB million
Provision for asset impairment	296	1	297
Long-term assets (reclamation expenses)	49	12	61
Lease transactions	2	(13)	(11)
Others	(5)	4	(1)
Net deferred tax assets	342	4	346
	1 January 2025 RMB million	Credited/(charged) to profit or loss RMB million	31 July 2025 RMB million
Provision for asset impairment	297	35	332
Long-term assets (reclamation expenses)	61	(53)	8
Lease transactions	(11)	(5)	(16)
Others	(1)	5	4
Net deferred tax assets	346	(18)	328

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

27. DEFERRED TAXATION (CONTINUED)

The Target Group (continued)

As at 31 December 2022, 2023, 2024 and 31 July 2025, the Target Group had unused tax losses of RMB2,932 million, RMB2,881 million, RMB2,289 million and RMB2,522 million, respectively, and unrecognised deductible temporary differences of RMB4,908 million, RMB6,552 million, RMB3,300 million and RMB3,411 million, respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of the remaining RMB2,932 million, RMB2,881 million, RMB2,289 million and RMB2,522 million losses at 31 December 2022, 2023, 2024 and 31 July 2025, respectively, due to the unpredictability of future profit streams.

The expiry dates of the tax losses of the Target Group for which no deferred income tax assets were recognised are summarised as follows:

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
2023	357	-	-	-
2024	678	678	-	-
2025	856	856	856	856
2026	491	491	479	479
2027	550	550	535	535
2028	-	306	202	202
2029 and thereafter	-	-	217	450
	<u>2,932</u>	<u>2,881</u>	<u>2,289</u>	<u>2,522</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

28. BORROWINGS

The Target Group

An analysis of the Target Group's borrowings is as follows:

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Current borrowings:				
Short-term bank and other borrowings	4,546	3,068	3,490	4,167
Current portion of long-term borrowings	10,385	4,962	1,229	2,924
	<u>14,931</u>	<u>8,030</u>	<u>4,719</u>	<u>7,091</u>
Non-current borrowings:				
Long-term borrowings, less current portion	9,050	13,323	12,581	9,249
	<u>9,050</u>	<u>13,323</u>	<u>12,581</u>	<u>9,249</u>
Secured	1,836	762	183	153
Unsecured	22,145	20,591	17,117	16,187
	<u>23,981</u>	<u>21,353</u>	<u>17,300</u>	<u>16,340</u>

As at 31 December 2022, the Target Group's short-term borrowings bore interest at rates ranging from 1.97% to 3.60% per annum, and long-term borrowings bore interest at fixed rates ranging from 2.50% to 4.10% per annum, and at floating rates ranging from LPR-0.80% to LPR+0.35% per annum.

As at 31 December 2023, the Target Group's short-term borrowings bore interest at rates ranging from 1.97% to 3.65% per annum, and long-term borrowings bore interest at fixed rates ranging from 2.40% to 3.65% per annum, and at floating rates ranging from LPR-1.80% to LPR+0.35% per annum.

As at 31 December 2024, the Target Group's short-term borrowings bore interest at rates ranging from 2.10% to 2.60% per annum, and long-term borrowings bore interest at fixed rates ranging from 2.50% to 2.70% per annum, and at floating rates ranging from LPR-1.80% to LPR-0.01% per annum.

As at 31 July 2025, the Target Group's short-term borrowings bore interest at rates ranging from 2.11% to 2.60% per annum, and long-term borrowings bore interest at fixed rates ranging from 2.50% to 2.70% per annum, and at floating rates ranging from LPR-1.80% to LPR-0.1% per annum.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

28. BORROWINGS (CONTINUED)

The Target Group (continued)

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
The exposure of the long-term borrowings and the contractual maturity dates:				
Within one year	10,385	4,962	1,229	2,924
More than one year, but not exceeding two years	2,828	797	4,340	5,013
More than two years, but not exceeding five years	3,560	8,705	2,693	2,157
More than five years	<u>2,662</u>	<u>3,821</u>	<u>5,548</u>	<u>2,079</u>
	<u>19,435</u>	<u>18,285</u>	<u>13,810</u>	<u>12,173</u>

The Target Group's long-term borrowings comprise:

		31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Loans from banks and other institutions					
RMB denominated	Interest rates ranging from 1.97% to 4.10% per annum with maturities through 15 June 2038	4,168	2,584	-	-
RMB denominated	Interest rates ranging from LPR-1.80% to LPR+0.35% per annum with maturities through 27 December 2039	14,925	15,435	13,627	12,020
Japanese Yen ("JPY") denominated	Interest rates of 2.50% per annum with maturities through 20 March 2031	<u>342</u>	<u>266</u>	<u>183</u>	<u>153</u>
		19,435	18,285	13,810	12,173
Less: current portion of long-term borrowings		<u>10,385</u>	<u>4,962</u>	<u>1,229</u>	<u>2,924</u>
		<u>9,050</u>	<u>13,323</u>	<u>12,581</u>	<u>9,249</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

28. BORROWINGS (CONTINUED)

The Target Group (Continued)

As at 31 December 2022, 2023 and 2024 and 31 July 2025, included in the above outstanding long-term borrowings, were borrowings from China Energy Group and fellow subsidiaries amounting to RMB6,205 million, RMB12,319 million, RMB9,018 million and RMB7,650 million, respectively, bore interest at fixed rates ranging from 2.88% to 3.25% per annum, 2.50% to 2.88% per annum, nil and nil, and at floating rates ranging from LPR-0.65% to LPR-0.10% per annum, LPR-1.80% to LPR-0.10% per annum, LPR-1.80% to LPR-1.10% per annum and LPR-1.70% to LPR-0.40% per annum, respectively.

The Target Company

An analysis of the Target Company's borrowings is as follows:

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Current borrowings:				
Short-term bank and other borrowings	500	330	-	-
Current portion of long-term borrowings	5,757	503	202	1,804
	<u>6,257</u>	<u>833</u>	<u>202</u>	<u>1,804</u>
Non-current borrowings:				
Long-term borrowings, less current portion	3,199	4,200	2,100	-
	<u>3,199</u>	<u>4,200</u>	<u>2,100</u>	<u>-</u>
Unsecured	<u>9,456</u>	<u>5,033</u>	<u>2,302</u>	<u>1,804</u>

As at 31 December 2022, the Target Company's short-term borrowings were unsecured and bore interest at a rate of 3.30% per annum, and long-term borrowings were unsecured and bore interest at fixed rates ranging from 3.25% to 3.30% per annum, and at floating rates ranging from LPR-0.80% to LPR-0.25% per annum.

As at 31 December 2023, the Target Company's short-term borrowings were unsecured and bore interest at a rate of 2.25% per annum, and long-term borrowings were unsecured and bore interest at floating rates ranging from LPR-1.80% to LPR-0.25% per annum.

As at 31 December 2024, the Target Company's long-term borrowings were unsecured and bore interest at floating rates ranging from LPR-1.80% to LPR-0.80% per annum.

As at 31 July 2025, the Target Company's long-term borrowings were unsecured and bore interest at a floating rate of LPR-1.80% per annum.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

28. BORROWINGS (CONTINUED)

The Target Company (continued)

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
The exposure of the long-term borrowings and the contractual maturity dates:				
Within one year	5,757	503	202	1,804
More than one year, but not exceeding two years	2,999	200	2,100	-
More than two years, but not exceeding five years	200	4,000	-	-
More than five years				
	<u>8,956</u>	<u>4,703</u>	<u>2,302</u>	<u>1,804</u>

The Target Company's long-term borrowings comprise:

		31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Loans from banks and other institutions					
	Interest rates ranging from 2.25% to 3.30% per annum with maturities through 28 August 2038	4,950	-	-	-
RMB denominated					
	Interest rates ranging from LPR-1.80% to LPR-0.25% per annum with maturities through 2 June 2026	<u>4,006</u>	<u>4,703</u>	<u>2,302</u>	<u>1,804</u>
RMB denominated		8,956	4,703	2,302	1,804
Less: current portion of long-term borrowings		<u>5,757</u>	<u>503</u>	<u>202</u>	<u>1,804</u>
		<u>3,199</u>	<u>4,200</u>	<u>2,100</u>	<u>-</u>

As at 31 December 2022, 2023 and 2024 and 31 July 2025, included in the above outstanding long-term borrowings, were borrowings from China Energy Group and fellow subsidiaries amounting to RMB2,000 million, RMB4,200 million, RMB2,100 million and nil, respectively, born interest at fixed rates at 3.25% per annum, nil, nil and nil, and at floating rates at LPR-0.75 per annum, ranging from LPR-1.80% to LPR-0.80% per annum, at LPR-1.80% per annum, and at LPR-1.80% per annum, respectively.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

29. LEASE LIABILITIES

The Target Group

The lease liabilities were repayable as follow:

	31 December 2022		31 December 2023		31 December 2024		31 July 2025	
	Present value of the minimum lease payments RMB million	Total minimum lease payments RMB million	Present value of the minimum lease payments RMB million	Total minimum lease payments RMB million	Present value of the minimum lease payments RMB million	Total minimum lease payments RMB million	Present value of the minimum lease payments RMB million	Total minimum lease payments RMB million
Within 1 year	17	17	29	32	15	16	4	4
After 1 year but within 2 years	27	30	19	21	15	17	25	26
After 2 years but within 5 years	22	26	24	40	26	27	28	38
After 5 years	10	13	134	138	-	-	25	35
	<u>76</u>	<u>86</u>	<u>206</u>	<u>231</u>	<u>56</u>	<u>60</u>	<u>82</u>	<u>103</u>
Less: total future interest expenses		(10)		(25)		(4)		(21)
Present value of lease liabilities		<u>76</u>		<u>206</u>		<u>56</u>		<u>82</u>

The Target Company

The lease liabilities were repayable as follow:

	31 December 2022		31 December 2023		31 December 2024		31 July 2025	
	Present value of the minimum lease payments RMB million	Total minimum lease payments RMB million	Present value of the minimum lease payments RMB million	Total minimum lease payments RMB million	Present value of the minimum lease payments RMB million	Total minimum lease payments RMB million	Present value of the minimum lease payments RMB million	Total minimum lease payments RMB million
Within 1 year	-	-	2	2	4	4	-	-
After 1 year but within 2 years	14	15	8	8	3	3	4	4
	<u>14</u>	<u>15</u>	<u>10</u>	<u>10</u>	<u>7</u>	<u>7</u>	<u>4</u>	<u>4</u>
Less: total future interest expenses		(1)		-*		-*		-*
Present value of lease liabilities		<u>14</u>		<u>10</u>		<u>7</u>		<u>4</u>

* Amount smaller than RMB500,000.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

30. ACCOUNTS AND BILLS PAYABLES

The Target Group

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Accounts payable				
– China Energy Group, an associate of China Energy Group and fellow subsidiaries	253	624	622	527
– Associates	150	476	110	100
– Third parties	3,873	4,476	4,114	3,434
	<u>4,276</u>	<u>5,576</u>	<u>4,846</u>	<u>4,061</u>
Bills payable				
– China Energy Group, an associate of China Energy Group and fellow subsidiaries	-	-	264	99
–Third parties	118	6	300	-
	<u>118</u>	<u>6</u>	<u>564</u>	<u>99</u>
	<u>4,394</u>	<u>5,582</u>	<u>5,410</u>	<u>4,160</u>

As at the end of each of the Relevant Periods, the ageing analysis of accounts and bills payables, based on the invoice date and/or acceptance date, is as follows:

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Less than one year	2,035	4,773	5,063	3,839
One to two years	453	470	252	253
Two to three years	1,464	117	54	45
More than three years	442	222	41	23
	<u>4,394</u>	<u>5,582</u>	<u>5,410</u>	<u>4,160</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

30. ACCOUNTS AND BILLS PAYABLES (CONTINUED)

The Target Company

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Accounts payable				
– China Energy Group, an associate of China Energy Group and fellow subsidiaries	-	2	2	2
– Associates	-	3	4	2
– Third parties	75	17	10	11
	<u>75</u>	<u>22</u>	<u>16</u>	<u>15</u>

As at the end of each of the Relevant Periods, the ageing analysis of accounts payable, based on the invoice date and/or acceptance date, is as follows:

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Less than one year	18	16	12	10
One to two years	6	1	3	3
Two to three years	2	1	-	1
More than three years	49	4	1	1
	<u>75</u>	<u>22</u>	<u>16</u>	<u>15</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

31. ACCRUED EXPENSES AND OTHER PAYABLES

The Target Group

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Accrued staff wages and welfare benefits	523	591	205	853
Taxes payable other than income tax	676	798	745	526
Dividends payable	1,278	1,262	738	697
Other accrued expenses and payables (note)	<u>2,452</u>	<u>2,754</u>	<u>1,547</u>	<u>1,284</u>
	<u>4,929</u>	<u>5,405</u>	<u>3,235</u>	<u>3,360</u>

Note:

Other accrued expenses and payables of the Target Group included:

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Amounts due to China Energy Group and fellow subsidiaries	<u>141</u>	<u>347</u>	<u>56</u>	<u>310</u>

The above balances are unsecured, interest-free and payable on demand.

The Target Company

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Accrued staff wages and welfare benefits	4	5	6	17
Taxes payable other than income tax	12	7	9	1
Dividends payable	199	199	199	199
Other accrued expenses and payables (note)	<u>2,382</u>	<u>1,752</u>	<u>1,674</u>	<u>1,807</u>
	<u>2,597</u>	<u>1,963</u>	<u>1,888</u>	<u>2,024</u>

Note:

Other accrued expenses and payables of the Target Company included:

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Amounts due to China Energy Group and fellow subsidiaries	<u>-</u>	<u>33</u>	<u>35</u>	<u>300</u>

The above balances are unsecured, interest-free and payable on demand.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

32. LONG-TERM LIABILITIES

The Target Group

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Sale-leaseback	230	1,737	2,193	1,756
Payables for acquisition of mining rights (note (i))	1,265	1,265	1,121	1,143
Deferred income (note (ii))	171	155	146	143
Defined benefit plans	598	947	-	-
Others	338	68	27	81
	<u>2,602</u>	<u>4,172</u>	<u>3,487</u>	<u>3,123</u>
Analysed for reporting purpose as:				
Current liabilities	305	641	773	872
Non-current liabilities	<u>2,297</u>	<u>3,531</u>	<u>2,714</u>	<u>2,251</u>
	<u>2,602</u>	<u>4,172</u>	<u>3,487</u>	<u>3,123</u>

Notes:

- (i) The payables for acquisition of mining rights is the present value of the annual payment mining rights during the execution of the contract.
- (ii) Deferred income mainly represents grants provided by several local governments in the PRC to encourage the construction of non-current assets.

The Target Company

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Deferred income (note)	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>
Analysed for reporting purpose as:				
Non-current liabilities	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note:

Deferred income mainly represents grants provided by several local governments in the PRC to encourage the construction of non-current assets.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

33. ACCRUED RECLAMATION OBLIGATIONS

The Target Group

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2025 RMB million
At the beginning of the year/period	828	1,107	1,178	1,097
Adjustment for the year/period	350	83	31	(344)
Accretion expense	55	53	48	11
Accrued reclamation obligations utilised	(126)	(65)	(71)	(55)
Disposal of subsidiaries	-	-	(89)	-
At the end of the year/period	<u>1,107</u>	<u>1,178</u>	<u>1,097</u>	<u>709</u>

34. PAID-UP CAPITAL

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Paid-up capital	<u>47,261</u>	<u>47,261</u>	<u>47,261</u>	<u>47,261</u>

35. CAPITAL RISK MANAGEMENT

The Target Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Target Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares to reduce debts.

The Target Group monitors capital using a gearing ratio which is total liabilities divided by total assets. The Target Group aims to maintain the gearing ratio at a reasonable level. The Target Group's gearing ratio as at 31 December 2022, 2023 and 2024 and 31 July 2025 was 62.3%, 60.4%, 50.6% and 46.6%, respectively.

There were no changes in the Target Group's approach to capital management during the Relevant Periods.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

36. FINANCIAL INSTRUMENTS

36.1 Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of each of the Relevant Periods are set out as follows:

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Financial assets				
Financial assets at amortised cost	10,329	13,307	11,858	12,324
Financial assets at fair value through other comprehensive income	5	3	-	-
Financial assets measured at fair value through profit or loss	2	-	-	-
	<u>10,336</u>	<u>13,310</u>	<u>11,858</u>	<u>12,324</u>
Financial liabilities				
Amortised cost	<u>33,676</u>	<u>34,159</u>	<u>28,365</u>	<u>25,447</u>

36.2 Financial risk management objectives and policies

The Target Group's major financial instruments include accounts and bills receivables, loans and advances to/deposits from/amounts due to China Energy Group and fellow subsidiaries, amounts due from/to associates, other receivables, accounts and bills payables, borrowings, other payables, long-term liabilities and bonds. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate and currency risks), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The functional currency of the Target Group entities is RMB in which most of the transactions are denominated. However, certain of the Target Group's bank balances and borrowings are denominated in foreign currencies other than the functional currency in which they are measured.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

36. FINANCIAL INSTRUMENTS (CONTINUED)

36.2 Financial risk management objectives and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

The carrying amounts of the Target Group's foreign currency denominated monetary assets and monetary liabilities at the end of each of the Relevant Periods are as follows:

	Liabilities			
	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2025 RMB million
JPY	342	266	183	153
	Assets			
	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2025 RMB million
JPY	2	-*	-*	-*
INR	34	196	81	83

* Amount smaller than RMB500,000.

Sensitivity analysis

The following table details the Target Group's sensitivity to a 10% increase or decrease in exchange rate of each foreign currency against RMB, while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of each of the Relevant Periods.

	JPY				
	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Increase/(decrease) in profit for the year/period – if RMB weakens against foreign currencies	(26)	(20)	(14)	(16)	(11)
– if RMB strengthens against foreign currencies	26	20	14	16	11

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

35. FINANCIAL INSTRUMENTS (CONTINUED)

35.2 Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Currency risk (continued)

	INR				
	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Increase/(decrease) in profit for the year/period – if RMB weakens against foreign currencies	3	15	6	9	6
– if RMB strengthens against foreign currencies	(3)	(15)	(6)	(9)	(6)

(ii) Interest rate risk

The Target Group is exposed to fair value interest rate risk in relation to fixed-rate loan and borrowings.

The Target Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings and variable-rate loans. Other than the concentration of interest rate risk related to the movements in Secured Overnight Financing Rate and the loan interest published by the People's Bank of China ("PBOC"), the Target Group has no significant concentration of interest rate risk.

The Target Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate borrowings at the end of the reporting period.

The analysis is prepared assuming variable-rate borrowings outstanding at the end of the reporting period were outstanding for the whole year.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Target Group's profit for the years ended 31 December 2022, 2023 and 2024 and for the seven months ended 31 July 2024 and 2025 would decrease/increase by RMB127 million, RMB129 million, RMB118 million, RMB69 million (unaudited) and RMB101 million, respectively.

Credit risk and impairment assessment

As at the end of each of the Relevant Periods, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group arising from the amount of financial guarantees provided by the Target Group is none. The Target Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and financial guarantee contracts.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

36. FINANCIAL INSTRUMENTS (CONTINUED)

36.2 Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Accounts and bills receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Target Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Target Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the Directors consider that the Target Group's credit risk is significantly reduced.

Bank balances

The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies, such as China Construction Bank, Industrial and Commercial Bank of China, Bank of China and Agricultural Bank of China.

Other receivables

Other receivables represent pledge and guarantee deposit, dividend receivables and interest receivables. The pledge and guarantee deposit is paid for regular businesses. The dividend receivables relate to the investments of the Target Company and the interest receivables mainly relate to related parties and stated owned entities. Thus, the credit risk on other receivables are limited.

The tables below detail the credit risk exposures of the Target Group's financial assets and financial guarantee contracts, which are subject to ECL assessment:

	Notes	External credit rating	12-month or lifetime ECL	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Financial assets at amortised costs							
Entrusted loan	24	N/A	12-month ECL	8	700	516	140
Restricted bank deposits	25	N/A	12-month ECL	42	391	468	501
Cash and cash equivalents	26	N/A	12-month ECL	2,993	5,046	3,632	4,366
Other receivables	24	N/A	12-month ECL	-	-	-	-
Accounts receivable (note)	23	N/A	Credit-impaired	3,262	3,803	3,576	3,338
			Provision matrix	2,703	2,075	1,779	2,564
			Credit-impaired	274	233	17	1
Bills receivable	23	N/A	Credit-impaired	148	470	461	-

Note:

For accounts receivable, the Target Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired, the Target Group determines the ECL on these items by using a provision matrix, grouped by debtors' aging.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

36. FINANCIAL INSTRUMENTS (CONTINUED)

36.2 Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Provision matrix – debtors' ageing

As part of the Target Group's credit risk management, the Target Group uses debtors' ageing to assess the impairment for its receivables from customers in relation to its sales of coal and power because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for accounts receivables which are assessed based on provision matrix as at the end of each of the Relevant Periods within lifetime ECL (not credit-impaired). Accounts receivable with credit-impaired with gross carrying amounts of RMB274 million, RMB233 million, RMB17 million and RMB1 million as at 31 December 2022, 2023 and 2024 and 31 July 2025, respectively, were assessed individually.

Gross carrying amount

	Average loss rate 31 December 2022	Accounts receivable 31 December 2022 RMB million	Average loss rate 31 December 2023	Accounts receivable 31 December 2023 RMB million	Average loss rate 31 December 2024	Accounts receivable 31 December 2024 RMB million	Average loss rate 31 July 2025	Accounts receivable 31 July 2025 RMB million
Current (not past due)	2	2,703	2	2,075	-	1,779	-	2,564

The loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the years ended 31 December 2022, 2023 and 2024 and for the seven months ended 2025, the Target Group provided RMB81 million, RMB9 million, nil and nil impairment allowance for accounts receivable, reversed RMB2 million, RMB1 million, RMB166 million, and RMB16 million and written off nil, RMB50 million, RMB16 million, and nil, respectively, based on the provision matrix.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

36. FINANCIAL INSTRUMENTS (CONTINUED)

36.2 Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Gross carrying amount (continued)

The following table shows the movement in lifetime ECL that has been recognised for accounts receivable under the simplified approach.

	Lifetime ECL (not credit- impaired) RMB million	Lifetime ECL (credit- impaired) RMB million	Total RMB million
As at 1 January 2022	-	244	244
Impairment losses recognised	-	81	81
Impairment losses reversed	-	(2)	(2)
As at 31 December 2022 and 1 January 2023	-	323	323
Impairment losses recognised	-	9	9
Impairment losses reversed	-	(1)	(1)
Write-offs	-	(50)	(50)
As at 31 December 2023 and 1 January 2024	-	281	281
Impairment losses reversed	-	(166)	(166)
Write-offs	-	(16)	(16)
Other reductions	-	(82)	(82)
As at 31 December 2024 and 1 January 2025	-	17	17
Impairment losses reversed	-	(16)	(16)
As at 31 July 2025	-	1	1

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

36. FINANCIAL INSTRUMENTS (CONTINUED)

36.2 Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Gross carrying amount (continued)

The following tables show reconciliation of loss allowances that has been recognised for other receivables and other loans.

	12-month ECL (not credit- impaired) RMB million	Lifetime ECL (credit- impaired) RMB million	Total RMB million
As at 1 January 2022	-	331	331
– Impairment losses recognised	-	39	39
As at 1 January 2023	-	370	370
– Impairment losses recognised	-	195	195
– Write-offs	-	(14)	(14)
As at 1 January 2024	-	551	551
– Impairment losses recognised	-	1	1
– Impairment losses reversed	-	(2)	(2)
– Write-offs	-	(468)	(468)
As at 1 January 2025	-	82	82
– Impairment losses reversed	-	(39)	(39)
– Write-offs	-	(3)	(3)
As at 31 July 2025	-	40	40

Liquidity risk

Liquidity risk is the risk that the Target Group will not be able to meet its financial obligation as they fall due. The approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Target Group's reputation.

The Target Group closely monitors cash flow requirements and optimising its cash return. The Target Group prepares cash flow forecasts and ensures it has sufficient cash for the servicing of operation, financial, and capital obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

36. FINANCIAL INSTRUMENTS (CONTINUED)

36.2 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table details the remaining contractual maturity of the Target Group's financial liabilities at the end of each of the Relevant Periods, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each of the Relevant Periods) and the earliest date the Target Group can be required to pay:

31 December 2022							
	Weighted average interest rate %	On demand or less than 1 year RMB million	1 – 2 years RMB million	2 – 5 years RMB million	More than 5 years RMB million	Total undiscounted cash flows RMB million	Total carrying amount RMB million
Financial liabilities:							
Accounts and bills payables, other payables, lease liabilities and long-term liabilities	NA	8,156	44	293	1,478	9,972	9,695
Borrowings variable interest rate	2.96%	10,013	2,377	1,966	2,761	17,117	16,076
Borrowings fixed interest rate	3.45%	5,670	768	1,810	-	8,248	7,905
		<u>23,839</u>	<u>3,189</u>	<u>4,069</u>	<u>4,239</u>	<u>35,337</u>	<u>33,676</u>
31 December 2023							
	Weighted average interest rate %	On demand or less than 1 year RMB million	1 – 2 years RMB million	2 – 5 years RMB million	More than 5 years RMB million	Total undiscounted cash flows RMB million	Total carrying amount RMB million
Financial liabilities:							
Accounts and bills payables, other payables, lease liabilities and long-term liabilities	NA	10,899	77	1,264	2,427	14,667	12,806
Borrowings variable interest rate	2.72%	4,352	1,109	8,948	3,957	18,366	16,976
Borrowings fixed interest rate	3.05%	4,295	69	131	-	4,495	4,377
		<u>19,546</u>	<u>1,255</u>	<u>10,343</u>	<u>6,384</u>	<u>37,528</u>	<u>34,159</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

36. FINANCIAL INSTRUMENTS (CONTINUED)

36.2 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

31 December 2024							
	Weighted average interest rate %	On demand or less than 1 year RMB million	1 – 2 years RMB million	2 – 5 years RMB million	More than 5 years RMB million	Total undiscounte d cash flows RMB million	Total carrying amount RMB million
Financial liabilities:							
Accounts and bills payables, other payables, lease liabilities and long-term liabilities	NA	9,257	934	1,937	2,164	14,292	11,065
Borrowings variable interest rate	2.40%	1,948	4,673	2,880	5,719	15,220	14,060
Borrowings fixed interest rate	2.88%	3,194	62	60	-	3,316	3,240
		<u>14,399</u>	<u>5,669</u>	<u>4,877</u>	<u>7,883</u>	<u>32,828</u>	<u>28,365</u>
31 July 2025							
	Weighted average interest rate %	On demand or less than 1 year RMB million	1 – 2 years RMB million	2 – 5 years RMB million	More than 5 years RMB million	Total undiscounte d cash flows RMB million	Total carrying amount RMB million
Financial liabilities:							
Accounts and bills payables, other payables, lease liabilities and long-term liabilities	NA	7,805	1,350	238	2,595	11,988	9,107
Borrowings variable interest rate	2.32%	3,380	5,167	2,231	2,131	12,909	12,302
Borrowings fixed interest rate	2.31%	4,024	69	31	-	4,124	4,038
		<u>15,209</u>	<u>6,586</u>	<u>2,500</u>	<u>4,726</u>	<u>29,021</u>	<u>25,447</u>

Saved as discussed above, the Target Group also makes use of banks and financial institutions facilities as one of the effective sources of liquidity.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

36. FINANCIAL INSTRUMENTS (CONTINUED)

36.3 Fair value measurements

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values:

	31 December 2022		31 December 2023		31 December 2024		31 July 2025	
	Carrying amount RMB million	Fair value RMB million	Carrying amount RMB million	Fair value RMB million	Carrying amount RMB million	Fair value RMB million	Carrying amount RMB million	Fair value RMB million
Financial liabilities:								
Borrowings- fixed interests rates	896	838	192	177	118	112	97	93

The fair value of fixed rate bank borrowings above in the Level 2 category is measured using discounted cash flow method where the future cash flows are estimated based on the contract and discounted at a rate that reflects the credit risk of the banks.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

37. COMMITMENTS AND CONTINGENT LIABILITIES

37.1 Capital commitments

At the end of each of the Relevant Periods, the Target Group had capital commitments for land, buildings and mining rights, exploration and evaluation assets, equipment and other as follows:

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Contracted for but not provided				
– Land, buildings and exploration and evaluation assets	7,246	4,899	3,896	5,412
– Equipment	1,349	1,147	5,866	6,931
	<u>8,595</u>	<u>6,046</u>	<u>9,762</u>	<u>12,343</u>

37.2 Environmental contingencies

To date, the Target Group has not incurred any significant expenditure for environmental remediation, is currently not involved in any environmental remediation, and apart from the provision for land reclamation costs, has not accrued any further amounts for environmental remediation relating to its operations. Under the existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Target Group. The regulatory bodies, however, have moved, and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Target Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including, but not limited to coal mines and land development areas, whether operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislation cannot reasonably be estimated at present, and could be material.

38. EMPLOYEE BENEFITS PLAN

The Target Group participates, in line with the regulations of the PRC, mainly in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Target Group is required to make contributions to the retirement plans at a certain proportion of the salaries, bonuses and certain allowances of the employees. In addition, as approved by the government, the Target Group makes contribution to a supplemental defined contribution pension plan for its employees. The fund is managed by a qualified fund manager. The Target Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. The Target Group's contributions for the years ended 31 December 2022, 2023 and 2024 and for the seven months ended 31 July 2025 were RMB718 million, RMB773 million, RMB712 million, and RMB306 million, respectively.

39. RELATED PARTY TRANSACTIONS

39.1 Transactions with China Energy Group, an associate of China Energy Group, fellow subsidiaries, and associates of the Target Group

The Target Group is controlled by China Energy Group and has significant transactions and relationships with China Energy Group, an associate of China Energy Group and subsidiaries of China Energy Group ("fellow subsidiaries"). Related parties refer to enterprises over which China Energy Group is able to exercise significant influence or control. The Target Group also has entered into transactions with its associates, over which the Target Group can exercise significant influence.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

39. RELATED PARTY TRANSACTIONS (CONTINUED)

39.1 Transactions with China Energy Group, an associate of China Energy Group, fellow subsidiaries, and associates of the Target Group (continued)

The Target Group had the following transactions with China Energy Group, an associate of China Energy Group, fellow subsidiaries, and associates of the Target Group that were carried out in the normal course of business during the years ended 31 December 2022, 2023 and 2024 and the seven months ended 31 July 2024 and 2025:

	Notes	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Interest income	(i)	10	15	12	4	2
Income from entrusted loans	(ii)	69	52	41	26	19
Interest expense	(iii)	500	676	393	138	132
Purchases of ancillary materials and spare parts	(iv)	425	106	142	103	232
Ancillary and social services	(v)	496	96	460	250	168
Sale of coal	(vi)	2,798	4,779	1,840	865	1,907
Purchase of coal	(vii)	5,058	6,391	5,260	3,166	1,900
Property leasing	(viii)	-	-	-	-	2
Purchase of equipment and construction work	(ix)	143	184	514	56	404
Other income	(x)	269	108	94	1	44
Net deposits placed with Finance Company	(xi)	(1,421)	1,949	(1,265)	248	848
Granting of loans from China Energy Group	(xii)	6,930	13,214	2,880	2,680	250
Repayment of loans to China Energy Group	(xiii)	9,440	14,099	3,099	-	347
Granting of loans to China Energy Group	(xiv)	1,959	1,300	1,605	1,055	140
Repayment of loans from China Energy Group	(xv)	2,083	1,493	2,520	1,170	555
Bills receivables discounted from Finance Company*	(xvi)	136	-	230	-	230
Factoring services	(xvii)	-	200	1,580	780	460

* China Energy Group Finance Co., Ltd.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

39. RELATED PARTY TRANSACTIONS (CONTINUED)

39.1 Transactions with China Energy Group, an associate of China Energy Group, fellow subsidiaries, and associates of the Target Group (continued)

- (i) Interest income represents interest earned from deposits in fellow subsidiaries. The applicable interest rate is determined in accordance with the prevailing interest rates published by the PBOC.
- (ii) Income from an entrusted loan represents interest earned from an entrusted loan to an associate of the Target Group. The applicable interest rate is determined in accordance with the prevailing interest rates published by the PBOC.
- (iii) Interest expense represents interest incurred from loans from China Energy Group and fellow subsidiaries. The applicable interest rate is determined in accordance with the prevailing interest rates published by the PBOC.
- (iv) Purchases of ancillary materials and spare parts represent purchase of materials and utility supplies related to the Target Group's operations from fellow subsidiaries and associates of China Energy Group.
- (v) Ancillary and social services represent expenditures for social welfare and support services such as property management, water and electricity supply, and canteen expense paid to China Energy Group, fellow subsidiaries and associates of China Energy Group.
- (vi) Sale of coal represents income from sale of coal to fellow subsidiaries and associates of China Energy Group.
- (vii) Purchase of coal represents coal purchased from associates of the Target Group, associates of China Energy Group and fellow subsidiaries.
- (viii) Property leasing expense represents rental paid or payable in respect of properties leased from fellow subsidiaries.
- (ix) Purchase of equipment and construction work represents expenditure related to equipment and construction service provided by fellow subsidiaries.
- (x) Other income includes agency income, repairs and maintenance service income, sales of ancillary materials and spare parts, management fee income, sales of water and electricity, financial service income, lease income, etc. earned from China Energy Group, an associate of China Energy Group and fellow subsidiaries.
- (xi) Net deposits placed with Finance Company represents net deposits placed by the Target Group with Finance Company.
- (xii) Granting of loans from China Energy Group and fellow subsidiaries.
- (xiii) Repayment of loans from China Energy Group and fellow subsidiaries.
- (xiv) Granting of loans to China Energy Group and fellow subsidiaries.
- (xv) Recover the loan from China Energy Group and fellow subsidiaries.
- (xvi) Bills receivables discounted from Finance Company represents bill acceptance and discount services provided by Finance Company to the Target Group.
- (xvii) Factoring services refer to receiving factoring services from China Energy Group and fellow subsidiaries.

The directors are of the opinion that the above transactions with related parties were in accordance with the agreements governing such transactions.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

39. RELATED PARTY TRANSACTIONS (CONTINUED)

39.1 Transactions with China Energy Group, an associate of China Energy Group, fellow subsidiaries, and associates of the Target Group (continued)

Amounts due from/to China Energy Group, an associate of China Energy Group, fellow subsidiaries, and associates of the Target Group:

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Cash and time deposits at bank	2,740	4,690	3,424	4,273
Accounts and bills receivables	451	270	260	404
Prepaid expenses and other current assets	4,685	5,463	5,641	5,005
Other non-current assets	<u>1,515</u>	<u>1,140</u>	<u>1,490</u>	<u>1,450</u>
Total amounts due from China Energy Group, an associate of China Energy Group, fellow subsidiaries and associates of the Target Group	<u>9,391</u>	<u>11,563</u>	<u>10,815</u>	<u>11,132</u>
Borrowings	15,380	15,326	12,290	12,156
Accounts and bills payable	403	1,100	996	726
Accrued expenses and other payables	340	546	255	509
Contract liabilities	15	71	19	-
Long-term liabilities	<u>230</u>	<u>1,737</u>	<u>2,193</u>	<u>1,756</u>
Total amounts due to China Energy Group, an associate of China Energy Group and fellow subsidiaries, and associates of the Target Group	<u>16,368</u>	<u>18,780</u>	<u>15,753</u>	<u>15,147</u>

Other than those disclosed in notes 20, 23, 24, 28, 30,31 and 32 to the Historical Financial Information, amounts due from/to China Energy Group, an associate of China Energy Group, fellow subsidiaries, and associates of the Target Group bear no interest, are unsecured and are repayable in accordance.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

39. RELATED PARTY TRANSACTIONS (CONTINUED)

39.2 Key management personnel emoluments

Key management personnel receive compensation in the form of fees, basic salaries, housing and other allowances, benefits in kind, discretionary bonuses and retirement scheme contributions.

Key management personnel compensation of the Target Group is summarised as follows:

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Short-term employee benefits	10	9	9	7	4
Post-employment benefits	*	1	1	*	*
	<u>10</u>	<u>10</u>	<u>10</u>	<u>7</u>	<u>4</u>

Total remuneration is included in "personnel expenses" as disclosed in note 10 to the Historical Financial Information.

39.3 Contributions to post-employment benefit plans

The Target Group participates in various defined contribution post-employment benefit plans organised by municipal and provincial governments and a supplemental defined contribution pension plan approved by the government for its employees. Further details of the Target Group's post-employment benefit plans are disclosed in note 38 to the Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

39. RELATED PARTY TRANSACTIONS (CONTINUED)

39.4 Transactions with other government-related entities in the PRC (continued)

The Target Company is ultimately controlled by the PRC government and the Target Group operates in an economic environment currently predominated by government-related entities.

Other than those transactions with China Energy Group, fellow subsidiaries and associates of the Target Group as disclosed above, the Target Group conducts business with other government-related entities which include but are not limited to the following:

- Sales and purchases of coal;
- Transportation services;
- Construction work;
- Purchases of ancillary materials and spare parts;
- Ancillary and social services; and
- Financial services arrangements.

These transactions are conducted in the ordinary course of the Target Group's business on terms comparable to those with other entities that are not government-related. The Target Group has established its pricing policies in respect of sale of goods and provision of services, and approval process for purchases of products and services. Such policies and approval process apply to all counterparties regardless of whether the counterparty is government-related or not.

The balances with government-related enterprises also included the accounts receivable due from sales of electricity and coal, the bank deposits placed with and loans from government-related financial institutions as well as accounts payable and other payables arising from the purchases of coal and property, plant and equipment construction and related labour service provided by other government-related enterprises.

40. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Up to the Historical Financial Information approval date, there was no significant event after the Relevant Periods that need to be disclosed.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

41. SUBSIDIARIES

Details of non-wholly owned subsidiaries that have material non-controlling interests

Summarised financial information in respect of each of the Target Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

31 December 2022/Year ended 31 December 2022

Name of the subsidiary	Place of incorporation and operation	Proportion of ownership interest held by non- controlling interest	Profit allocated to non-controlling interests RMB million	Accumulated non- controlling interests RMB million
Wenjiapo Power Generation (note)	PRC /Mainland China	49%	-	98
Guoneng Baoqing Coal Electrochemical Co., Ltd.	PRC /Mainland China	10%	34	37
Guoneng Shanxi Hequ Power Generation Co., Ltd.	PRC /Mainland China	40%	320	1,252
Shanxi Luneng Hequ Power Coal Development Co., Ltd	PRC /Mainland China	30%	127	373
Shaanxi Deyuan Fugu Energy Co., Ltd.	PRC /Mainland China	30%	847	1,431
Individually immaterial subsidiaries with non- controlling interests				(49)
				3,142

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

41. SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

31 December 2023/Year ended 31 December 2023

Name of the subsidiary	Place of incorporation and operation	Proportion of ownership interest held by non- controlling interest	Profit/(loss) allocated to non- controlling interests RMB million	Accumulated non- controlling interests RMB million
Wenjiapo Power Generation (note)	PRC /Mainland China	49%	-	323
Guoneng Baoqing Coal Electrochemical Co., Ltd.	PRC /Mainland China	45%	97	740
Guoneng Shanxi Hequ Power Generation Co., Ltd.	PRC /Mainland China	40%	193	1,445
Shanxi Luneng Hequ Power Coal Development Co., Ltd	PRC /Mainland China	30%	106	484
Shaanxi Deyuan Fugu Energy Co., Ltd.	PRC /Mainland China	30%	787	1,494
Individually immaterial subsidiaries with non- controlling interests				(225)
				4,261

31 December 2024/Year ended 31 December 2024

Name of the subsidiary	Place of incorporation and operation	Proportion of ownership interest held by non- controlling interest	Profit allocated to non-controlling interests RMB million	Accumulated non- controlling interests RMB million
Wenjiapo Power Generation (note)	PRC /Mainland China	49%	6	331
Guoneng Baoqing Coal Electrochemical Co., Ltd.	PRC /Mainland China	45%	69	1,111
Guoneng Shanxi Hequ Power Generation Co., Ltd.	PRC /Mainland China	40%	124	1,281
Shanxi Luneng Hequ Power Coal Development Co., Ltd	PRC /Mainland China	30%	116	509
Shaanxi Deyuan Fugu Energy Co., Ltd.	PRC /Mainland China	30%	720	2,158
Individually immaterial subsidiaries with non- controlling interests				(189)
				5,201

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

41. SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

31 July 2025/Seven months ended 31 July 2025

Name of the subsidiary	Place of incorporation and operation	Proportion of ownership interest held by non- controlling interest	Profit/(loss) allocated to non- controlling interests RMB million	Accumulated non- controlling interests RMB million
Guoneng Baoqing Coal Electrochemical Co., Ltd.	PRC /Mainland China	45%	65	1,191
Guoneng Shanxi Hequ Power Generation Co., Ltd.	PRC /Mainland China	40%	109	1,398
Shanxi Luneng Hequ Power Coal Development Co., Ltd	PRC /Mainland China	30%	52	578
Shaanxi Deyuan Fugu Energy Co., Ltd.	PRC /Mainland China	30%	329	2,550
Individually immaterial subsidiaries with non- controlling interests				(445)
				5,272

Note:

The Group disposed of its 2% equity interests in Wenjiapo Power Generation, reducing its holding to 49% and leading to its reclassification as an associate accounted for under the equity method.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

41. SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Wenjiapo Power Generation

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Current assets	45	250	499	/
Non-current assets	750	1,986	2,969	/
Current liabilities	94	405	758	/
Non-current liabilities	501	1,170	2,035	/
Total equity	200	661	675	/

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Revenue	-	-	206	206	/
Expenses	-	-	193	193	/
Profit and total comprehensive income for the year/period	-	-	13	13	/
Dividend paid to non- controlling interests	-	-	-	-	/
Net cash inflow from operating activities	-	-	73	70	/
Net cash outflow from investing activities	(376)	(989)	(842)	(73)	/
Net cash inflow from financing activities	287	1,049	814	-	/
Net cash inflow/(outflow)	(89)	60	45	(3)	/

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

41. SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Guoneng Baoqing Coal Electrochemical Co., Ltd.

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million	
Current assets	336	505	385	548	
Non-current assets	7,227	6,963	7,128	6,949	
Current liabilities	4,892	1,962	2,172	2,065	
Non-current liabilities	2,303	3,861	2,873	2,786	
Total equity	368	1,645	2,468	2,646	
	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Revenue	1,814	1,941	2,019	1,068	1,114
Expenses	1,474	1,726	1,866	992	970
Profit and total comprehensive income for the year/period	340	215	153	76	144
Dividend paid to non- controlling interests	-	-	-	-	-
Net cash inflow from operating activities	981	825	998	319	478
Net cash outflow from investing activities	(354)	(193)	(870)	(354)	(74)
Net cash outflow from financing activities	(664)	(515)	(257)	(178)	(241)
Net cash inflow/(outflow)	(37)	117	(129)	(213)	163

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

41. SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Guoneng Shanxi Hequ Power Generation Co., Ltd.

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Current assets	553	828	886	984
Non-current assets	5,887	5,613	5,678	5,549
Current liabilities	2,751	1,627	2,267	2,009
Non-current liabilities	559	1,202	1,094	1,028
Total equity	3,130	3,612	3,203	3,496

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Revenue	4,365	4,441	4,206	2,329	2,432
Expenses	3,564	3,958	3,896	2,078	2,159
Profit and total comprehensive income for the year/period	801	483	310	251	273
Dividend paid to non- controlling interests	-	-	180	180	-
Net cash inflow from operating activities	1,149	1,224	959	688	571
Net cash outflow from investing activities	(630)	(379)	(397)	(269)	(144)
Net cash outflow from financing activities	(891)	(524)	(635)	(431)	(551)
Net cash inflow/(outflow)	(372)	321	(73)	(12)	(124)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

41. SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Shanxi Luneng Hequ Power Coal Development Co., Ltd

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million
Current assets	679	1,113	1,120	1,320
Non-current assets	1,131	1,136	1,229	1,352
Current liabilities	452	505	524	616
Non-current liabilities	114	132	128	128
Total equity	1,244	1,612	1,697	1,928

	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Revenue	1,784	1,736	1,726	974	1,077
Expenses	1,361	1,383	1,339	745	906
Profit and total comprehensive income for the year/period	423	353	387	229	171
Dividend paid to non- controlling interests	217	-	-	-	-
Net cash inflow/(outflow) from operating activities	445	641	(119)	3	246
Net cash outflow from investing activities	(64)	(106)	(176)	(74)	(104)
Net cash outflow from financing activities	(377)	(1)	(246)	-	(106)
Net cash inflow/(outflow)	4	534	(541)	(71)	36

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

41. SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Shaanxi Deyuan Fugu Energy Co., Ltd.

	31 December 2022 RMB million	31 December 2023 RMB million	31 December 2024 RMB million	31 July 2025 RMB million	
Current assets	1,262	1,559	1,683	3,183	
Non-current assets	8,946	8,751	8,741	8,523	
Current liabilities	4,674	4,516	2,419	2,726	
Non-current liabilities	764	815	812	481	
Total equity	4,770	4,979	7,193	8,499	
	Year ended 31 December 2022 RMB million	Year ended 31 December 2023 RMB million	Year ended 31 December 2024 RMB million	Seven months ended 31 July 2024 RMB million (unaudited)	Seven months ended 31 July 2025 RMB million
Revenue	6,529	6,517	6,509	3,823	3,571
Expenses	3,707	3,894	4,110	2,286	2,475
Profit and total comprehensive income for the year/period	2,822	2,623	2,399	1,537	1,096
Dividend paid to non- controlling interests	1,350	640	914	-	-
Net cash inflow from operating activities	3,028	3,712	2,832	2,123	1,880
Net cash outflow from investing activities	(532)	(861)	(723)	(382)	(333)
Net cash outflow from financing activities	(2,587)	(2,451)	(2,390)	(1,321)	(200)
Net cash inflow/(outflow)	(91)	400	(281)	420	1,347

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

42. DISPOSAL OF SUBSIDIARIES

42.1 Disposal of Sichuan Baima, Inner Mongolia Dayan and its subsidiaries.

In January 2024, the Target Group disposed of its entire interests in Sichuan Baima, a subsidiary of the Target Company, to a related party with nil consideration. In August 2024, the Target Group disposed of its entire interests in Inner Mongolia Dayan, Hulunbuir Dayan Survey, Design & Planning Co., Ltd., Shenhua Dayan Engineering Construction Co., Ltd., Inner Mongolia Xingguan Safety & Energy Conservation Co., Ltd., and Inner Mongolia East Energy Co., Ltd., subsidiaries of the Target Company, to related parties with nil consideration. Consequently, the aforementioned entities were not accounted as subsidiaries of the Target Company.

	2024 RMB million
Net assets disposed of:	
Non-current assets	6,174
Current assets	3,114
Current liabilities	(6,555)
Non-current liabilities	(5,323)
Non-controlling interests	28
Subtotal	2,562
Gain on disposal of a subsidiary	-
Total consideration	-
Satisfied by:	
Cash	-

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows.

	2024 RMB million
Cash consideration	-
Cash and bank balances disposed of	(1,515)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(1,515)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

42. DISPOSAL OF SUBSIDIARIES (CONTINUED)

42.2 Disposal of Wenjiapo Power Generation

In February 2025, the Target Company disposed of its 2% equity interests of Wenjiapo Power Generation to Shaanxi Binchang Mining Group Co., Ltd., another shareholder of Wenjiapo Power Generation. Upon completion of this disposal transaction, the Target Company's interests in Wenjiapo Power Generation decreased from 51% to 49%, and Wenjiapo Power Generation has no longer been accounted for as a subsidiary of the Target Company.

	31 July 2025 RMB million
Net assets disposed of:	
Non-current assets	2,936
Current assets	497
Current liabilities	(635)
Non-current liabilities	(2,119)
Non-controlling interests	(794)
Subtotal	(114)
Gain on disposal of a subsidiary	133
Total consideration	19
Satisfied by:	
Cash	19

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows.

	31 July 2025 RMB million
Cash consideration	19
Cash and bank balances disposed of	(97)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(78)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

43. INFORMATION ABOUT THE FINANCIAL POSITION AND RESERVES OF THE TARGET COMPANY

	Paid-up capital RMB million	Other reserves RMB million	Accumulated losses RMB million	Total RMB million
At 1 January 2022	47,261	27	(15,567)	31,721
Profit for the year	-	-	(6,509)	(6,509)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(6,509)	(6,509)
Share of reserves of joint ventures and associates	-	184	-	184
Disposal of subsidiaries	-	-	(195)	(195)
Others	-	47	-	47
At 31 December 2022	47,261	258	(22,271)	25,248
	Paid-up capital RMB million	Other reserves RMB million	Accumulated losses RMB million	Total RMB million
At 1 January 2023	47,261	258	(22,271)	25,248
Profit for the year	-	-	(1,602)	(1,602)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(1,602)	(1,602)
Share of reserves of joint ventures and associates	-	73	-	73
Capital contribution to the carved-out entities	-	(504)	-	(504)
Others	-	19	-	19
At 31 December 2023	47,261	(154)	(23,873)	23,234

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

43. INFORMATION ABOUT THE FINANCIAL POSITION AND RESERVES OF THE TARGET COMPANY (CONTINUED)

	Paid-up capital RMB million	Other reserves RMB million	Accumulated losses RMB million	Total RMB million
At 1 January 2024	47,261	(154)	(23,873)	23,234
Profit for the year	-	-	1,234	1,234
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	1,234	1,234
Share of reserves of joint ventures and associates	-	53	-	53
Disposal of subsidiaries	-	-	(354)	(354)
Capital contribution to the carved-out entities	-	(324)	-	(324)
Others	-	24	-	24
At 31 December 2024	47,261	(401)	(22,993)	23,867
	Paid-up capital RMB million	Other reserves RMB million	Accumulated losses RMB million	Total RMB million
At 1 January 2024	47,261	(154)	(23,873)	23,234
Profit for the period (unaudited)	-	-	246	246
Other comprehensive income for the year (unaudited)	-	-	-	-
Total comprehensive income for the period (unaudited)	-	-	246	246
Capital contribution to the carved-out entities (unaudited)	-	(324)	-	(324)
At 31 July 2024 (unaudited)	47,261	(478)	(23,627)	23,156

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

43. INFORMATION ABOUT THE FINANCIAL POSITION AND RESERVES OF THE TARGET COMPANY (CONTINUED)

	Paid-up capital RMB million	Other reserves RMB million	Accumulated losses RMB million	Total RMB million
At 1 January 2025	47,261	(401)	(22,993)	23,867
Profit for the period	-	-	343	343
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the period	-	-	343	343
Share of reserves of joint ventures and associates	-	68	-	68
Capital contribution to the carved-out entities	-	(473)	-	(473)
Disposal of subsidiaries	-	-	144	144
At 31 July 2025	47,261	(806)	(22,506)	23,949