Perennial Energy Holdings Limited
久泰邦達能源控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 2798

Annual Report 2019

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Yu Bangping *(Chairman and Chief Executive Officer)*
Mr. Sun Dawei
Mr. Wang Shize
Mr. Li Xuezhong
Mr. Lam Chik Shun, Marcus
Mr. Yu Zhilong
Mr. Yu Xiao

Independent non-executive Directors

Mr. Fong Wai Ho
Mr. Punnya Niraan De Silva
Ms. Cheung Suet Ting, Samantha
Mr. Wang Xiufeng

Audit Committee

Mr. Fong Wai Ho *(Chairman)*
Mr. Punnya Niraan De Silva
Ms. Cheung Suet Ting, Samantha

Nomination Committee

Mr. Yu Bangping *(Chairman)*
Mr. Fong Wai Ho
Ms. Cheung Suet Ting, Samantha

Remuneration Committee

Mr. Fong Wai Ho *(Chairman)*
Mr. Punnya Niraan De Silva
Mr. Lam Chik Shun, Marcus

Company Secretary

Mr. Chan Kwong Leung, Eric

Authorized Representatives

Mr. Lam Chik Shun, Marcus
Mr. Chan Kwong Leung, Eric

Auditor

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

Legal Advisers

As to Hong Kong Laws:
Lau, Horton & Wise LLP in Association with
CMS Hasche Sigle, Hong Kong LLP
8th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

As to the People's Republic of China Laws:
Commerce & Finance Law Offices
6/F, NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing
China

As to Cayman Islands Laws:
Maples and Calder (Hong Kong) LLP
53rd Floor, The Center
99 Queen's Road Central
Hong Kong

Compliance Adviser

Kingsway Capital Limited
7/F, Tower One, Lippo Centre
89 Queensway
Hong Kong

Registered Office

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Grand Cayman, KY1-1104
Cayman Islands

Headquarters in China

Office building next to E' Lang Pu Leisure Square
Hongguo Economic Development Area
Liupanshui City, Guizhou Province, China

Principal Place of Business in Hong Kong

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Tower 2, Lippo Centre
89 Queensway
Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall
Cricket Square, Grand Cayman
KY1-1102, Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

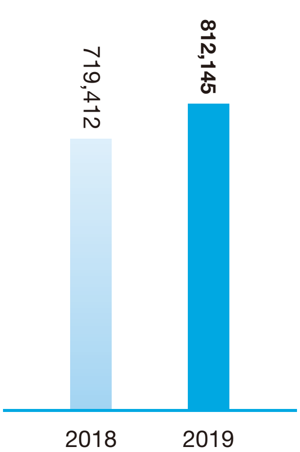
Principal Bankers

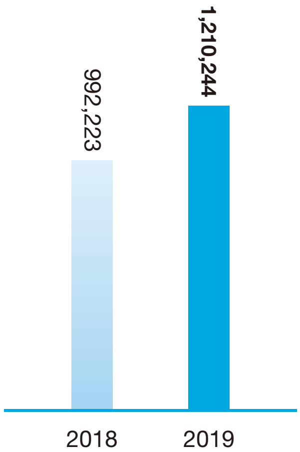
Bank of China Limited, Liupanshui City,
Panzhou County Branch, China
Bank of Communications Co., Limited, Hong Kong

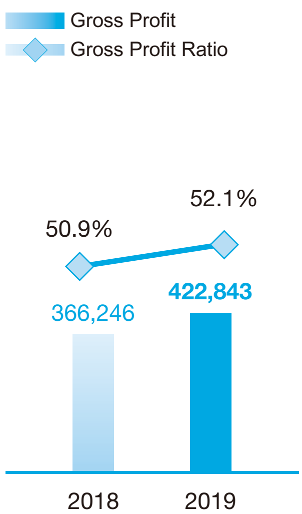
Company's website

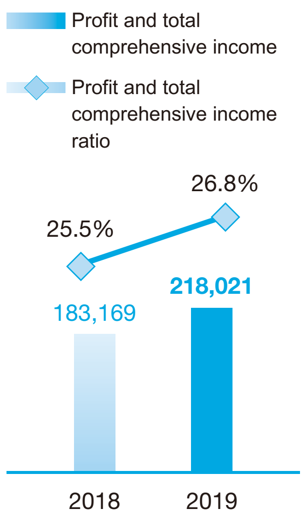
www.perennialenergy.hk

FINANCIAL HIGHLIGHTS









	Formula	2019	2018	Change in Percentage Increase/ (Decrease)
For the year				
Revenue (RMB'000)		**812,145**	719,412	12.9
Gross profit (RMB'000)		**422,843**	366,246	15.5
Profit and total comprehensive income for the year (RMB'000)	(1)	**218,021**	183,169	19.0
At year end				
Total equity (RMB'000)	(2)	**1,210,244**	992,223	22.0
Total assets (RMB'000)	(3)	**1,677,341**	1,399,101	19.9
Bank and other borrowings (RMB'000)	(4)	**211,426**	208,617	1.3
Number of shares in issue	(5)	**1,600,000,000**	1,600,000,000	–
Per share				
Basic earnings per share (RMB cents)		**13.63**	16.51	(17.4)
Dividend per share (HK cents)		**2.5**	–	–
Net asset value per share (RMB)	(2)/(5)	**0.76**	0.62	22.6
Financial ratios				
Gearing ratio = (Bank and other borrowings/Total equity)	(4)/(2)	**0.17**	0.21	(19.0)
Return on total assets	(1)/(3)	**13.0%**	13.1%	(0.8)
Return on total equity	(1)/(2)	**18.0%**	18.5%	(2.7)

CHAIRMAN'S STATEMENT

Dear Shareholders,

I would like to express my gratitude to you for supporting Perennial Energy Holdings Limited (the "**Company**" together with its subsidiaries, the "**Group**").

In addition to finalizing our production expansion in 2019, the Group has devoted efforts to strengthen our safety and protection, to transform to increasing automated production, as well as to conduct researches proactively for the application of gas extracting technology and new techniques. On behalf of the board of directors of the Company (the "**Board**"), I am pleased to present hereby the annual results of the Group for the year ended 31 December 2019 to each of our shareholders.

Industry Review

As disclosed in a research report published by a relevant research institute, the growth of gross domestic product ("**GDP**") in Yunnan, Sichuan, Guizhou in Southwest China for the last three years have all been above the national average. The high growth arising from the investments in these provinces has created demands for clean coking coal in Southwest districts. The supply-and-demand landscape and the pricing trend of clean coal in Southwest regions have outperformed other districts in the country. Despite moderate adjustment in the coal price witnessed in the coal market during the second half of the year, the Company has benefitted from the tight supply in the regional market and recorded steady growth in its sales volume.

Business Review

On 7 August 2019, Hongguo Coal Mine and Baogushan Coal Mine, two underground coal mines operated by the Company in western Panzhou City, Guizhou Province, received approval for joint trial operation from Guizhou Province Energy Administration* (貴州省能源局) with their production capacity increasing to 600,000 tonnes/year from 450,000 tonnes/year.

The annual raw coal production of the Group reached 1,015,896 tonnes, representing an increase of 122,418 tonnes as compared to last year. During the year, sales volume of coal products achieved 840,486 tonnes, representing an increase of 123,123 tonnes as compared to last year. Due to the adjustment of coal prices in the market, the average selling price of clean coal for the year was approximately RMB1,232.3 per tonne, representing a decrease of approximately 11.1% as compared to last year. Favorable factors such as increase in production volume have partially offset the impact of the decrease in selling prices. Revenue for the year was approximately RMB812.1 million, representing an increase of approximately 12.9% as compared to last year. Gross profit amounted to approximately RMB422.8 million, representing an increase of approximately 15.5% as compared to last year, with gross profit margin of approximately 52.1%.

* *For identification purpose only*

Prospect

We anticipate that the supply and demand dynamics of the coal market in Southwest China should remain positive. Since railway is the main logistic approach for transporting coals from regions outside of Southwest regions, the higher cost and time required put local producers in a favorable position. Guizhou, as a key producer of coal in Southwest region, is striving to phase out producers with unqualified capacity, which would be beneficial to larger producers in the market, including the Group.

In early 2020, the Group completed the acquisition of the mining business at the Xiejiahegou Underground Coal Mine, which produces coking coal, in Panzhou City, Guizhou Province. With the completion of the acquisition, the Group is now able to provide customers with coking coal and 1/3 coking coal, which in turn could increase customer stickiness and further enhance the Group's revenue and profits.

With the long-term support and trust from our business partners, and the concerted efforts of our staff, we are confident about our operation for the coming year under the further implementation of the State's policy of "stabilize growth, achieve structural adjustment".

Acknowledgement

I would like to express my utmost appreciation for the support from our shareholders and stakeholders, as well as the endeavours of our entire staff!

Yu Bangping
Chairman and Chief Executive Officer

Hong Kong, 30 March 2020

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

The Company's directors (the "**Directors**") and senior management of the Group as at the date of this annual report are as follows:

Directors

Mr. Yu Bangping, aged 51, the Chairman, Chief Executive Officer and executive Director of the Company, joined the Group in 1990 and is a founder of the Group. Mr. Yu is also the chairman of the nomination committee of the Company (the "**Nomination Committee**"). He is responsible for the overall management and strategic planning and development of the Group, including day-to-day business management, overseeing sales and marketing matters as well as managing external relationships with business partners.

Mr. Yu has more than 28 years of experience in the coal mining industry. He has acted as the legal representative of both Hongguo Coal Mine and Baogushan Coal Mine since the acquisition of such mines.

Apart from Mr. Yu's contributions to the Group, he was appointed as the vice president of the township enterprises association in Liupanshui in 2004, appointed as a deputy of the National People's Congress of Pan county in March 2005, recognised as a "Model Labourer" by the Liupanshui township in April 2005, recognised as the 2008 outstanding private entrepreneur in Guizhou Province, recognised as one of the top 10 influential entrepreneurs in 2009, recognised as the "Guizhou Star of Entrepreneurship" in 2010 and recognised as a "Model Labourer" in Guizhou in April 2010. Mr. Yu has also been recognised for his social contributions to his community. He was recognised for his individual support of social welfare in April 2007, recognised for his outstanding contributions for disaster relief in April 2008 and recognised as the "Moral Model" for helping others in Liupanshui in November 2010.

Mr. Yu graduated from 貴州省普通中等專業學校 (Guizhou Province Professional Secondary School*) majoring in underground mining.

Mr. Sun Dawei, aged 47, joined the Group in 2008 and was appointed as executive Director in March 2018. Mr. Sun is responsible for the daily business operations of the Group. He has over 10 years of experience in coal mining industry. Mr. Sun graduated from Dafang County Vocational High School.

Mr. Wang Shize, aged 51, joined the Group in 2003 and was appointed as executive Director in March 2018. Mr. Wang is responsible for the daily business operations of the Group. He is also responsible for administration and human resources management of the Group. Mr. Wang has over 15 years of experience in the coal mining industry. From June 2011 to November 2017, he was the supervisor of 貴州邦達能源開發有限公司 (Guizhou Bangda Energy Development Co., Ltd.*) ("**Guizhou Bangda**"). Mr. Wang holds a diploma in economic management awarded by Guizhou Provincial Party School.

Mr. Li Xuezhong, aged 51, joined the Group in 2018 and was appointed as executive Director and the Chief Operating Officer of the Group in March 2018 and April 2019 respectively. Mr. Li assists the Chief Executive Officer in handling daily business operations especially on legal matters and administrative management. He has taken senior management roles in different enterprises in China and possesses years of experience in corporate management. Mr. Li holds a bachelor's degree in economics awarded by Shaanxi Institute of Finance and Economics. He obtained his accountant qualification from Ministry of Personnel of the People's Republic of China.

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Mr. Lam Chik Shun, Marcus, aged 42, joined the Group in 2017 and was appointed as executive Director and the Chief Strategy Officer of the Group in March 2018 and April 2019 respectively. Mr. Lam is also a member of the remuneration committee of the Company (the "**Remuneration Committee**"). He works closely with the Chairman of the Board and the Chief Executive Officer as well as the Board to develop corporate strategies and to guide the business of the Group through detailed strategic planning procedures. He also focuses on strengthening the Group's core competency and identifying future growth organically and externally. Mr. Lam has over 19 years of experience working in the financial industry, focusing on financial management and investment. Mr. Lam holds a bachelor's degree in commerce awarded by the University of British Columbia and a master of business administration degree awarded by Warwick Business School. He is a Chartered Financial Analyst charter holder. Mr. Lam is currently an independent non-executive director of Great Wall Belt & Road Holdings Limited (stock code: 524), the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Mr. Yu Zhilong, aged 32, was appointed as executive Director in September 2019. Mr. Yu Zhilong acted as the deputy manager of Guizhou Bangda from August 2011 to April 2016. He was appointed as the manager of 貴州久泰邦達能源開發有限公司機電分公司 (Guizhou Jiutai Bangda Energy Development Co., Ltd. Electricity and Machinery Branch*), the branch office of an indirect wholly-owned subsidiary of the Company, in July 2016. Mr. Yu Zhilong was also appointed as the legal representative of 貴州富邦達諮詢服務有限公司 (Guizhou Fu Bangda Consultancy Services Co., Ltd.*), an indirect wholly-owned subsidiary of the Company, in June 2017. He graduated from Guizhou University and holds a bachelor's degree in business management. Mr. Yu Zhilong is the son of Mr. Yu Bangping, the Chairman of the Company.

Mr**. Yu Xiao**, aged 37, was appointed as executive Director in September 2019. Mr. Yu Xiao acted as the deputy general manager of Guizhou Bangda from March 2017 to February 2019. He was appointed as the chief executive officer of 貴州久泰邦達能源開發有限公司 (Guizhou Jiutai Bangda Energy Development Co., Ltd.*) (**"Jiutai Bangda")**, an indirect wholly-owned subsidiary of the Company, in March 2019. Mr. Yu Xiao was appointed to certain posts including accounting clerk, account manager and chief accountant in finance department of 貴州黔桂天能焦化有限責任公司 (Guizhou Qiangui Tianneng Coking Co., Ltd.*) from September 2006 to February 2017. He graduated from Guizhou University and holds a bachelor degree in management.

Mr. Fong Wai Ho, aged 39, was appointed as an independent non-executive Director in November 2018. Mr. Fong is also the chairman of the audit committee of the Company (the "**Audit Committee**") and Remuneration Committee and a member of the Nomination Committee. He has 15 years of experience in auditing and business advisory services, he is the founder and practitioner of UBC & Co., Certified Public Accountants from March 2013 to present. Mr. Fong was the practicing director of Andes Glacier CPA Limited from March 2017 to March 2020. He holds a bachelor's degree in business administration (honours) in accountancy and management information systems awarded by City University of Hong Kong. Mr. Fong is a practicing Certified Public Accountant in Hong Kong, a member of the Association of Chartered Certified Accountants as well as a fellow of the Hong Kong Institute of Certified Public Accountants. He is a member of the Chartered Professional Accountants of British Columbia, the Chartered Professional Accountants of Canada and CPA Australia, respectively.

Mr. Fong is currently an independent non-executive director of Global Sweeteners Holdings Limited (stock code: 3889) and Great Wall Belt & Road Holdings Limited (stock code: 524), the shares of which are listed on the Stock Exchange.

* *For identification purpose only*

Mr. Punnya Niraan De Silva, aged 35, was appointed as an independent non-executive Director in November 2018. Mr. De Silva is also the member of the Audit Committee and the Remuneration Committee. He has over 12 years of experience in the financial industry. From November 2017 to present, Mr. De Silva worked as a consultant for Ho Chi Minh City Development Joint Stock Commercial Bank. He holds a bachelor's degree in commerce and economics awarded by Monash University Australia.

Ms. Cheung Suet Ting, Samantha, age 37, was appointed as an independent non-executive Director in November 2018. Ms. Cheung is also the member of the Audit Committee and the Nomination Committee. She has over 7 years of experience in private equity investments and mergers and acquisitions. From November 2017 to May 2019, Ms. Cheung worked as finance executive at Breakthrough Innovation Lab, a venture builder of many promising and innovative tech startups. She currently acts as investment manager of Animoca Brands Corporation Limited (ASX: AB1). Ms. Cheung holds a bachelor's degree in Economics and Mathematics awarded by Brandeis University.

Mr. Wang Xiufeng, aged 62, was appointed as an independent non-executive Director in September 2019. Mr. Wang has over 30 years' experience in coal mining industry. He had worked in 貴州省煤礦設計研究院 (Guizhou Coal Mine Design and Research Institute*) ("**Guizhou Coal Mine Institute**") and has been the mine design project leader in various coal mines. Mr. Wang was the chairman of the board of directors and legal representative of 貴州煤設地質工程有限責任公司 (Guizhou Coal Mine Geological Engineering Co., Ltd.*) from December 2012 to April 2018. He was also the vice president of Guizhou Coal Mine Institute from March 2003 to April 2018. Mr. Wang was the senior engineer of Guizhou Coal Mine Institute from March 1997 to April 2018. He obtained a certificate of Registered Mining Mineral Exploration & Design Engineer from the Ministry of Construction of the People's Republic of China.

He is currently an independent non-executive director of Feishang Anthracite Resources Limited (stock code: 1738) which is listed on the Main Board of the Stock Exchange. He graduated from Chongqing University and holds a bachelor's degree in underground coal mining.

Senior Management

Mr. Au Yeung Ho Yin, aged 36, joined the Group in February 2019, is currently the Chief Financial Officer of the Group. Mr. Au Yeung holds a bachelor's degree in business management from Newcastle University (formerly known as the University of Newcastle upon Tyne). He was admitted as a graduate member of Hong Kong Institute of Chartered Secretaries in 2012 and a member of the Hong Kong Institute of Certified Public Accountants in 2010. Mr. Au Yeung has an extensive experience in financial management, auditing and company secretarial matters. Before joining the Group, he was chief financial officer and company secretary of several companies listed on the Stock Exchange.

Mr. Liu Yongfu, aged 48, joined the Group in 2017 and has been the Financial Director since April 2017. Mr. Liu is responsible for the financial management of the Group. From April 2017 to present, he has acted as financial controller at Jiutai Bangda. Mr. Liu obtained the qualification as certified public accountant in China. He obtained the qualification as an intermediate accountant in China. Mr. Liu obtained a diploma in material management from 貴州省物資學校 (Guizhou Materials School*). He graduated from 中央黨校 (Central Party School*) with diploma in economic management.

* *For identification purpose only*

Mr. Yu Honggang, aged 46, joined the Group in 2008 and has been the General Manager of the Group since September 2016. Mr. Yu is responsible for the Group's production and safety management. From 2015 to present, He has been the general manager of the Hongguo Coal Mine and Baogushan Coal Mine. From 2008 to 2015, Mr. Yu worked at Hongguo Coal Mine during which he acted as chief of Hongguo Coal Mine from 2013 to 2015. Mr. Yu holds a bachelor's degree in coal mining technology awarded by Hunan University of Science and Technology. He also graduated from 貴州省普通中等專業學校 (Guizhou Province Professional Secondary School*) majoring in mining technology.

Mr. Tong Yu, aged 46, joined the Group in 2017 and has been the Deputy General Manager since June 2017. Mr. Tong is responsible for the sales and business development of the Group. He has over 14 years of experience in the coal mining industry. From June 2017 to present, Mr. Tong has acted as deputy general manager of Jiutai Bangda. He graduated from Guizhou University with a diploma in business management. Mr. Tong also obtained a bachelor's degree in marketing at Xinan University. He received his qualification certificate of specialty and technology specializing in business economics.

Mr. Liu Lizhi, aged 46, joined the Group in 2017 and has been the Deputy General Manager since 1 September 2016. Mr. Liu is responsible for the Group's technical R&D as well as mechanical and electrical management. He graduated from 湘潭礦業學院 (Xiangtan Mining Institute*) (now known as the Hunan University of Science and Technology) with a bachelor's degree in engineering. Mr. Liu was qualified the professional technical position as senior engineer by the personnel department of Guizhou Province.

Mr. Wan Weiping, aged 57, joined the Group in 2009 and has been the Chief Engineer and Technical Manager since September 2016. Mr. Wan is responsible for the technical supervision of the Group. He graduated from 湘潭礦業學院 (Xiangtan Mining Institute*) (now known as the Hunan University of Science and Technology) with a bachelor's degree in engineering. Mr. Wan was qualified the professional technical position as senior engineer by the personnel department of Guizhou Province.

Mr. Wang Long, aged 45, joined the Group in 2011 and has been the Chief Accountant since September 2016. Mr. Wang is responsible for accounting supervision of the Group. From September 2016 to present, he has worked in the financial affairs department of Jiutai Bangda as Chief Accountant. Mr. Wang holds a diploma in economics and bank management. He was qualified as registered accountant.

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RESOURCES AND RESERVES

Coal Resources and Coal Reserves

Coal resources of the Hongguo and Baogushan Coal Mines are estimated and reported in accordance with the guidelines of the 2012 edition of The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "**JORC Code**"). Coal Resources are classified based on the confidence in the geological data and the estimate. The Coal Resource categories as defined by the JORC Code are Inferred, Indicated and Measured, which, in order, reflect increasing levels of confidence in the Coal Resource estimate.

Competent Person Statement

Coal resources and coal reserves information in this statement has been compiled by Mr. Edmundo J. Laporte of Greater China Mineral & Energy Consultants Limited ("**GCA**"), Competent Person under the JORC Code and is accurate as of 31 December, 2019.

Mr. Laporte is a mining engineer by training and has over 30 years of experience in coal and participated in multiple major coal projects in the Americas, Europe, Africa, Australia and Asia. He is a licensed engineer in multiple jurisdictions including in the United States, Canada and Australia (Chartered Engineer). He has extensive experience in coal resource and reserve estimation, feasibility studies, mine design, coal processing review, cost analysis and public reporting. He has had experience in projects in China for 15 years.

Mr. Laporte is a registered member of the Society for Mining, Metallurgy & Exploration Inc. (SME) of the USA and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration to qualify as a competent person as defined in the 2012 edition of the JORC Code. GCA and Mr. Laporte have consented to the inclusion in this report of the matters based on their information in the form and context in which they respectively appear.

Coal resources of the Hongguo and Baogushan Coal Mines are summarised below:

Coal Resources of Hongguo and Baogushan Coal Mines as of 31 December 2019

	Coal Resource (kt)				
Mine/Category	Measured	Indicated	Measured & Indicated	Inferred	Total Coal Resources
Hongguo#	18,700	7,800	26,500	13,000	40,000
Baogushan#	11,700	24,700	36,400	7,000	43,000
Total Coal Resources#	30,400	32,500	62,900	20,000	83,000
Attributable Coal Resources^	30,400	32,500	62,900	20,000	83,000

Note:

Total Coal resources estimation is for both the Hongguo Coal Mine, excluding Seams No. 1, 8, 17 and 23, and the Baogushan Coal Mine, excluding Seams No. 1, 3-1, 4, 6, 8, 15-1 and 23.

^ Total Attributable Coal Resources estimation to the Group.

The Coal Resources reported are in accordance with the JORC Code. The Coal Resources are inclusive of the Coal Reserves. The figures in the table may not be calculated correctly due to appropriate rounding.

Coal Reserves are classified as Proved or Probable from the Coal Resources considering “modifying factors” including mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors.

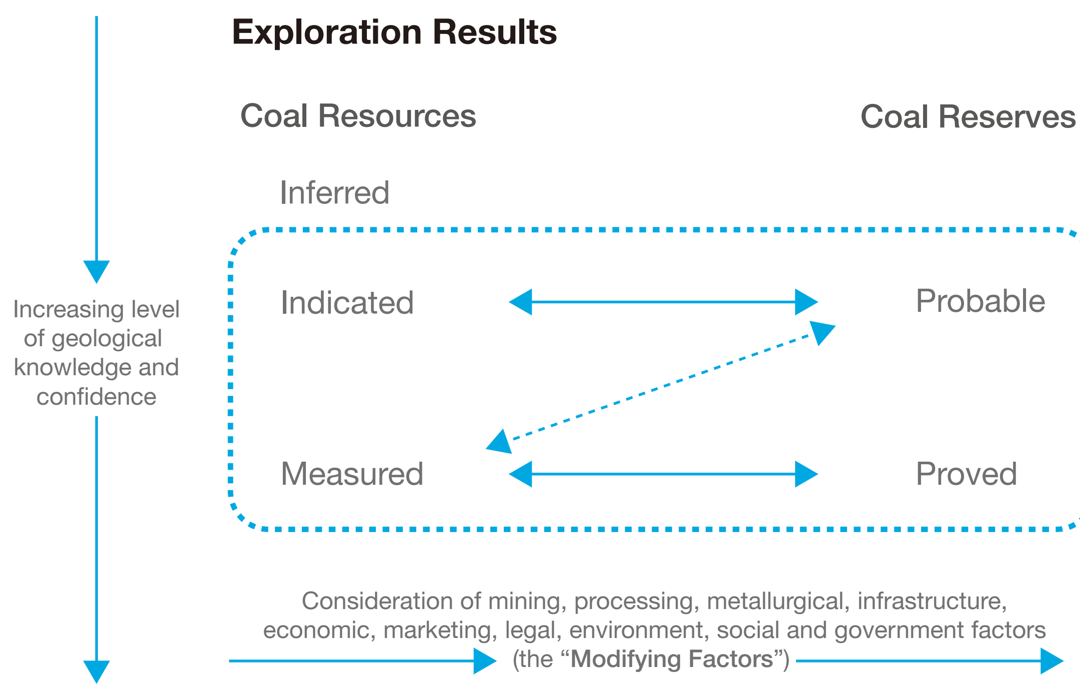
“Proved Coal Reserves” are the economically mineable part of a measured coal resource, adjusted for diluting materials and allowances for losses when the material is mined. It is based on appropriate assessment and studies in consideration of and adjusted for reasonably assumed modifying factors. These assessments demonstrate that extraction could be reasonably justified at the time of reporting.

“Probable Coal Reserves” are the economically mineable part of an indicated coal resource, and in some circumstances a measured coal resource, adjusted for diluting materials and allowances for losses when the material is mined. It is based on appropriate assessment and studies in consideration of and adjusted for reasonably assumed modifying factors. These assessments demonstrate that extraction could be reasonably justified at the time of reporting.

Consistent with the JORC Code, only “Indicated Resources” are classified as “Probable Reserves”, and only “Measured Resources” are classified as “Proved Reserves.” There are “Inferred Resources” that were identified and excluded from the Reserve estimate. The operators have completed detailed mine planning and procedures are in place for continued updating as conditions warrant.

The figure below demonstrates the JORC Code Schematic Coal Resources and their conversion to Coal Reserves.

The JORC Code Schematic Coal Resources and Conversion to Coal Reserves



Source: The JORC Code 2012

Both the Hongguo Coal Mine and the Baogushan Coal Mine are currently producing coal by underground coal mining operations. These mines use mechanised longwall retreating underground mining methods to extract raw coal from underground working faces and three-product heavy medium cyclone separation coal preparation method to process the raw coal and produce clean coal (the primary product coal in a coal preparation plant by removing gangue and other impurities from the processed raw coal. Each mine uses two longwall extraction working faces located in segregated mining districts.

The preferred sequence of mining is from the upper seams to the lower seams. Typically, longwall extraction panels are 128 to 186m wide (slope length), operate on a seam grade of approximately 35°, with a retreat length ranging from 250 to 700m. The sequence of extraction and the potential interseam effects of stress concentration will play a significant role in the success of the longwall operation.

In estimating the Coal Reserves of the Hongguo and Baogushan Coal Mines, the competent person has considered the Modifying Factors applied are based on a combination of mining considerations such as the foreseeable coal recovery (which depends on the extraction technique, the geologic and geomechanic characteristics of the deposit, among others), mining dilution, infrastructure. The most significant Modifying Factor for the estimation of Coal Reserves is Mining Recovery, since it is inherent to the tonnage that can be successfully extracted. Based on the competent person’s assessment and reported mine recovery factors in similar operations, that range is conservative. Experiences in Australia and China indicate that the recovery at mines operating under conditions similar to those found at the subject operations, could be 76%.

The Coal Resource estimates used as a basis for the Coal Reserve estimate were audited and updated by the competent person from prior estimates by the operators and as indicated in the supplied geologic and feasibility studies, as well as from previous competent person’s reports prepared for these properties.

The competent person has reviewed relevant technical information prepared by Chinese professionals involved in the early phases of the project and the previous competent person’s report. The competent person has also interviewed the mine managers of both the Hongguo Coal Mine and the Baogushan Coal Mine in order to verify the accuracy of the various technical reports and mine production records.

The total Coal Reserves of the Hongguo and Baogushan Coal Mines are summarised below:

Coal Reserves of Hongguo and Baogushan Coal Mines as of 31 December 2019

	Coal Reserves (kt)		
Mine/Category	Proved	Probable	Total Coal Reserves
Hongguo#	14,230	5,910	20,140
Baogushan#	8,870	18,790	27,650
Total Coal Reserves#	23,100	24,700	47,800
Attributable Coal Reserves^	23,100	24,700	47,800

Note:

Total Coal reserves estimation is for both the for the Hongguo Coal Mine, excluding Seams No. 1, 8, 17 and 23, and the Baogushan Coal Mine, excluding Seams No. 1, 3-1, 4, 6, 8, 15-1 and 23.

^ Total Attributable Coal Reserves estimation to the Group.

The Coal Resources reported are in accordance with the JORC Code.

The figures in the table may not be calculated correctly due to appropriate rounding.

Under the JORC Code, 'Marketable Coal Reserves', representing beneficiated or otherwise enhanced coal product where modifications due to mining, dilution and processing have been considered, must be publicly reported in conjunction with, but not instead of, reports of Coal Reserves. The basis of predicted yield to achieve Marketable Coal Reserves must be stated.

The raw coals produced from the Hongguo and Baogushan Coal Mines are processed by the relevant coal preparation plants to produce clean coal, middling coal and sludge coal.

The clean coal is sold as metallurgical grade coal to coke-making customers; the middling coals is sold to electric utilities for power generation; and the sludge coal that was previously sold to electric utilities for power generation is now largely sold to a local coal preparation plant for further processing with the remaining tonnage still sold to electric utilities for power generation.

The competent person used the historical average recoveries of the coal preparation plants to estimate the marketable reserves of each one of the three final products of these mines: clean coal, middling coal and sludge coal.

The marketable coal from the Coal Reserve estimates of the Hongguo Coal Mine and the Baogushan Coal Mine as of 31 December 2019 are shown in the table below:

Hongguo and Baogushan Total Marketable Coal Reserve Estimate

	Marketable Reserves (as of 31 December 2019)				
	Hongguo Coal Mine		Baogushan Coal Mine		Total Marketable Reserves
Product	Recovery	Marketable Reserves (kt)	Recovery	Marketable Reserves (kt)	(kt)
Clean Coal	50.4%	10,150	52.3%	14,460	24,610
Middling Coal	15.1%	3,040	16.6%	4,600	7,640
Sludge Coal	11.3%	2,270	11.8%	3,270	5,540
Total Marketable Reserves		15,460		22,330	37,790

Typical Coal Quality

Typical quality of clean coal and middling coal products from Hongguo Coal Mine and Baogushan Coal Mine are as follows:

Typical Clean Coal Quality Specification

Clean Coal Type/Specification	Ad %	Vdaf %	St,d %	G	TM%
1/3 Coking Coal	10-10.5	28-35	≤0.6	≥85	9.0

Note: Ad – ash content on a dry basis; Vdaf – volatile content on a dry and ash free basis; St,d – total sulphur content on a dry basis; G – caking index; and TM – total moisture.

Typical Middling Coal Quality Specification

Coal Type/Specification	CV	Vdaf %	St,d %
Middling Coal	4,632	26.18	1.54

Note: CV – calorific value in Kcal/Kg; Vdaf – volatile content on a dry and ash free basis; St,d – total sulphur content on a dry basis.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

From a global economic perspective, the year 2019 is a year of complexity and uncertainty, caused by several significant international events such as China-U.S. trade tensions and the overdue Brexit withdrawal agreement. According to the International Monetary Fund, the world's real GDP growth was only at 3.0% for the year 2019, being the lowest since the 2010 economic rebound. The growth for China, 6.1%, inevitably showed a slowing trend in the eventful year but was within the government's expectation of a steady slowdown.

The industry should continue to benefit from the domestic growth in China, as the country embraces continuous economic growth. As industry research reported that Southwest China increasingly demands 1/3 coking coal and coking coal in the upcoming few years, the region is expected to develop rapidly in comparison with the rest of the country, which should support rising raw material price like steel and metal used in building infrastructure.

Southwest China is close to a number of Southeast Asian emerging economies with dynamic development, from which the operations within should benefit from. Under the One Belt One Road Initiative, businesses in Southwest China enjoy more opportunities by taking advantage of its geographical location.

BUSINESS REVIEW

The Group owns and operates Hongguo Coal Mine and Baogushan Coal Mine in the Songshan coal field of western Panzhou City, Guizhou Province, China. Since 2 June 2016, the Group has owned 100% interest in the mining rights of the above two mines. The Group has obtained mining rights licenses of the 600,000 tonnes-per-year production capacity for each of Hongguo Coal Mine and Baogushan Coal Mine which were issued by 貴州省國土資源廳 (Department of Land and Resources of Guizhou Province*) in 2019. The licensed mining area is changed from 1.6050 sq. km to 3.0225 sq. km for Hongguo Coal Mine and from 1.7297sq. km to 2.4736 sq. km for Baogushan Coal Mine.

The coal products are mostly sold to end-user customers in Southwest China. The Group's end-user customers of clean coal include coking enterprises, iron and steel or chemical manufacturers possessing coke production capabilities while the end-user customers of middling coal are mainly power plants in Liupanshui City. The Group transports the coal products to customers in Southwest China mainly by road and railway. The Group's major suppliers include suppliers of electricity, water, spare parts and ancillary materials in China.

The following table indicates the resource and reserve data of the two mines:

	Hongguo Coal Mine	Baogushan Coal Mine
Resource data under the JORC Code Summary (as at 31 December 2019)		
Measured resources (kt)	18,700	11,700
Indicated resources (kt)	7,800	24,700
Inferred resources (kt)	13,000	7,000
Reserve data under the JORC Code Summary (as at 31 December 2019)		
Proved reserves (kt)	14,230	8,870
Probable reserves (kt)	5,910	18,790
Marketable reserves		
– Clean coal (kt)	10,150	14,460
– Middling coal (kt)	3,040	4,600
– Sludge coal (kt)	2,270	3,270

Note:

The resource and reserve data as of 31 December 2019 are provided by GCA, the competent person, in accordance with the JORC Code.

* *For identification purpose only*

Below sets out the raw coal production and utilisation rates at each of Hongguo Coal Mine and Baogushan Coal Mine for the year ended 31 December 2019 and 2018, respectively:

	For the year ended 31 December			
	2019		2018	
	Actual production (tonnes)	Utilisation rate (%)	Actual production (tonnes)	Utilisation rate (%)
Hongguo Coal Mine	506,034	84.3	449,937	100.0
Baogushan Coal Mine	509,862	85.0	443,541	98.6
Total	1,015,896	84.7	893,478	99.3

Each of the Hongguo Coal Mine and Baogushan Coal Mine had a permitted annual production capacity of 450,000 tonnes and has obtained approval for joint trial operation for 600,000 tonnes per year production capacity from the Energy Bureau of Guizhou Province as of 7 August 2019. The utilisation rates shown in the table above are calculated by dividing the actual production volume with the permitted annual production capacity of 600,000 tonnes and 450,000 tonnes for 2019 and 2018, respectively, multiplied by 100% for a full year. Percentage figures shown in the above table have been subject to rounding adjustments.

For the year ended 31 December 2019, the raw coal production of Hongguo Coal Mine and Baogushan Coal Mine amounted to approximately 506,034 tonnes and 509,862 tonnes respectively, representing an approximately 12.5% increase and an approximately 15.0% increase as compared to the year ended 31 December 2018. The utilisation rates of Hongguo Mine and Baogushan Mine were approximately 84.3% and 85.0% respectively, which represented an approximately 15.6% decrease and an approximately 13.6% decrease as compared to the year ended 31 December 2018. The decrease in utilisation rates of both mines were mainly because the Group has obtained approval for joint trial operation for 600,000 tonnes-per-year production capacity on 7 August 2019.

Songshan Coal Preparation Plant, which is operated by the Group, is mainly engaged in removing impurities from raw coal to improve the quality of coal products so that the quality standards demanded by the Group's customers can be satisfied. In September 2019, the construction of the new phase of coal preparation plant (the "**Phase III**") was completed and came into operation. The Group's intention is that the Phase III will ultimately replace the existing individual plants within the Songshan Coal Preparation Plant, and thus the Phase III will handle the coal preparation of the raw coal produced from both the Hongguo Coal Mine and the Baogushan Coal Mine of the Group. In order to replace the operation of the existing individual plants within the Songshan Coal Preparation Plant with the Phase III, there will be a need to undergo a transition process involving, among other steps, careful planning and implementation as well as trial operation. The Phase I ceased to operate and coal preparation of the raw coal produced from the Hongguo Coal Mine was replaced by the Phase III in September 2019 while the Phase II continues to function normally until the entire transition process completes. Below sets out the preparation capacity and utilisation rates of Songshan Coal Preparation Plant for the year ended 31 December 2019 and 2018, respectively:

	For the year ended 31 December			
	2019		2018	
	Actual production (tonnes)	Utilisation rate (%)	Actual production (tonnes)	Utilisation rate (%)
Phase I (Hongguo Coal Mine)	318,505	79.6[b]	463,189	77.2[a]
Phase II (Baogushan Coal Mine)	524,958	58.3[a]	444,840	49.4[a]
Phase III (Hongguo Coal Mine and Baogushan Coal Mine)	188,484	37.7[c]	–	–
Total	1,031,947	57.3	908,029	60.5

Notes:

(a) The utilisation rates are calculated by dividing the actual preparation volume with the annual preparation capacity multiplied by 100% for a full year;

(b) The utilisation rates are calculated by dividing the actual preparation volume for the 8 months ended 31 August 2019 with the annual preparation capacity, divided by 8/12 and multiplied by 100%;

(c) The utilisation rates are calculated by dividing the actual preparation volume for the period from 1 September 2019 to 31 December 2019 with the annual preparation capacity, divided by 4/12 and multiplied by 100%.

The annual preparation capacity for Phase I, Phase II and Phase III is 600,000 tonnes, 900,000 tonnes and 1,500,000 tonnes, respectively.

For the year ended 31 December 2019, Phase I, Phase II and Phase III of Songshan Coal Preparation Plant recorded a preparation volume of approximately 318,505 tonnes, 524,958 tonnes and 188,484 tonnes respectively, representing a decrease of approximately 31.2%, an increase approximately 18.0% and nil as compared to the year ended 31 December 2018. Their utilisation rates were approximately 79.6%, 58.3% and 37.7%, respectively, which represented an increase of approximately 2.4%, approximately 8.9% and nil as compared to approximately 77.2%, 49.4% and nil, respectively, for the year ended 31 December 2018.

Below sets forth the sales volumes and average selling prices of the Group's coal products for the year ended 31 December 2019 and 2018, respectively:

	For the year ended 31 December			
	2019		2018	
	Sales volume (tonnes)	**Average selling price (RMB/tonne)**	Sales volume (tonnes)	Average selling price (RMB/tonne)
Clean coal	**587,016**	**1,232.28**	458,417	1,386.01
Middling coal	**233,200**	**357.78**	226,919	350.35
Sludge coal	**20,270**	**139.12**	32,027	77.40

For the year ended 31 December 2019, the sales volume of clean coal increased by approximately 28.1% to 587,016 tonnes (2018: 458,417 tonnes), the sales volume of middling coal increased by approximately 2.8% to 233,200 tonnes (2018: 226,919 tonnes), and the sales volume of sludge coal decreased by approximately 36.7% to 20,270 tonnes (2018: 32,027 tonnes). The average selling price of clean coal decreased to approximately RMB1,232.28 per tonne (2018: approximately RMB1,386.01 per tonne), while the average selling price of middling coal increased to approximately RMB357.78 per tonne (2018: approximately RMB350.35 per tonne), and the average selling price of sludge coal increased to approximately RMB139.12 per tonne (2018: approximately RMB77.40 per tonne). The above decrease in average selling price of clean coal, which is the Group's major products, is due to the adjustment of coal prices in general in the market.

For the year ended 31 December 2019, the Group recorded total revenue of approximately RMB812.1 million (2018: approximately RMB719.4 million) from the production and sales of clean coal, middling coal, sludge coal and coalbed methane gas, representing an increase of approximately 12.9% from the year ended 31 December 2018. The revenue for the year ended 31 December 2019 and 2018 were summarised as follows:

	For the year ended 31 December			
	2019		2018	
	RMB'000	**Percentage to total revenue**	RMB'000	Percentage to total revenue
Sales of coal products				
– Clean coal	**723,367**	**89.1**	635,370	88.3
– Middling coal	**83,434**	**10.3**	79,501	11.1
– Sludge coal	**2,820**	**0.3**	2,479	0.3
Sales of coalbed methane gas	**2,524**	**0.3**	2,062	0.3
	812,145	**100**	719,412	100

For the year ended 31 December 2019, the Group's sales revenue of clean coal increased by approximately 13.8% to approximately RMB723.4 million (2018: approximately RMB635.4 million), sales revenue of middling coal increased by approximately 4.9% to approximately RMB83.4 million (2018: approximately RMB79.5 million), sales revenue of sludge coal increased by approximately 13.8% to approximately RMB2.8 million (2018: approximately RMB2.5 million) and sales revenue of coalbed methane gas increased by approximately 22.4% to approximately RMB2.5 million (2018: approximately RMB2.1 million). The above revenue changes were attributable to increased sales volume as a result of the increase in production volume following the enhanced permitted annual production capacity and improved coal preparation recovery rate following the Phase III coal preparation plant in operation.

Gross Profit

The Group recorded an increase in its gross profit from approximately RMB366.2 million for the year ended 31 December 2018 to approximately RMB422.8 million for the year ended 31 December 2019, representing an increase of approximately 15.5%. Gross profit margin for the year ended 31 December 2019 was approximately 52.1% (2018: approximately 50.9%), which remains at a relatively stable level as compared to last year.

Other Income

The Group's other income increased by approximately 82.3% from approximately RMB13.7 million for the year ended 31 December 2018 to approximately RMB24.9 million for the year ended 31 December 2019. Such increase was primarily attributable to (i) an increase in government grant including a one-off government grant of RMB13.5 million for the successful listing of the Company in Hong Kong; and (ii) an increase in bank interest income due to increased bank fixed deposits.

Other Gains and Losses

Other gains and losses primarily comprised changes in fair value of investment properties, gain or loss on disposal/write-off of property, plant and equipment, and net exchange gain or loss. The Group's other gains and losses increased by approximately 281.8% from approximately RMB1.4 million for the year ended 31 December 2018 to approximately RMB5.4 million for the year ended 31 December 2019. The increase in other gains was primarily attributable to the net effect of gain on disposal/write-off of property, plant and equipment of RMB6.1 million in 2019 and the net exchange loss of RMB0.7 million in 2019 arising from depreciation of RMB against Hong Kong dollars.

Distribution and Selling Expenses

The Group's distribution and selling expenses increased by approximately 26.3% from approximately RMB28.6 million for the year ended 31 December 2018 to approximately RMB36.2 million for the year ended 31 December 2019. The increase in the Group's distribution and selling expenses was primarily due to the increase in transportation costs which is in line with the growth in the sales volume of the Group's coal products.

Administrative Expenses

Administrative expenses increased by approximately 48.9% from approximately RMB68.3 million in the previous year to approximately RMB101.7 million for the year ended 31 December 2019. Such change is mainly due to the increase in staff costs for managerial and administrative staff as a result of the expanded operation in the Hong Kong office upon the listing of the Company and the increase in average salary and average number of employees in 2019.

Other Expenses

The Group's other expenses decreased by approximately 75.3% from approximately RMB7.4 million for the year ended 31 December 2018 to approximately RMB1.8 million for the year ended 31 December 2019 primarily due to the decrease in maintenance fee for repairing the 松山沙坡公路 (Songshan-Shapo Road*) and the provisions for relocation compensation to local residents who may be affected by the new Songshan Coal Preparation Plant. No repair work of the Songshan-Shapo Road was incurred for the year ended 31 December 2019.

Finance Costs

The Group's finance costs primarily comprise the interest expenses on secured bank borrowings from factoring of bills receivables with full recourse from the Group's customers and interest expenses on other borrowing offset by interest capitalised in construction in progress. Finance costs for the year ended 31 December 2019 amounted to approximately RMB3.8 million (2018: approximately RMB4.3 million). The decrease was mainly due to lesser bank borrowings from factoring of bills receivables in 2019.

Net Profit

As a result of the foregoing, the Group recorded a net profit of approximately RMB218.0 million and a net profit margin of approximately 26.8% for the year ended 31 December 2019 (2018: approximately RMB183.2 million and 25.5%), representing an increase of approximately 19.0% in net profit and a mild 1.3 percentage-point increase in net profit margin from last year. The increase in net profit was aligned with the rise in sales revenue whereas net profit margin remained relatively stable.

Prospects

The outbreak of Coronavirus Disease 2019 ("**COVID-19**") and the subsequent quarantine measures have caused disruptions to many industries, including the coal mining industry, in China as well as in other countries and regions. The spread of the COVID-19 globally increases uncertainty in all aspect of economies. The Group had to temporarily reduce the scale of its coal mining production activities since late January 2020 due to mandatory government quarantine measures in an effort to contain the spread of the epidemic. The Group has ramped up its mining production activities since early February 2020 and more than 90% of its workforce was already at work by the end of February 2020. China has remained as a steadfast economy in recent decades and is taking appropriate measures for a speedy recovery. Southwest China has shown promise for growth as investment capital are drawn to the region, with the steel and metallurgical industry creating demand for clean coal. In the meantime, reduction of overcapacity in the mining industry favours more advanced operators who comply with national policy.

The Group obtained approval for joint trial operation to raise the total permitted annual production capacity of the Hongguo Coal Mine and Baogushan Coal Mine to 1,200,000 tonnes per year on 7 August 2019 and completed the acquisition of the mining business at the Xiejiahegou underground coal mine on 1 January 2020. These two milestones are expected to improve the Group's performance. The Group also aims to achieve higher efficiency, improve safety standards and mitigate pollution moving forward.

The Group will continue to expand its business and maximize its full potentials and profitability by exploring the possibilities of expanding the coal mining production capacity of its mines and identifying suitable business opportunities.

* *For identification purpose only*

Liquidity and Financial Information

Bank Balances and Cash

As at 31 December 2019, bank balances and cash amounted to approximately RMB243.3 million (2018: approximately RMB351.2 million). The decrease in bank balances and cash was mainly attributed to the acquisition of machinery and equipment used in coal mining operations.

Borrowings

As at 31 December 2019, secured bank borrowings from factoring of bills receivables with full recourse amounted to approximately RMB54.6 million (2018: approximately RMB208.6 million). The effective interest rate of the discounted bills is approximately 3% to 4% per annum during the year ended 31 December 2019 (2018: approximately 3% to 7% per annum).

As at 31 December 2019, unsecured other borrowings amounted to approximately RMB156.8 million (2018: nil). The effective interest rate of the other borrowing is 15% per annum during the year ended 31 December 2019.

Gearing Ratio

As at 31 December 2019, the Group's gearing ratio was approximately 0.17 (2018: approximately 0.21). Gearing ratio is calculated based on the total bank and other borrowings divided by the total equity as at the end of the year. The improved gearing ratio was mainly due to an increase in the total equity arising from an increase in profits.

Foreign Currency Risk

The Group is subject to limited foreign currency exposure as its business activities mainly take place in Mainland China and all sales and most of its costs are denominated in the functional currency (RMB) of respective group entities. The Group's exposure on foreign currency risk is primarily Hong Kong dollars as certain bank balances, amounts due to related parties and accrued charges are denominated in Hong Kong dollars. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Credit Risk

The Group's credit risk is primarily attributable to trade and bills receivables, deposits and other receivables, restricted bank deposits and bank balances as at 31 December 2019 and 2018 and amounts due from a Director and a related party as at 31 December 2018. Such risk may cause financial loss to us due to a failure to discharge obligation by the counterparties.

As at 31 December 2019 and 31 December 2018, the top three trade debtors accounted for approximately 84.5% and 91.0% of the Group's total trade receivables, respectively. In view of this, the management regularly visits the customers relating to such trade receivables to understand their business operations and cash flow position and follows up with the subsequent settlement from the counterparties. The management delegates a team of staff responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that such credit concentration risk has been significantly mitigated. Taking into account the financial condition of the customers, their historical settlement pattern with no previous default and the forward-looking information (such as the future coal prices and GDP growth of China), the management considers that the trade and bills receivables as low-risk with a low likelihood of default from the counterparties, based on internal credit rating assessment.

In respect of other receivables, restricted bank deposits, and bank balances, the management considers that no inherent material credit risk exists based on the assessment of historical settlement records.

Liquidity Risk

To manage its liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management, to finance the operations and mitigate the effect of fluctuations in cash flow. As at 31 December 2019, the management considered the Group's liquidity risk was not significant.

Interest Rate Risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities and bank and other borrowings and is also exposed to cash flow interest rate risk in relation to restricted bank deposits and bank balances. The Group currently has no interest rate hedging policy. However, the management closely monitors the Group's exposure to future cash flow interest rate risk as a result of changes in market interest rates and will consider hedging the changes in market interest rates should the need arise.

Capital Commitments and Expected Source of Funding

As at 31 December 2019, the Group had capital commitments in respect of the acquisition of machinery and equipment used in the coal mining operations and the acquisition of the Xiejiahegou coal mine in Guizhou Province contracted for but not yet incurred in the amount of approximately RMB5.3 million and RMB990 million, respectively (2018: approximately RMB118.9 million and nil). The Group planned to finance the capital commitments in respect of the acquisition of machinery and equipment used in the coal mining operations partly by internal resources and partly by the net proceeds from the initial public offering of the Company's shares in 2018 while the Group planned to finance the capital commitments in respect of the acquisition of Xiejiahegou coal mine partly by internal resources and partly through borrowings from independent third party(ies).

Contingent Liabilities

As at 31 December 2019, the Group had no material contingent liabilities (2018: nil).

Human Resources

As at 31 December 2019, the Group had a total of 2,077 employees (2018: 2,121). During the year ended 31 December 2019, staff costs (including Directors' remuneration) totaled approximately RMB191.3 million (2018: approximately RMB150.6 million). All members of the Group are equal opportunity employers, with the selection, promotion and remuneration of individual employees based on their suitability to the positions offered. The Group provides defined contribution to the Mandatory Provident Fund as retirement benefits for its employees in Hong Kong and provides its employees in China with various benefit schemes as required by the applicable laws and regulations in China. All of the Group's employees are required to undergo induction trainings before they commence work. In addition, depending on the work nature, the Group's employees are also required to attend trainings pursuant to applicable laws and regulations.

Final Dividend

The Board has recommended the distribution of a final dividend of HK2.5 cents per share for the year ended 31 December 2019 (2018: nil).

Material Acquisitions, Disposals and Investment Projects

On 15 March 2019, the Group acquired various sets of hydraulic shields from 平頂山平煤機煤礦機械裝備有限公司 (Pingding Shanping Coal Mine Machinery Equipment Co., Ltd.*) for an aggregate consideration of approximately RMB74.5 million. Details of the acquisition of hydraulic shields was set out in the announcement of the Company dated 15 March 2019.

* *For identification purpose only*

On 4 November 2019, the Group entered into an acquisition agreement with Mr. Li Zuowen (the "**Vendor**"), the sole investor of 盤縣羊場鄉謝家河溝煤礦 (Pan County Yangchang Village Xiejiahegou Coal Mine*), pursuant to which the Group has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell and procure 貴州德佳投資有限公司 (Guizhou Dejia Investment Co., Ltd.*) to sell, the business of exploration and mining of coking coal at the Xiejiahegou coal mine in Guizhou Province at the consideration of RMB1,100 million. Details of the acquisition were set out in the announcements of the Company dated 5 November 2019, 22 November 2019, 26 November 2019 and 2 January 2020 and the circular of the Company dated 20 December 2019.

Other than the acquisitions disclosed above, the Group had no other material acquisitions, disposals or investment projects for sale for the year ended 31 December 2019.

Asset Charges
The Group had no material asset charges during the year ended 31 December 2019 (2018: Nil).

Events after the Reporting Date
(i) On 1 January 2020, the Group completed the acquisition of the Xiejiahegou coal mine in Guizhou Province at the consideration of RMB1,100 million. Details of the business acquisition were set out in the announcements of the Company dated 5 November 2019, 22 November 2019, 26 November 2019 and 2 January 2020 and the circular of the Company dated 20 December 2019.

(ii) The outbreak of COVID-19 and the subsequent quarantine measures have caused disruptions to many industries, including the coal mining industry, in China as well as other countries and regions. Despite the challenges, governments and international organizations have implemented countermeasures to contain the pandemic. The Group will closely monitor the development of the pandemic and assess its impact on its financial condition and operations.

Use of Proceeds
The ordinary shares with a nominal value of HK$0.01 each of the Company (the "**Shares**") were successfully listed on the Main Board of the Stock Exchange on 12 December 2018 by way of share offer (the "**Share Offer**"). The Company offered 400,000,000 Shares at an offer price of HK$0.68 per Share (net price per Share is HK$0.625), with net proceeds of approximately HK$250.0 million (net of listing-related expenses) from its Share Offer set out in the prospectus of the Company dated 26 November 2018 (the "**Prospectus**"). Below is a summary of the use of proceeds between the completion of the Share Offer and 31 December 2019:

	Intended applications set out in the Prospectus (HK$ million)	Utilised proceeds as at 31 December 2019 (HK$ million)
Acquiring machinery and equipment used in coal mining operations (35.9%)	89.8	89.8
Further enhancing the technological aspect of coal preparation capability and recovery rate (30.8%)	77.0	72.4
Constructing, installing and purchasing mechanical components for underground mining activities in line with the expansion of coal mining production capacity (25.6%)	64.0	52.2
Working capital and general corporate purposes (7.7%)	19.2	19.2
Total	250.0	233.6

Changes Since 31 December 2018
Save as disclosed in this annual report, there were no other significant changes in the Group's development and financial position from the information disclosed in the annual report of the Company for the year ended 31 December 2018.

* *For identification purpose only*

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2019.

Principal Activities

The principal activity of the Company is investment holding. The Group is principally engaged in the exploration and mining of coking coal and coal refinery in the People's Republic of China. Details of the principal activities of the subsidiaries of the Company are set out in note 40 to the consolidated financial statements.

Distributable Reserves

As at 31 December 2019, distributable reserves of the Company amounted to approximately RMB444.2 million (2018: approximately RMB451.9 million).

Results and Appropriations

The results of the Group for the year ended 31 December 2019 and the state of affairs of the Company and the Group as at 31 December 2019 are set out in the consolidated financial statements on pages 72 to 74 of this annual report.

The Board has recommended the distribution of a final dividend of HK2.5 cents per Share for the year ended 31 December 2019 (2018: nil).

Closure of Register of Members

For the purposes of determining shareholders' eligibility to attend and vote at the 2020 annual general meeting of the Company (the "**2020 AGM**") to be held on Wednesday, 10 June 2020, and entitlement to the final dividend, the register of members of the Company will be closed on the dates as set out below:

(i) For determining shareholders' eligibility to attend and vote at the 2020 AGM:

Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on Thursday, 4 June 2020
Closure of register of members of the Company	Friday, 5 June 2020 to Wednesday, 10 June 2020 (both dates inclusive)

Closure of Register of Members (continued)

(ii) For determining shareholders' entitlement to final dividend:

Ex-dividend date	Monday, 15 June 2020
Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on Tuesday, 16 June 2020
Closure of register of members of the Company	Wednesday, 17 June 2020 to Friday, 19 June 2020 (both dates inclusive)
Record date	Friday, 19 June 2020
Expected payment date	Monday, 6 July 2020

During the above closure periods of the register of members of the Company, no transfer of Shares will be registered. To be eligible to attend and vote at the 2020 AGM, and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than the aforementioned latest time.

Financial Summary

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 151 of this annual report.

Business Review

A fair review of the business of the Group as well as a discussion and analysis of the Group's performance during the year ended 31 December 2019 including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business are provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 5 to 6 and pages 16 to 24 respectively of this annual report. An analysis of the Group's performance during the year under review using financial key performance indicators is provided in the Financial Highlights on page 4 of this annual report.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2019 are set out in note 14 to the consolidated financial statements.

Investment Properties

Details of the investment properties held by the Group during the year ended 31 December 2019 are set out in note 15 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital during the year ended 31 December 2019 are set out in note 31 to the consolidated financial statements.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2019.

Arrangements for Directors to Purchase Shares or Debentures

At no time during the year ended 31 December 2019 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of an acquisition of shares or debentures of the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any right to subscribe for securities of the Company or had exercised such right during the year ended 31 December 2019.

Pre-Emptive Rights

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

Charitable Donations

Charitable donations made by the Group during the year ended 31 December 2019 amounted to approximately RMB3.0 million (2018: approximately RMB1.4 million).

Major Customers and Suppliers

For the year ended 31 December 2019, sales attributable to the largest customer of the Group amounted to approximately 35.2% of the total sales and the five largest customers of the Group accounted for approximately 86.5% of the Group's total sales.

For the year ended 31 December 2019, purchases attributable to the largest supplier of the Group amounted to approximately 11.0% of the total purchases and the five largest suppliers of the Group accounted for approximately 28.1% of the Group's total purchases.

None of the Directors of the Company or any of their close associates or any shareholders (which to the knowledge of the Directors own more than 5% of the total number of issued Shares) had any interest in the Group's five largest customers and suppliers.

Directors

The Directors of the Company during the year ended 31 December 2019 and up to the date of this report were:

Executive Directors

Mr. Yu Bangping *(Chairman and Chief Executive Officer)*	
Mr. Sun Dawei	
Mr. Wang Shize	
Mr. Li Xuezhong	
Mr. Lam Chik Shun, Marcus	
Mr. Yu Zhilong	(appointed on 1 September 2019)
Mr. Yu Xiao	(appointed on 1 September 2019)

Independent Non-executive Directors

Mr. Fong Wai Ho	
Mr. Punnya Niraan De Silva	
Ms. Cheung Suet Ting, Samantha	
Mr. Wang Xiufeng	(appointed on 1 September 2019)
Mr. Wang Hongchuan	(resigned on 6 June 2019)

Pursuant to Article 16.2 of the Articles, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as addition to the Board. Any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Mr. Yu Zhilong, Mr. Yu Xiao and Mr. Wang Xiufeng, who were appointed as Directors on 1 September 2019, shall hold office until the 2020 AGM and being eligible, have offered themselves for re-election.

Pursuant to Article 16.19 of the Articles, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Mr. Yu Bangping, Mr. Li Xuezhong and Mr. Lam Chik Shun, Marcus will retire by rotation at the 2020 AGM and, being eligible, have offered themselves for re-election.

Directors' and Senior Management's Biographies

Biographical details of the Directors and senior management of the Group are set out on pages 7 to 10 of this annual report.

Changes in Information of the Directors

Pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange, the changes in information of the Directors are set out below:

Name of Director	Details of changes
Mr. Yu Bangping	His director's remuneration was adjusted to HK$120,000 per annum (exclusive of commission, bonus, housing reimbursement and allowances, and inclusive of Director's fee) paid by the Company and he was entitled to a salary of RMB892,000 per annum paid by a subsidiary of the Company, with effect from 1 February 2020.
Mr. Sun Dawei	His director's remuneration was adjusted to HK$120,000 per annum (exclusive of commission, bonus, housing reimbursement and allowances, and inclusive of Director's fee) paid by the Company and he was entitled to a salary of RMB892,000 per annum paid by a subsidiary of the Company, with effect from 1 February 2020.
Mr. Wang Shize	His director's remuneration was adjusted to HK$120,000 per annum (exclusive of commission, bonus, housing reimbursement and allowances, and inclusive of Director's fee) paid by the Company and he was entitled to a salary of RMB892,000 per annum paid by a subsidiary of the Company, with effect from 1 February 2020.
Mr. Li Xuezhong	His director's remuneration was adjusted to HK$120,000 per annum (exclusive of commission, bonus, housing reimbursement and allowances, and inclusive of Director's fee) paid by the Company and he was entitled to a salary of HK$1,248,000 per annum paid by a subsidiary of the Company, with effect from 1 February 2020.
Mr. Lam Chik Shun, Marcus	His director's remuneration was adjusted to HK$120,000 per annum (exclusive of commission, bonus, housing reimbursement and allowances, and inclusive of Director's fee) paid by the Company and he was entitled to a salary of HK$2,620,800 per annum paid by a subsidiary of the Company, with effect from 1 February 2020. He was appointed as an independent non-executive director of Great Wall Belt & Road Holdings Limited (stock code: 524), the shares of which are listed on the Stock Exchange, with effect from 20 February 2020.

Change in Information of the Directors (continued)

Name of Director	Details of changes
Mr. Yu Zhilong	His director's remuneration was adjusted to HK$120,000 per annum (exclusive of commission, bonus, housing reimbursement and allowances, and inclusive of Director's fee) paid by the Company and he was entitled to a salary of RMB392,000 per annum paid by a subsidiary of the Company, with effect from 1 February 2020.
Mr. Yu Xiao	His director's remuneration was adjusted to HK$120,000 per annum (exclusive of commission, bonus, housing reimbursement and allowances, and inclusive of Director's fee) paid by the Company and he was entitled to a salary of RMB392,000 per annum paid by a subsidiary of the Company, with effect from 1 February 2020.
Mr. Fong Wai Ho	He was admitted as member of CPA Australia with effect from 5 July 2019.
	He was appointed as an independent non-executive director of Great Wall Belt & Road Holdings Limited (stock code: 524), the shares of which are listed on the Stock Exchange, with effect from 20 February 2020.
	He resigned as the practicing director of Andes Glacier CPA Limited with effect from 18 March 2020.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Permitted Indemnity Provisions

During the year ended 31 December 2019 and up to the date of this annual report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors (including former Directors) of the Company. The permitted indemnity provisions are provided for in the Articles and in the Directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors.

Management Contracts

No contracts, other than employment contracts or appointment letters, concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or subsisted during the year ended 31 December 2019.

Save as disclosed in this annual report, there was no contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries during the year ended 31 December 2019.

Equity-Linked Agreements

For the year ended 31 December 2019, the Company has not entered into any equity-linked agreement.

Directors' Service Contracts

No Director proposed for re-election at the 2020 AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests and Short Positions in Securities

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares and underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in Shares of the Company:

Name of Director	Capacity/ Nature of Interest	Total number of Shares held	Approximate % of interests held (Note 1)
Mr. Yu Bangping	Interest in a controlled corporation (Note 2)	1,080,000,000	67.50

Notes:

1. The percentage was calculated based on 1,600,000,000 Shares in issue as at 31 December 2019.

2. Mr. Yu Bangping owns the entire issued share capital of Lucky Street Limited which owns approximately 48.27% of the issued share capital of Spring Snow Management Limited. Spring Snow Management Limited owns 67.5% of the issued share capital of the Company. Mr. Yu is deemed to be interested in the 1,080,000,000 Shares held by Spring Snow Management Limited for the purpose of the SFO.

Directors' Interests and Short Positions in Securities (continued)

Long positions in the shares of associated corporation:

Name of Director	Name of Associated Corporation	Capacity/ Nature of Interest	Total number of shares held in Associated Corporation	Approximate % of interests held (Note 1)
Mr. Yu Bangping	Spring Snow Management Limited	Interest in controlled corporation (Note 2)	4,827,441	48.27
Mr. Sun Dawei	Spring Snow Management Limited	Interest in controlled corporation (Note 3)	1,293,140	12.93
Mr. Wang Shize	Spring Snow Management Limited	Interest in controlled corporation (Note 4)	287,364	2.87

Notes:

1. The percentage was calculated based on 10,000,000 issued shares of Spring Snow Management Limited as at 31 December 2019.

2. Mr. Yu Bangping owns the entire issued share capital of Lucky Street Limited which owns approximately 48.27% of the issued share capital of Spring Snow Management Limited. By virtue of the SFO, Mr. Yu is deemed to be interested in 4,827,441 shares of Spring Snow Management Limited held by Lucky Street Limited.

3. Mr. Sun Dawei owns the entire issued share capital of Black Pearl Limited which owns approximately 12.93% of the issued share capital of Spring Snow Management Limited. By virtue of the SFO, Mr. Sun is deemed to be interested in 1,293,140 shares of Spring Snow Management Limited held by Black Pearl Limited.

4. Mr. Wang Shize owns the entire issued share capital of Seasons In The Sun Limited which owns approximately 2.9% of the issued share capital of Spring Snow Management Limited. By virtue of the SFO, Mr. Wang is deemed to be interested in 287,364 shares of Spring Snow Management Limited held by Seasons In The Sun Limited.

Save as disclosed above, as at 31 December 2019, so far as is known to the Company, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have taken under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at 31 December 2019, the following interests in the Shares or underlying Shares of 5% or more of the issued Shares were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name of Shareholder	Nature of Interest	Total number of Shares held	Approximate % of interests held (Note 1)
Spring Snow Management Limited	Beneficial owner (Note 2)	1,080,000,000	67.50
Lucky Street Limited	Interest in controlled corporation (Note 2)	1,080,000,000	67.50
Mr. Yu Bangping	Interest in controlled corporation, interest of spouse (Note 3)	1,080,000,000	67.50
Ms. Qu Liumei	Interest of spouse (Note 4)	1,080,000,000	67.50
Gain Resources Limited	Beneficial owner (Note 5)	120,000,000	7.50
Mr. Leung Ka Hung	Interest in controlled corporation (Note 5)	120,000,000	7.50

Notes:

1. The percentage was calculated based on 1,600,000,000 Shares in issue as at 31 December 2019.

2. 1,080,000,000 Shares were held by Spring Snow Management Limited. Spring Snow Management Limited was owned as to approximately 48.27% by Lucky Street Limited which is wholly owned by Mr. Yu Bangping.

3. Mr. Yu Bangping owns the entire issued share capital of Lucky Street Limited which owns approximately 48.27% of the issued share capital of Spring Snow Management Limited. Mr. Yu Bangping is deemed to be interested in the Shares held by Spring Snow Management Limited by virtue of the SFO.

4. Ms. Qu Liumei is the spouse of Mr. Yu Bangping and is therefore deemed to be interested in all the Shares held by Mr. Yu Bangping (through Lucky Street Limited and Spring Snow Management Limited) by virtue of the SFO.

5. The entire issued share capital of Gain Resources Limited was held by Mr. Leung Ka Hung, who is deemed to be interested in the Shares held by Gain Resources Limited by virtue of the SFO.

Save as disclosed above, as at 31 December 2019, so far as is known to the Company, no other person (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Interests in Competing Business

As at 31 December 2019, the Directors were not aware of any business or interest of the Directors and their respective close associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2019.

Remuneration Policy

The remuneration policy of the employees of the Group is set up by the Board on the basis of their performance, qualifications, competence and job nature. The remuneration of the Directors is recommended by the Remuneration Committee and decided by the Board, having regard to their experience, responsibilities, performance and the time devoted to the Group's business. The Company has adopted a post-IPO share option scheme on 15 November 2018 (the "**Share Option Scheme**") as an incentive arrangement for eligible employees.

Retirement Benefit Scheme

Details of the retirement benefit scheme of the Group are set out in note 32 to the consolidated financial statements.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, at least 25% of the Company's total issued share capital is held by the public under the Listing Rules.

Use of Proceeds from the Share Offer

The net proceeds from the Share Offer after deducting underwriting commissions and related expenses were approximately HK$250.0 million. As at 31 December 2019, a total of approximately HK$233.6 million had been utilised in accordance with the use of proceeds set out in the Prospectus. Further details are set out in the section headed "Management Discussion and Analysis" of this annual report.

As at 31 December 2019, the unutilised net proceeds from the IPO were deposited in interest-bearing bank accounts with licensed banks in China.

Share Option Scheme

Particulars of the Share Option Scheme are set out in note 38 to the consolidated financial statements.

The Company adopted the Share Option Scheme pursuant to an ordinary resolution passed by the shareholders of the Company on 15 November 2018 which shall be valid and effective for a period ending on the tenth anniversary of 12 December 2018, being the date of the listing of the Shares on the Stock Exchange, subject to early termination by the Company in a general meeting or by the Board. The purpose of the Share Option Scheme is to provide an incentive or reward for the grantees for their contribution or potential contribution to the Company and/or any of its subsidiaries. Under the Share Option Scheme, the Board may offer to grant an option to any full-time or part-time employees, potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive Directors) of the Company or any of its subsidiaries, and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board has contributed or will contribute to the Group.

The number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not aggregate exceed 30% of the Shares of the Company in issue from time to time. The maximum number of Shares available for issue under options which may be granted under the Share Option Scheme or other share option scheme adopted by the Company must not in aggregate exceed 10% of the Shares in issue immediately following completion of the Share Offer (but taking no account of any shares which may be allotted or issued pursuant to the exercise of the Over-allotment Option (as defined in the Prospectus)), being 160,000,000 Shares. The total number of Shares issued and which may fall to be issued upon exercise of the options granted pursuant to the Share Option Scheme to each eligible person in any 12-month period shall not exceed 1% of the number of Shares in issue as at the date of grant unless approved by the shareholders of the Company in general meeting.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be determined by the Board provided that it shall not be less than the highest of: (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the offer date, which must be a business day; (ii) the average of the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share.

Upon acceptance of the option, the grantee shall pay HK$1 to the Company by way of consideration for the grant. An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 December 2019. No options were outstanding as at 31 December 2019.

As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme was 160,000,000 Shares, representing 10% of the issued share capital of the Company.

Continuing Connected Transactions

During the year ended 31 December 2019, the Group conducted several continuing connected transactions with the connected persons of the Company, namely, Guizhou Bangda and 貴州粵邦綜合能源有限責任公司 (Guizhou Yue Bang Integrated Energy Limited Liability Company*) ("**Guizhou Yue Bang**"). Guizhou Bangda is owned as to 90% and 10% by Mr. Yu Bangping and Mr. Yu Bangcheng respectively, and is therefore an associate of the connected person of the Company pursuant to Rule 14A.12(1)(c) of the Listing Rules. Guizhou Yue Bang is owned as to 45% and 55% by Guizhou Bangda and an independent third party respectively, and is therefore an associate of the connected person of the Company pursuant to Rule 14A.12(1)(c) of the Listing Rules. These continuing connected transactions are disclosed below pursuant to Chapter 14A of the Listing Rules. More details of each of these continuing connected transactions could be referred to in the section headed "Connected Transactions" in the Prospectus.

No.	Name, Date and Term of the Agreements and Service Fee	Transaction Party within the Group	Counterparty, Nature and Description of the transaction	Purpose of transaction	Consideration for 2019 (RMB'000)
1.	Operations Agreement signed on 1 January 2018 ("**Operations Agreement**") Term: From 1 January 2018 to 31 December 2020 Logistics Service at cost of RMB5 per ton	Jiutai Bangda	Logistics service provided by Guizhou Bangda	For temporarily storage and loading of Jiutai Bangda's coal and coal side products on trains for onward transportation at Huajiazhuang Railway Logistics Centre	1,762
2.	Baogushan Gas Supply Agreement signed on 1 January 2018 ("**Baogushan Gas Supply Agreement**") Term: From 1 January 2018 to 31 December 2020 Sale of coalbed gas: RMB0.07 per kWh electricity generated (tax inclusive)	Jiutai Bangda	Coalbed gas supplied to Guizhou Yue Bang	Supply of coalbed gas from Baogushan Coal Mine for generating other source of revenue	1,997
3.	Hongguo Gas Supply Agreement signed on 1 January 2018 ("**Hongguo Gas Supply Agreement**") Term: From 1 January 2018 to 31 December 2020 Sale of coalbed gas: RMB0.07 per kWh electricity generated (tax inclusive)	Jiutai Bangda	Coalbed gas supplied to Guizhou Yue Bang	Supply of coalbed gas from Hongguo Coal Mine generating other source of revenue	527

* *For identification purpose only*

Continuing Connected Transactions (continued)

No.	Name, Date and Term of the Agreements and Service Fee	Transaction Party within the Group	Counterparty, Nature and Description of the transaction	Purpose of transaction	Consideration for 2019 (RMB'000)
4.	Baogushan Electricity Supply Agreement signed on 1 January 2018 ("**Baogushan Electricity Supply Agreement**") Term: From 1 January 2018 to 31 December 2020 Purchase of electricity: RMB0.5217 per kWh (tax inclusive)	Jiutai Bangda	Electricity purchased from Guizhou Yue Bang	Purchase of electricity for use in Baogushan Coal Mine	1,810
5.	Hongguo Electricity Supply Agreement signed on 1 January 2018 ("**Hongguo Electricity Supply Agreement**") Term: From 1 January 2018 to 31 December 2020 Purchase of electricity: RMB0.5217 per kWh (tax inclusive)	Jiutai Bangda	Electricity purchased from Guizhou Yue Bang	Purchase of electricity for use in Hongguo Coal Mine	3,386

As disclosed in the Prospectus, by using the aggregate annual caps as the numerators for the calculation of percentage ratios, the relevant percentage ratios calculated for the transactions contemplated under each of the Operations Agreement, the Baogushan Gas Supply Agreement and the Hongguo Gas Supply Agreement (on an aggregate basis) will exceed 0.1% but less than 5% on an annual basis. Therefore, each of the Operations Agreement, the Baogushan Gas Supply Agreement and the Hongguo Gas Supply Agreement is subject to reporting, annual review and announcement requirements but are exempt from independent shareholders' approval requirements according to Rule 14A.76(2)(a) of the Listing Rules.

As disclosed in the Prospectus, by using the annual caps as the numerators for the calculation of percentage ratios, the relevant percentage ratios calculated for the relevant transactions under the Baogushan Electricity Supply Agreement and the Hongguo Electricity Supply Agreement (on an aggregate basis) for the Group pursuant to Chapter 14A of the Listing Rules will be more than 5% on an annual basis. Therefore, each of the Baogushan Electricity Supply Agreement and the Hongguo Electricity Supply Agreement is subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Continuing Connected Transactions (continued)

For reasons disclosed in the Prospectus, the Company has been granted a waiver from the Stock Exchange from strict compliance with the announcement and independent shareholders' approval requirements (as the case may be) pursuant to Chapter 14A of the Listing Rules with respect to the above continuing connected transactions on condition that (among others):

(i) The annual cap of RMB2.9 million for the transactions contemplated under the Operations Agreement for the year ended 31 December 2019 was not exceeded;

(ii) The aggregate annual cap of RMB4.1 million for the transactions contemplated under the Baogushan Gas Supply Agreement and the Hongguo Gas Supply Agreement for the year ended 31 December 2019 was not exceeded; and

(iii) The aggregate annual cap of RMB16.7 million for the transactions contemplated under the Baogushan Electricity Supply Agreement and the Hongguo Electricity Supply Agreement for the year ended 31 December 2019 was not exceeded.

None of the transaction amounts of each of the above continuing connected transactions has exceeded their respective annual cap for the year ended 31 December 2019.

The independent non-executive Directors have reviewed the above continuing connected transactions and are of the view that:

(i) each of the Operations Agreement, Baogushan Gas Supply Agreement, Hongguo Gas Supply Agreement, Baogushan Electricity Supply Agreement and Hongguo Electricity Supply Agreement has been entered into in the ordinary and usual course of business of the Group;

(ii) the terms of each of the Operations Agreement, Baogushan Gas Supply Agreement, Hongguo Gas Supply Agreement, Baogushan Electricity Supply Agreement and Hongguo Electricity Supply Agreement are normal commercial terms or better (that is, on terms which the Group could obtain if the transaction was negotiated on an arm's length basis or on terms no less favourable to the Group than terms available to or from independent third parties, and with reference to the prevailing market rates of similar logistics services, coalbed gas and electricity); and

(iii) the terms of each of the Operations Agreement, Baogushan Gas Supply Agreement, Hongguo Gas Supply Agreement, Baogushan Electricity Supply Agreement and Hongguo Electricity Supply Agreement are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Related Party Transactions

Details of the significant related party transactions of the Group are set out in note 33 to the consolidated financial statements. The Company confirmed that in relation to the related party transactions for the year ended 31 December 2019, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Please refer to the section headed "Continuing Connected Transactions" above for further details.

Environmental Policies and Performance

The Group considers the importance of environmental affairs and believes business development and environment affairs are highly related. During the year ended 31 December 2019, the Group implemented certain environmental protection measures to save energy and reduce the consumption of resources. These policies were supported by the staff of the Group and were implemented effectively.

For more detailed information about the Group's environmental policies and performance for this financial year, please refer to the "Environmental, Social and Governance Report" on pages 53 to 66 of this annual report.

Key Relationships with Stakeholders

The Group recognises that employees, customers, business associates and the local community are key stakeholders of the Group's success. The Group strives to achieve corporate sustainability through engaging employees, providing quality services to customers and collaborating with business associates (including suppliers and contractors) to deliver sustainable products and services and support the local community.

For more detailed information, please refer to the "Environmental, Social and Governance Report" on pages 53 to 66 of this annual report.

Compliance with Laws and Regulations

The Group is subject to various laws and regulations including the Companies Law of the Cayman Islands, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong), etc. The Group has put in place internal controls to ensure compliance of the same. In addition, as the Group engages business in China, compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, the mining-related rules and regulations which have significant impact on the Group. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units in the Company and subsidiaries from time to time.

Relief of Taxation

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the Shares.

Auditor

The financial statements for the year ended 31 December 2019 have been audited by Deloitte Touche Tohmatsu. A resolution to re-appoint Deloitte Touche Tohmatsu as the independent auditor of the Company will be proposed at the 2020 AGM.

By order of the Board
Yu Bangping
Chairman and Chief Executive Officer
Hong Kong, 30 March 2020

CORPORATE GOVERNANCE REPORT

Corporate Governance Practices

The Company recognises the importance of corporate transparency and accountability. It is the belief of the Board that the shareholders of the Company can maximise their benefits from good corporate governance.

In the opinion of the Directors, the Company has complied with all code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2019, except for certain deviations disclosed herein.

Compliance with the Model Code for Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirms that the Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2019.

The Board of Directors

The Board is responsible for ensuring continuity of leadership, development of sound business strategies, availability of adequate capital and managerial resources to implement the adopted business strategies, adequacy of systems of financial and internal controls and conduct of business in conformity with applicable laws and regulations. All Directors have made full and active contribution to the affairs of the Board and the Board has always acted in the best interests of the Group.

The executive Directors and the senior management are delegated with respective levels of authorities with regard to key corporate strategies and policy and contractual commitments. Senior management is responsible for the day-to-day operations of the Group with divisional heads responsible for different aspects of the Group's business.

Chairman and Chief Executive Officer

During the year ended 31 December 2019, the roles of the chairman of the Board and the chief executive officer were performed by Mr. Yu Bangping. Mr Yu is responsible for the overall management and strategic planning and business development of the Group as well as day-to-day business management.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the year under review, the roles of the chairman and the chief executive officer have been held by Mr. Yu Bangping. Mr. Yu Bangping is the founder of the Group and possesses substantial and valuable experience in the coal mining industry that is relevant and significant to the Group's operation, and therefore the Board believes that vesting the roles of the chairman of the Board and the chief executive officer in Mr. Yu Bangping will provide the Company with strong and consistent leadership and promote effective and efficient formulation and implementation of business decisions and strategies. The Board considers that such structure is in the best interests of the Company and its shareholders at this stage.

The Board however will keep reviewing the current structure of the Group's management from time to time and should candidate with suitable knowledge, skill and experience be identified, the Company will make such nomination as appropriate to ensure that the roles of the chairman and the chief executive officer are performed by two separate individuals.

Board Composition

The Board currently comprises seven executive Directors, namely Mr. Yu Bangping, Mr. Sun Dawei, Mr. Wang Shize, Mr. Li Xuezhong, Mr. Lam Chik Shun, Marcus, Mr. Yu Zhilong and Mr. Yu Xiao and four independent non-executive Directors, namely Mr. Fong Wai Ho, Mr. Punnya Niraan De Silva, Ms. Cheung Suet Ting, Samantha and Mr. Wang Xiufeng. Mr. Yu Bangping, Mr. Sun Dawei and Mr. Wang Shize are interested in the Company's shares through their interests in Spring Snow Management Limited, the immediate holding company of the Company and Mr. Yu Bangping, the Chairman and the chief executive officer of the Company, is the father of Mr. Yu Zhilong, who was appointed as an executive Director of the Company on 1 September 2019. Save as disclosed aforesaid, the Directors have no other financial, business, family or other material/relevant relationships with one another.

During the year ended 31 December 2019, the number of independent non-executive Directors represents more than one-third of the Board. As such, there exists a strong independent element in the Board which can effectively exercise independent judgement. The Company has complied with the requirements under Rules 3.10 and 3.10A of the Listing Rules.

Biographical details of the Directors are set out on pages 7 to 9 of this annual report.

Information about changes to the Board composition during the year ended 31 December 2019 are set out in the "Report of the Directors" of this annual report.

Independence of Independent Non-executive Directors

The Company has received annual confirmation of independence from each independent non-executive Directors pursuant to the requirements of the Listing Rules. The Company has assessed their independence and concluded that all independent non-executive Directors are independent in accordance with the relevant guidelines set out in Rule 3.13 of the Listing Rules.

Directors' Continuing Professional Development

During the year ended 31 December 2019, the newly appointed Directors were given a formal and tailored induction after their appointment so as to ensure that they had appropriate understanding of the Group's business and operations and of their duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements. The Company provides regular updates on the business performance of the Group to the Directors. The Directors are continually updated on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeeping of good corporate governance practices.

The Directors are encouraged to participate in continuous professional development courses and seminars to develop and refresh their knowledge and skills. During the year ended 31 December 2019, the Directors participated in continuous professional development by way of attending trainings and/or seminars organised by professional organisations and director training webcasts organised by the Stock Exchange and also reading materials updating new practices, rules and regulations to keep themselves updated on the roles, functions and duties of a listed company director.

Directors' Continuing Professional Development (continued)

According to the records provided by the Directors, a summary of trainings received by the Directors for the year ended 31 December 2019 is as follows:

Name of Directors	Trainings/Seminars/ Reading materials
Executive Directors	
Mr. Yu Bangping *(Chairman and Chief Executive Officer)*	✓
Mr. Sun Dawei	✓
Mr. Wang Shize	✓
Mr. Li Xuezhong	✓
Mr. Lam Chik Shun, Marcus	✓
Mr. Yu Zhilong	✓
Mr. Yu Xiao	✓
Independent non-executive Directors	
Mr. Fong Wai Ho	✓
Mr. Punnya Niraan De Silva	✓
Ms. Cheung Suet Ting, Samantha	✓
Mr. Wang Xiufeng	✓

Appointment, Re-election and Removal of Directors

Each of the executive Directors has entered into a service agreement with the Company for a term of three years. Each of the independent non-executive Directors was appointed to the Board pursuant to his/her respective letter of appointment for a term of three years. The procedures and process of appointment, re-election and removal of the Directors are governed by the Articles. Each of the Directors is subject to re-election at the annual general meeting of the Company (the "**AGM**") upon retirement.

The Articles provide that any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

In accordance with Article 16.19 of the Articles, at every AGM of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any newly appointed Director shall not be taken into account in determining which Directors are to retire by rotation. A retiring Director shall retain office until the close of the general meeting at which he/she retires and shall be eligible for re-election. The Company at any AGM at which any Director retire may fill the vacated office by electing a like number of persons to be Directors.

Board Process

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate in meetings either in person or through electronic means of communications. At least fourteen days' notice of a Board meeting is normally given to all Directors who are provided with an opportunity to include matters for discussion in the agenda. According to the current Board practice, if a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by the Board at a duly convened Board meeting rather than by a written resolution. The Articles also stipulate that save for the exceptions as provided therein, a Director shall abstain from voting and not be counted in the quorum at meetings for approving any transaction, contract or arrangement in which such Director or any of his/her associates (as defined in the Listing Rules) has a material interest.

During the year ended 31 December 2019, six Board meetings were held and attendance of each Director at the Board meetings is set out in the section headed "Attendance Record of Meetings" of this report.

Board and committee minutes are recorded in appropriate detail and draft minutes are circulated to all Directors and committee members for comments before being approved.

Board Committees

The Board has established the Audit Committee, the Nomination Committee and the Remuneration Committee (collectively, the "**Board Committees**") on 15 November 2018. All the Board Committees perform their distinct roles and functions in accordance with their respective terms of reference which are available on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The Board is also responsible for performing the corporate governance functions as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct applicable to Directors and employees; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Board Committees (continued)

Audit Committee

The Audit Committee comprises three members, all being independent non-executive Directors, namely Mr. Fong Wai Ho, Mr. Punnya Niraan De Silva and Ms. Cheung Suet Ting, Samantha. Mr. Fong Wai Ho is the Chairman of the Audit Committee.

The primary responsibilities of the Audit Committee include, among others, (i) reviewing financial information of the Group including but not limited to the Group's interim and annual results; (ii) monitoring of the relationship between the Group and its external auditor; (iii) overseeing the Company's financial reporting system, risk management and internal control systems; and (iv) developing and reviewing the policies and practices on corporate governance with legal and regulatory requirements and requirements under the Listing Rules.

All members of the Audit Committee possess in-depth experience in their own profession. At least one of the committee members possesses appropriate professional qualifications in finance and accounting and meets the requirements of Rule 3.21 of the Listing Rules.

During the year ended 31 December 2019, there was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor. The Audit Committee is mandated to monitor the independence of the external auditor to ensure true objectivity in the financial statements.

During the year ended 31 December 2019, the Audit Committee held two meetings and performed the following duties:

(a) reviewed, with the management and the external auditor of the Company, the 2018 annual results and the 2019 interim results of the Group before their submission to the Board;

(b) monitored the integrity of such financial statements and the accounting principles and policies adopted by the Group;

(c) oversaw matters concerning the external auditor including making recommendations to the Board regarding the re-appointment of the external auditor and approve their fees, and

(d) reviewed the effectiveness of financial controls, risk management and internal control systems of the Company as well as the independence of the external auditors.

The attendance of each member of the Audit Committee is set out in the section headed "Attendance Record of Meetings" of this report.

Board Committees (continued)

Nomination Committee

The Nomination Committee comprises one executive Director, namely Mr. Yu Bangping, and two independent non-executive Directors, namely Mr. Fong Wai Ho and Ms. Cheung Suet Ting, Samantha. Mr. Yu Bangping is the Chairman of the Nomination Committee.

The primary responsibilities of the Nomination Committee include reviewing the structure, size and composition (including without limitation, gender, age, cultural and educational background, professional experience, talents, skills, knowledge, length of service, experience and other qualities of Directors) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy and assessing the independence of the independent non-executive Directors.

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") with the aim of enhancing the Board's quality of performance as well as achieving our sustainable and balanced development. Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, and length of service. All Directors' appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The current Board consists of a diverse mix of Board members with appropriate skills and experience to lead and oversee the business of the Company, and depending on the needs of our growing business and the availability of competent candidates to fulfill those needs, suitably qualified individuals will be considered in the future for membership.

The Board has also adopted a nomination policy (the "**Nomination Policy**") to formally set out the criteria, process and procedures for the Nomination Committee to recommend suitable candidates for directorship. According to the Nomination Policy, the ultimate responsibility for selection and appointment of Directors rests with the entire Board or the shareholders in general meetings, as the case may be. The Board has delegated the relevant screening and evaluation process to the Nomination Committee, which identifies suitably qualified Director candidates and recommends them to the Board. In assessing the suitability of a proposed candidate, the Nomination Committee takes into consideration the expected contribution of the candidate that would bring to the Board to ensure the Board has balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business, his/her commitment and devoting sufficient time and attention to the Company's affairs, fulfilment of the independence requirements as set out in the Listing Rules (for independent non-executive Directors) and diversity on the Board. After reaching its decision, the Nomination Committee nominates relevant Director candidates to the Board for approval of appointment and for consideration and recommendation in respect of the re-election of the retiring Directors. The Board will make recommendation to shareholders in respect of the proposed re-election of Directors at general meetings of the Company.

Board Committees (continued)

Nomination Committee (continued)

During the year ended 31 December 2019, the Nomination Committee held two meetings and passed written resolutions and performed the following duties:

(a) reviewed the structure, size, composition of the Board and the Board Diversity Policy;

(b) made recommendations to the Board on the appointment and re-election of Directors;

(c) assessed the independence of independent non-executive Directors; and

(d) reviewed and proposed the adoption of the Board Diversity Policy, the Nomination Policy and the revised terms of reference of the Nomination Committee.

The attendance of each member of the Nomination Committee is set out in the section headed "Attendance Record of Meetings" of this report.

Remuneration Committee

The Remuneration Committee comprises one executive Director, namely Mr. Lam Chik Shun, Marcus and two independent non-executive Directors, namely Mr. Fong Wai Ho and Mr. Punnya Niraan De Silva. Mr. Fong Wai Ho is the Chairman of the Remuneration Committee.

The primary responsibilities of the Remuneration Committee include, among others, (i) making recommendations to the Board on the policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives; and (iii) making recommendations to the Board on the remuneration packages of executive Directors and members of senior management.

During the year ended 31 December 2019, the Remuneration Committee held two meetings and performed the following duties:

(a) reviewed the remuneration of Directors and senior management and recommend the Board to approve their remuneration and the terms of the service contracts of senior management; and

(b) reviewed and made recommendations to the Board on the proposed emoluments of the new Directors appointed during the year.

The attendance of each member of the Remuneration Committee is set out in the section headed "Attendance Record of Meetings" of this report.

Board Committees (continued)

Remuneration of the Members of the Senior Management by Band

Pursuant to code provision B.1.5 of the CG Code, details of the annual remuneration of the senior management by band for the year ended 31 December 2019 are as follows:

Remuneration band	Number of individuals
Nil to HK$1,000,000	6
HK$1,000,001 to HK$2,000,000	1

Details of the remuneration of each Director for the year ended 31 December 2019 are set out in note 7 to the consolidated financial statements.

Attendance Record of Meetings

Set out below are the individual attendance records of each Director at the Board meetings, committees meetings and general meeting of the Company held during the year ended 31 December 2019:

	Attended/Eligible to attend				
Name of director	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Annual General Meeting
Executive Directors					
Mr. Yu Bangping *(Chairman and Chief Executive Officer)*	6/6	N/A	N/A	2/2	1/1
Mr. Sun Dawei	6/6	N/A	N/A	N/A	1/1
Mr. Wang Shize	6/6	N/A	N/A	N/A	1/1
Mr. Li Xuezhong	6/6	N/A	N/A	N/A	1/1
Mr. Lam Chik Shun, Marcus	6/6	N/A	2/2	N/A	1/1
Mr. Yu Zhilong[1]	3/3	N/A	N/A	N/A	N/A
Mr. Yu Xiao[1]	3/3	N/A	N/A	N/A	N/A
Independent Non-executive Directors					
Mr. Fong Wai Ho	6/6	2/2	2/2	2/2	1/1
Mr. Punnya Niraan De Silva	6/6	2/2	2/2	N/A	0/1
Ms. Cheung Suet Ting, Samantha	6/6	2/2	N/A	2/2	0/1
Mr. Wang Hongchuan[2]	0/1	N/A	N/A	N/A	N/A
Mr. Wang Xiufeng[1]	3/3	N/A	N/A	N/A	N/A

Notes:

1. Mr. Yu Zhilong, Mr. Yu Xiao and Mr. Wang Xiufeng were appointed as Directors with effect from 1 September 2019.

2. Mr. Wang Hongchuan resigned as independent non-executive Director with effect from 6 June 2019.

Non-Competition Undertaking by Controlling Shareholders

Each of Mr. Yu Bangping, Mr. Yu Bangcheng, Ms. Qu Liumei, Mr. Sun Dawei, Mr. Wang Shize, Lucky Street Limited, Beautiful Day Limited, Sunrise Morning Limited, Black Pearl Limited, Seasons In The Sun Limited, Spring Snow Management Limited (collectively, the "**Controlling Shareholders**") and Guizhou Bangda has provided annual confirmation in respect of the compliance with non-competition undertakings (the "**Undertakings**") given by them in favour of the Company pursuant to the deed of non-competition dated 15 November 2018 (the "**Deed of Non-Competition**"). Details of the Deed of Non-Competition are set out in the section headed "Relationship with Controlling Shareholders – Non-Competition Undertakings" in the Prospectus.

The independent non-executive Directors have reviewed the status of the compliance by the Controlling Shareholders and Guizhou Bangda with the Undertakings during the year ended 31 December 2019 and confirmed that, as far as they can ascertain, there is no breach by any of the Controlling Shareholders and Guizhou Bangda of the Undertakings given by them.

Auditor's Remuneration

The remuneration paid or payable to the Company's auditor, Deloitte Touche Tohmatsu for services rendered in respect of the year ended 31 December 2019 is as follows:

	2019 **RMB'000**	2018 RMB'000
Audit services	**1,761**	1,266
Non-audit services		
Other services	**1,951**[2]	3,240[1]
Total	**3,712**	4,506

Notes:

1. Other services represent the services provided by the Company's auditor for acting as the reporting accountants of the Company for the Share Offer.

2. Other services mainly represent the services provided by the Company's auditor for acting as reporting accountants of the Company for the acquisition of the mining business at the Xiejiahegou underground coal mine.

In considering the re-appointment of the external auditor, the Audit Committee has taken into consideration their relationship with the Company and their independence in the provision of non-audit services. Based on the results of the review and after taking into account the opinion of the management of the Group, the Audit Committee recommended the Board to re-appoint Deloitte Touche Tohmatsu as the external auditor of the Company for the ensuing year, subject to approval by the shareholders of the Company at the 2020 AGM. In addition, the Audit Committee is of the view that the auditor's independence is not affected by the non-audit services rendered.

Directors' and Auditor's Responsibility in respect of the Financial Statements

The Directors acknowledge their responsibility for presenting a clear, balanced assessment of the Group's performance and prospects and preparing the financial statements that give a true and fair view of the Group on a going-concern basis. The management provides the Board with the relevant information it needs to discharge these responsibilities. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 69 to 71 of this annual report.

Risk Management and Internal Control

The Board has overall responsibility for maintaining sound and effective risk management and internal control systems to safeguard the Group's assets and the shareholders' interests. The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

Main Features of Risk Management and Internal Control Systems

Risk Management System

The risk management system comprises risk identification, risk evaluation and risk management. The management is entrusted with duties to identify and communicate risks associated with any activity, function or process within its scope of responsibility and authority. Risks are evaluated by the Board and management based on the severity of the impact of the risks on the Company's financial results and the probability that the risks will occur.

Based on the risk evaluation, the Company manages the risk as follows:

- Risk mitigation – management will implement risk mitigation plan to reduce the likelihood and severity of the risk to an acceptable level.

- Risk retention – management will retain the risk if the risk rating is at acceptable level and no action is required.

- Risk monitoring – management will monitor the level of risk continuously and will take necessary action to reduce the risk to acceptable level.

Risk Management and Internal Control (continued)

Main Features of Risk Management and Internal Control Systems (continued)

Internal Control System

The Company has in place an internal control system which enables the Group to achieve objectives regarding the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The main features of the internal control system are shown as follows:

- Monitoring – ongoing evaluations are conducted to ascertain whether the internal control system is functioning.
- Risk assessment – a risk management system is established for identifying and analysing risks to achieve the Company's objectives, forming a basis for determining how risks are managed.
- Information and communication – internal and external communication are made to provide the Company with information needed to carry out day-to-day controls.

Our internal audit department is responsible for assessment of the effectiveness in the performance of the safety production measures.

In order to improve the Group's internal controls and risk management, the Board has, through the Audit Committee, conducted review of the effectiveness of the risk management and internal control systems of the Group with the assistance of an independent internal control consultancy firm, Richard Poon & Partners Risk Management Limited ("**Richard Poon**"). Richard Poon has submitted its internal control review and risk assessment reports of the Group to the Audit Committee and the Board in March 2020. The review covered the financial, operational and procedural compliance functions during the year ended 31 December 2019. The review report with examination results and relevant improvement recommendations were duly reported to the Audit Committee and the Board for them to assess the effectiveness of control and the risk management system of the Group and any material failings or weaknesses in the internal control system, and to take appropriate actions to remedy any of these failings or weaknesses in a timely manner. All remedial actions will be regularly followed up where necessary to ensure that the failings and weaknesses have been duly addressed.

The Board considers that the risk management and internal control systems are effective and adequate and that the Company has complied with code provisions of the CG Code relating to risk management and internal control.

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

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group conducts its affairs with close attention to the inside information provisions under the SFO and the Listing Rules. The Directors and senior management are responsible for determining whether any particular information is inside information and overseeing and coordinating disclosure of inside information of the Group. They are also responsible for taking reasonable measures to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group from time to time and that disclosures are made and/or announcements are published on a timely basis in accordance with the applicable laws and regulations, and before such information is fully disclosed to the public, they shall ensure the same is kept strictly confidential. The Directors are also committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way.

Communication with Shareholders and Investor Relations

The Board communicates with its Company's shareholders and investors through various channels. The Board members meet and communicate with shareholders and investors at AGMs and other general meetings where shareholders can obtain better understanding of the business and operating performance of the Group. Corporate communications (such as interim and annual reports, notices, circulars and announcements) are sent to shareholders in a timely manner and are available on the websites of the Company and the Stock Exchange.

During the year, the annual general meeting of the Company was held on 20 June 2019.

Dividend Policy

Under code provision E.1.5 of the CG Code, the Company should have a policy on payment of dividends and should disclose it in the annual report.

The Company has not adopted a policy on payment of dividends. As the Company has only been listed on the Stock Exchange for a short period of time, the Board is of the opinion that it is not appropriate to adopt a dividend policy at this stage. The Board will review the Company's financial status periodically and consider to adopt a dividend policy if and when appropriate.

Company Secretary

Mr. Chan Kwong Leung, Eric was appointed as the company secretary of the Company on 28 March 2019. Mr. Chan acts as an external service provider in respect of his appointment as the company secretary of the Company. The primary corporate contact person at the Company is Mr. Au Yeung Ho Yin, the Chief Financial Officer of the Group. Mr. Chan has confirmed that he has taken no less than 15 hours of the relevant professional training during the year ended 31 December 2019.

Procedures for Nomination of a Director

A notice in writing of the intention to propose a person for election as a Director of the Company and a notice in writing by that person of his/her willingness to be elected together with his/her personal particulars and information required to be disclosed under Rule 13.51(2) of the Listing Rules shall be lodged at the Company's principal place of business in Hong Kong (Unit 1003, 10th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong) or at its branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited (Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong). The period for lodgment of the notices required will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting, and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

Shareholders to Convene an Extraordinary General Meeting

Pursuant to Article 12.3 of the Articles, an extraordinary general meeting (the "**EGM**") shall be convened on the written requisition of any two or more members of the Company, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary at the principal place of business of the Company in Hong Kong, which is presently situated at Unit 1003, 10th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong, for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition and signed by the requisitionist(s). If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the company secretary at the Company's principal place of business in Hong Kong.

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meeting

Shareholders are requested to follow Article 12.3 of the Articles for putting forward a resolution at a general meeting. The requirements and procedures are set out above in the section headed "Shareholders to Convene an Extraordinary General Meeting".

Significant Changes in Constitutional Documents

No amendment has been made to the Company's constitutional documents during the year ended 31 December 2019.

By order of the Board
Yu Bangping
Chairman and Chief Executive Officer
Hong Kong, 30 March 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Introduction

This environmental, social and governance ("**ESG**") report (the "**ESG Report**") sets out the Group's principal business and operation from 1 January 2019 to 31 December 2019, and encompasses the Group's ESG measures and the effect thereof, based on the requirements of the "Environmental, Social and Governance Reporting Guide" (the "**ESG Guide**") under Appendix 27 to the Listing Rules. The Group has appointed a third-party consulting company to prepare the ESG Report to ensure its objectivity. All data in the ESG Report were collected from the Group's documents and statistics, while the report was prepared with the full support of the Group's management. We would like to express our sincere appreciation to those who facilitated in compiling the ESG Report and refining the Group's ESG policies. Should you have any questions or recommendations, please feel free to make an enquiry to the Group to make continuous improvement in its ESG-related work.

As a coal mining company located in the Guizhou Province, China, the Group is mainly engaged in mine development, coal mining as well as clean coal production and sales, coupled with the sales of other products generated during the coal preparation or production process, including middling coal, sludge coal and coalbed methane gas. The Group's major coal operations, Hongguo Coal Mine and Baogushan Coal Mine, are located in Guizhou. In addition, the Group has offices in Guizhou and Hong Kong.

Environment

Since the nature of the coal mining is interlaced with the natural environment, the Group takes immense care in improving and implementing procedures to achieve maximum coal extraction and minimise environmental costs. Every step of coal production has direct and indirect impact on the environment, for which the Group designates personnel to record all available statistics. Site examination, assessment and planning help our management of the Group gain a clear sight of its sustainability performance and formulating positive changes in the existing procedures.

Meanwhile, the Group's coal mining business is subject to strict regulation from the Chinese government and compliance with relevant environmental protection regulations of China and Guizhou province, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) and the Administrative Measures for Inspection and Acceptance on Environmental Protection of Construction Projects (《建設項目竣工環境保護驗收管理辦法》), to ensure that the Group's coal business investments, mining rights and coal exploration, production, distribution, trade and transportation, as well as work safety, environmental protection and use of water resources comply with regulatory standards.

Our General Environmental Policies

Our business operations shall comply with the Chinese environmental laws, rules and regulations with respect to gas emission, water discharge, and management of harmful substances and wastes. In order to minimise the environmental impact caused by our operations and to ensure strict compliance with environmental laws, rules and regulations, we have obtained all relevant approvals for the plans and reports of our Hongguo Coal Mine and Baogushan Coal Mine. Our coal mines are also frequently inspected on a regular basis by all levels of governmental authorities.

Below summarises the environmental management procedures of the Group:

- Water resources management – our coal mines are fitted with water treatment facilities, sewage circulation systems and recycling pools. As for the water discharged from our coal mines, part of it will be recycled for further utilisation and the remaining part will undergo treatment to meet relevant regulatory standards before discharge.

- Solid waste treatment – our coal wastes are loaded onto trucks and transported to designated areas which are approximately two and five kilometers away from Hongguo Coal Mine and Baogushan Coal Mine respectively. The aforementioned areas are expected to be sufficient to contain more than 10 years of wastes produced by these two mines.

- Reduction of dust and air pollutants – low-concentration methane power plants are built in each of our coal mines to generate electricity from gas, whilst significantly reducing the methane emissions from our coal mines into the atmosphere. We have also installed water sprinklers to control dust emissions.

- Noise control – our noise control measures include the use of silencers, noise and vibration dampening, enclosure of noisy equipment, use of insulation materials and ongoing equipment maintenance.

- Reclamation activities – we conduct reclamation activities pursuant to the Chinese laws and regulations, trying our best to recover and preserve damaged farmland, grassland or forests into usable conditions.

Greenhouse Gases and Air Pollutants

Greenhouse gases and air pollutants are possible to generate greenhouse gases and pollutants directly and indirectly in every production process. Our mining operation mainly involves the following key steps:

Coal Mine Development → Coal Mining → Coal Preparation → Coal Transportation → Waste Management and Reclamation

Our vehicles used for coal transportation and waste treatment procedures directly generate greenhouse gases. Meanwhile, indirect generation of such emissions comes from different electric machinery and equipment, such as scraper conveyors and shearers, used in coal development, coal mining, coal preparation and other production processes; such indirect generation also comes from power consumption during the daily operations of our headquarters.

For the abovementioned reason, the Group is highly aware of its corporate social responsibility as a business engaged in the extraction of natural resources. Hence, the Group regards "low carbon emissions" as an important business development mission, with various measures in place to minimise the pollutant emissions (such as greenhouse gases, sewage and wastes) during production and corporate operations. An internal audit department assesses and audits the effectiveness of our environmental protection measures.

Emission of carbon dioxide equivalent (CO2e):

	Total emission of CO2e (kg)		Emission density of CO2e (calculated based on every tonne of coal products sold) (kg/t)	
	For the year ended 31 December		For the year ended 31 December	
	2019	2018	**2019**	2018
Direct emission	**2,505,611.08**	1,883,928.51	**2.98**	2.63
Indirect emission	**51,604,243.28**	38,551,506.44	**61.40**	53.74
Total	**54,109,854.36**	40,435,434.95	**64.38**	56.37

The Group's direct carbon emissions are mainly generated from its fuel consumption in production activities, while the indirect emissions come from water, power and paper consumptions as well as vehicles used by staff on business trips. The Group is well aware of the environmental impact of carbon dioxide and highly attentive to carbon emissions during production. For the year ended 31 December 2019, the Group recorded an increase in the CO2e emission density (calculated based on every tonne of coal products sold), which was attributable to the enhanced production capacity of both Hongguo Coal Mine and Baogushan Coal Mine during the reporting period. The Group will stay committed to monitoring its resource consumption in the future and minimising carbon emissions.

Emission of air pollutants:

	Total emission of various air pollutants (g)		Emission density of air pollutants (calculated based on every tonne of coal products sold) (g/t)	
	For the year ended 31 December			
	2019	2018	**2019**	2018
Nitrogen oxides	**241,162.07**	364,735.56	**0.29**	0.51
Particulate matters	**23,107.96**	34,948.67	**0.03**	0.05
Sulphur oxides	**317.56**	478.76	**0.000378**	0.000667

The Group mainly uses light vehicles. For the year ended 31 December 2019, the Group recorded notable decline in exhaust emissions from its vehicles, which was in relation to less usage of vehicles. The Group will integrate efficient transportation plans into its operations as its future baseline of pollution reduction.

During the reporting period, the Group actively encouraged its employees to use public transport when they went out to work and to reduce the use of private vehicles, thereby reducing the emissions generated by automobiles.

Measures to Reduce the Emission of Greenhouse Gases and Exhaust

In order to reduce greenhouse gas emissions, the Group is committed to implementing low-carbon production measures, such as modernising production equipment, adopting new production techniques and keeping abreast of the development of low-carbon environmental technologies in the industry. In terms of operations management, the Group also carries out low-carbon energy-saving projects, strengthens plant and office management, strictly adheres to statutory emission standards, and strives to reduce electricity and water consumptions.

In addition, the Group has built low-concentration methane gas power plants at each of Hongguo Coal Mine and Baogushan Coal Mine, which have greatly reduced the emission of methane as a greenhouse gas.

Hazardous Wastes

In its production process, the Group mainly generates gangue as a hazardous waste. Random disposal of gangue may cause geological and air pollution. Nonetheless, proper treatment of gangue can render it suitable for land reclamation and soil improvement.

A breakdown for gangue generation from mines:

	Gangue generation (t) For the year ended 31 December	
	2019	2018
Hongguo Coal Mine	**450,340.02**	524,094.09
Baogushan Coal Mine	**400,733.51**	352,378.92
Total	**851,073.53**	876,473.01

Gangue is an inevitable by-product in the coal production process. Thus, the Group has been working to improve its coal preparation and coal processing technology and purchase advanced technology equipment, with an aim to improve the recovery rate of clean coal, reduce waste generation and raise the Group's production efficiency.

During the production process, the Group recorded a total decrease of 25,399.48 tonnes of gangue generated to 851,073.53 tonnes in 2019 from 876,473.01 tonnes in 2018. The Group will continue its efforts in recovering the maximum amount of usable coal.

The Group engaged local village cooperatives to deal with the gangue generated during its production. A storage field in the local area is selected for treating gangue by cover it with soil on which plants are grown to restore the ecology.

Non-hazardous Wastes

The non-hazardous wastes generated by the Group mainly originate from production and domestic waste, which are treated by the local government.

Energy Consumption

During the reporting period, the Group's energy consumption was mainly composed of diesel, unleaded petrol and electricity.

Diesel and petrol consumptions:

	For the year ended 31 December	
	2019	2018
Diesel (litres)	**935,156.89**	686,234.73
Unleaded petrol (litres)	**21,602.41**	32,568.96

Diesel consumption comes from on-site power generation, mining fleets, mining machinery and equipment. As the production capacity of each of Hongguo Coal Mine and Baogushan Coal Mine increased to 600,000 tonnes/year from 450,000 tonnes/year during the reporting period. Therefore, the diesel consumption increased accordingly.

Unleaded petrol consumed by automobiles serves as the major mobile source of pollutants for the Group. As the Group incurred less vehicle usage during the reporting period, there was a decrease in the total consumption of unleaded petrol.

A breakdown of power consumption by region:

	Power consumption (kWh) For the year ended 31 December	
	2019	2018
Mainland China	**64,034,306**	47,776,965
Hong Kong	**30,701**	20,439
Total	**64,065,007**	47,797,404

In 2019, the Group recorded an increase of approximately 34.0% in its total power consumption in Mainland China and Hong Kong. The increase was mainly attributable to the general increase in coal production and higher energy usage of offices in Hong Kong in view of expanded operation after the listing of the Company.

In the office area, the Group promotes energy-saving measures, including turning off lights and electrical appliances when not in use, and turning off computers, photocopiers and fax machines when staff were off duty or on vacation, thereby reducing unnecessary power consumption.

Water Consumption

A breakdown of water consumption by workshop:

	Water consumption (kg)* For the year ended 31 December	
	2019	2018
Hongguo Coal Mine	**682,737,000**	588,560,000
Baogushan Coal Mine	**690,822,000**	581,203,000
Songshan Coal Preparation Plant (Including Phase I, Phase II and Phase III)	**187,200,000**	68,800,000
Total	**1,560,759,000**	1,238,563,000

* *Water consumption data were estimated based on operational practices.*

The Group requires stable water supply for its mining operations, especially for coal preparation. Both mines have their production and domestic water supply from surface and underground water. From 2018 to 2019, the Group's total water consumption increased by 322,196,000 kilograms, mainly due to the enhanced production capacities of both Hongguo Coal Mine and Baogushan Coal Mine.

In order to reduce the waste of water resources, the Group has built water treatment facilities at each of its mines where processed water will be treated and purified and the purified water will then be reused and supplied for mining operations and coal preparation.

Paper Consumption and Packaging Materials

Among the Group's workplaces, offices are the principal paper consumers mainly due to higher paper demands from the procurement and other administrative departments. To reduce its total consumption of paper, the Group encourages all departments to process information via computer to minimise the waste of printing paper.

Office paper consumption:

	For the year ended 31 December	
	2019	2018
Paper consumption (kg)	**3,150**	1,361

Social and Governance

Number of Employees

Since our business is labour intensive, human resources are valuable assets to the Group. As at 31 December 2019, we had 2,077 employees in total, 2,066 of whom were based in Guizhou while the remaining 11 employees were located in Hong Kong. In 2019, the Group had a total of 525 new employees and 569 staff departures.

A breakdown of our employees by function:

	Number of employees As at 31 December	
	2019	2018
Directors of the Company	**11**	9
Administration and management	**179**	211
Accounting and finance	**27**	46
Sales and marketing	**4**	4
Production scheduling	**20**	21
Production safety	**137**	220
Mine production	**1,483**	1,415
Coal preparation	**211**	188
Supply and procurement	**5**	7
Total	**2,077**	2,121

A breakdown of our employees by gender, age and working area:

		Number of employees As at 31 December	
		2019	2018
By gender	Male	**1,802**	1,865
	Female	**275**	256
By age	below 30	**434**	440
	30 to 40	**606**	567
	40 to 50	**671**	746
	50 to 60	**363**	302
	60 and above	**3**	66
By working area	Guizhou	**2,066**	2,114
	Hong Kong	**11**	7

Labour Practice and Employment

The Group strives to protect our employees' human rights, personal freedom and interests. Under the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Employment Ordinance of Hong Kong, forced work and remuneration no less than the minimum wage is prohibited. We also ensure a safe working environment for all employees. Employees' duties and obligations are clearly stated in our labour contracts.

Employment of illegal labour and underaged individuals (below the age of 16) is forbidden. All employees are required to submit a proof of identity before onboarding. The Group stands by principles of age and gender equality. Our recruitment decisions are based on type of work, skills and qualifications required by different departments where we prioritize candidates with the suitable professional qualifications and relevant work experience.

Benefits and Protection

All employees are provided with reasonable working hours, statutory holidays, paid leaves and medical care. As stated in the Hong Kong Mandatory Provident Fund Schemes Ordinance, the Group contributes regularly to all employees' mandatory provident fund and retirement benefit schemes.

Health and Safety

No fatal accidents occurred at the mines of the Group in 2018 and 2019. As for the year ended 31 December 2019, 125 occupational injuries caused by accidents took place, resulting in 11,266 lost working days.

The Group's safety data:

	For the year ended 31 December			
	2019		2018	
	Number of injuries from occupational accidents	Number of working days lost due to occupational injuries	Number of injuries from occupational accidents	Number of working days lost due to occupational injuries
Hongguo Coal Mine	75	6,335	49	6,517
Baogushan Coal Mine	45	4,616	42	5,693
Songshan coal field (Including Phase I, Phase II and Phase III)	5	315	–	–
Total	**125**	**11,266**	91	12,210

The Group upholds the principle of "safety before production" and adopts the following safety measures at its production workshops:

1) Staff at mines shall comply with safety rules and processes and wear personal protective equipment, including masks, earmuffs and safety caps;

2) Standard ventilation equipment is established at work, with regular monitoring of the level of toxic gas in the mine;

3) Workers shall receive training and obtain qualification proofs before using the machinery of the mines, including excavators, drills, explosives and trucks;

4) Each coal mine has established its production safety management department with designated heads in charge of safety management, including inspecting the conditions of the mines to ensure safe working conditions;

5) Each coal mine is assigned with over 30 officers from the production safety management department who have received professional training and are qualified. They are assigned to different teams and key activities; and

6) A meeting will be convened before each team enters the mine, emphasising that staff shall maintain their safety awareness and shall be cautious of potential hazards.

Development and Training

The Group provides induction training for new recruits strictly according to the Safety Production Law. Ordinary workers and special operators shall pass annual training tests to obtain certifications before starting work.

In line with the Group's business growth, there has been an increase in both the number of employees receiving trainings and training hours. In 2018, the number of attendances at the training was 1,784 and our training hours totaled 126,140. In 2019, the number of attendances at the training rose to 3,637 and the total training hours grew to 137,383.

The table below shows a breakdown of the number of attendances by employee type:

	For the year ended 31 December	
	2019	2018
Administration and management	**17**	29
Mine production and production safety	**3,606**	1,649
Others	**14**	106
Total	**3,637**	1,784

The table below shows a breakdown of the number of attendances by gender:

	For the year ended 31 December	
	2019	2018
Male	**3,631**	1,757
Female	**6**	27
Total	**3,637**	1,784

Due to the addition of new mining machinery in 2019, employees are required to be briefed, familiarised and practise on the technical usage. As a result, there was an increase in the number of attendances at the training and training hours in 2019.

The Group provides fair training opportunities for all employees. Traditionally, men are accounted for the majority of mine workers in Guizhou, which explains the fact that most of the Group's employees in training are male.

In addition, the Group offers professional on-the-job trainings based on the characteristics of different posts such as coal mining, administration and accounting, so that employees can improve their skills and have opportunities for further development. The Group highly values the loyal contribution of long-time and experienced employees, thus prioritises internal promotion opportunities given satisfactory work performance.

The Group regularly assesses the work performance of its employees as a reference indicator for remuneration adjustment and promotion. The assessment process is fair, transparent and accountable.

Supply Chain Management

Our suppliers mainly provide the Group with major materials related to coal mining, coal preparation and construction of coal mines, including water, electricity, mining materials, parts and components, as well as auxiliary materials. With growing production scale, the Group has recorded an upward trend in the number of cooperative suppliers, which has increased from 225 during the year ended 31 December 2018 to 249 during the year ended 31 December 2019. All the suppliers originate from China.

The Group purchases mechanical auxiliary materials from external parties such as articulated rollers, belt conveyors, bottom rollers, polyester composite pipes, rubber, curing agents, support steel, fire-resistant belts, hydraulic supports, anchor nets and lifting boards, which has a direct impact on the environmental safety of the workshops. Therefore, the Group imposes stringent requirements on its suppliers who shall supply spare parts and accessories that meet international or national standards. We would also carefully select suppliers based on quality, price, delivery timetable and quality of service.

Supplier selection begins with reference to existing contacts and order history kept by the procurement department, in which a considerable number of suppliers have maintained regular communication with us. After receiving initial quotes, the Group usually enters into one-off procurement contracts in a bid to select suitable suppliers each time.

Product Responsibility

As the second biggest manufacturer of 1/3 coking coal and the biggest private manufacturer in Guizhou Province, the Group attaches great importance to manufacturer responsibility and crack down any fraud, misinformation, deception and other unfair business conduct that infringes on customer interests. Thus, the Group rigorously monitors the entire production and processing process, with a quality testing department established to carry out random checks on coal quality regularly, so as to ensure product quality.

During the reporting period, the Group did not violate or breach any laws and regulations relating to product responsibility and did not record any product complaints or claims.

The Group has an independent sales team that usually conducts coal sales to end-user customers, including coking enterprises, iron and steel or chemical manufacturers and power plants; the selling price of coal is determined based on production cost, market demand, specification and quality as well as prevailing market rates.

During the reporting period, the Group did not receive any reports or any customer complaints on violation of the laws and regulations relating to service responsibility.

Our sales staff adopt an open mindset to any kinds of feedback, on which our management encourages transparent reporting to help the Group monitor its performance as well as market information. We believe that the above practices have proved to our customers our constant effort to improve our products and services, maintaining many stable and longstanding relationships.

Additionally, the Group strictly complies with relevant privacy provisions, and regards customer privacy protection as an important matter. Accordingly, the Group has confidential safety measures in place to protect customer data, which are forbidden from access or disclosure without authorisation.

Anti-corruption

The Group strictly adheres to the anti-corruption principle. Any improper behaviour that undermines the Group's interest shall not be tolerated. This includes fraud, bribery, extortion, theft and money laundering. The Group arranges regular training sessions to all employees to ensure clean practices and to build up a transparent and just working environment.

The following table shows the number of clean practice sessions held and the number of attendances at such sessions by the Group during the fiscal years of 2018 and 2019:

	During the year ended 31 December	
	2019	2018
Number of clean practice sessions held	**5**	4
Number of attendances receiving clean practice education	**1,075**	1,072

To promote honesty and an anti-corruption culture in the workplace, the Group has set up an independent investigation team and an anonymous reporting system to look into any suspicious cases. The progress and results of investigation will be submitted directly to the Company's Chairman and the Board.

During the year ended 31 December 2019, the Group was not involved in any corruption litigation and has not received any suspected corruption report.

Community Investment

The Group was named the 52nd top-100 private enterprises in Guizhou. As a corporate citizen, Perennial Energy firmly believes in giving back to the local community it has roots in. During the year ended 31 December 2019, the Group received the "Award of Excellence 2018/2019" from The Community Chest Hong Kong, in recognition of the Group's corporate citizenship in giving back to society. All community contributions made by the Group were as follows:

- Donation of RMB888,000 towards 3,874 villagers in Songshan Village, Hongguo Street, Panzhou City for medical expenses in 2019;
- Tuition and living subsidies of RMB261,000 towards 25 local impoverished college students;
- Donation of RMB20,000 towards the People's Government of Jichangping Town, Panzhou City as poverty aid;
- Travel subsidies of RMB1,797,000 towards villagers over 60 years old in Songshan Village, Hongguo Street, Panzhou City; and
- Sponsorship of HK$10,000 for a Cantonese opera charity show and amenities giveaway to around 1,000 elderly people in Hong Kong.

The Group has an established team of volunteers and encourages employees and their family members to take part in various voluntary activities. We hope to keep a tight-knit local community through voluntary work and contribute to its development as the Group can only thrive on the support of the people and a health economy.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PERENNIAL ENERGY HOLDINGS LIMITED
久泰邦達能源控股有限公司
(Incorporated in the Cayman Islands with limited liability)

Deloitte. 德勤

Opinion

We have audited the consolidated financial statements of Perennial Energy Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 72 to 150, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

TO THE SHAREHOLDERS OF PERENNIAL ENERGY HOLDINGS LIMITED (continued)
久泰邦達能源控股有限公司
(Incorporated in the Cayman Islands with limited liability)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Depreciation of mining structures included in property, plant and equipment and amortisation of mining rights	
We identified the depreciation of mining structures included in property, plant and equipment and amortisation of mining rights as a key audit matter due to the involvement of significant estimation and the management's judgement in determining the total proven and probable reserves of the coal mines. As explained in note 5 to the consolidated financial statements, the Group determines depreciation of mining structures included in property, plant and equipment and amortisation of mining rights by using the units of production method based on the actual production volume over the total proven and probable reserves of the coal mines concerned. The estimated reserves are the estimates of the quantity of coal that can be economically and legally extracted from the Group's mining properties, which are determined according to an independent technical review report prepared by an external specialist with the consideration of recent production and technical information of each mine. In addition, a variation on recovery rates or unforeseen geological or geotechnical perils may cause the management to change the production plan resulting in a revision to the estimates of coal reserves. As set out in notes 17 and 14 to the consolidated financial statements, the amortisation of mining rights and depreciation of mining structures for the year ended 31 December 2019 amounted to RMB5,577,000 (2018: RMB5,578,000) and RMB7,676,000 (2018: RMB6,638,000), respectively.	Our procedures in relation to the depreciation and amortisation of mining related assets included: • Assessing the competence, capabilities and objectivity of the external specialist who prepared the independent technical review report; • Obtaining an understanding from the external specialist about the techniques applied in estimation of total proven and probable reserves of the coal mines, the basis of calculation, key inputs and data used in the estimation; • Assessing the reasonableness of key inputs (i.e. the actual production volume of coal mines during the year and estimated total proven and probable reserves of coal mines) used in the calculation of depreciation and amortisation of mining related assets; and • Examining the production summary prepared by the management of the Group and checking the consistency of estimated production volume throughout the useful lives of the mines against the estimated coal reserves based on an independent technical review report prepared by external specialist.

TO THE SHAREHOLDERS OF PERENNIAL ENERGY HOLDINGS LIMITED (continued)
久泰邦達能源控股有限公司
(Incorporated in the Cayman Islands with limited liability)

Other Information

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

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

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

Responsibilities of Directors of the Company and Those Charged with Governance for the consolidated financial statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated financial statements

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

TO THE SHAREHOLDERS OF PERENNIAL ENERGY HOLDINGS LIMITED (continued)
久泰邦達能源控股有限公司
(Incorporated in the Cayman Islands with limited liability)

Auditor's Responsibilities for the Audit of the consolidated financial statements (continued)

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

TO THE SHAREHOLDERS OF PERENNIAL ENERGY HOLDINGS LIMITED (continued)
久泰邦達能源控股有限公司
(Incorporated in the Cayman Islands with limited liability)

Auditor's Responsibilities for the Audit of the consolidated financial statements (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Lo Kin Cheong.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Revenue	6	812,145	719,412
Cost of sales		(389,302)	(353,166)
Gross profit		422,843	366,246
Other income	8	24,943	13,681
Other gains and losses	8	5,445	1,426
Distribution and selling expenses		(36,164)	(28,642)
Administrative expenses		(101,663)	(68,262)
Other expenses		(1,829)	(7,392)
Finance costs	9	(3,781)	(4,298)
Listing expenses		–	(15,951)
Profit before taxation	10	309,794	256,808
Taxation charge	11	(91,773)	(73,639)
Profit and total comprehensive income for the year		218,021	183,169
Profit and total comprehensive income for the year attributable to:			
– Owners of the Company		218,021	176,243
– Non-controlling interests		–	6,926
		218,021	183,169
Earnings per share (RMB cents)	13		
Basic		13.63	16.51
Diluted		N/A	16.51

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS at 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	14	876,336	494,312
Investment properties	15	52,730	52,720
Prepaid lease payments	16	–	10,247
Mining rights	17	115,400	110,342
Restricted bank deposits	18	11,292	11,248
Rental deposits	22	542	1,875
Deposits for purchase of property, plant and equipment	22	8,428	11,965
Deposit for acquisition of mining right and related assets	22	110,000	–
Deferred tax assets	19	–	23,951
		1,174,728	716,660
Current assets			
Inventories	20	17,268	20,903
Prepaid lease payments	16	–	179
Trade and bills receivables	21	220,216	295,778
Deposits, prepayments and other receivables	22	21,817	14,399
Bank balances and cash	23	243,312	351,182
		502,613	682,441
Current liabilities			
Trade payables	24	51,095	55,804
Other payables and accrued charges	25	118,144	78,715
Contract liabilities	26	1,747	–
Lease liabilities	27	3,204	–
Amounts due to related parties	28	4,346	11,790
Tax payable		1,052	47,855
Bank and other borrowings	29	211,426	208,617
		391,014	402,781
Net current assets		111,599	279,660
Total assets less current liabilities		1,286,327	996,320

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS at 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Lease liabilities	27	**1,824**	–
Provision for restoration costs	30	**38,912**	2,099
Deferred tax liabilities	19	**35,347**	1,998
		76,083	4,097
Net assets		**1,210,244**	992,223
Capital and reserves			
Share capital	31	**14,136**	14,136
Reserves		**1,196,108**	978,087
Total equity		**1,210,244**	992,223

The consolidated financial statements on pages 72 to 150 were approved and authorised for issue by the Board of Directors on 30 March 2020 and signed on its behalf by:

Mr. Yu Bangping
DIRECTOR

Mr. Li Xuezhong
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (note i)	Statutory surplus reserve RMB'000 (note ii)	Retained profits RMB'000	Sub-total equity RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018	–	–	136,771	11,472	97,353	245,596	214,827	460,423
Profit and total comprehensive income for the year	–	–	–	–	176,243	176,243	6,926	183,169
Issue of shares upon loan capitalisation (note 31)	–	271,594	–	–	–	271,594	–	271,594
Capitalisation issue (note 31)	10,602	(10,602)	–	–	–	–	–	–
Transfer to statutory surplus reserve	–	–	–	10,112	(10,112)	–	–	–
Transfer upon group reorganisation (note 2(c) and (d))	–	–	221,753	–	–	221,753	(221,753)	–
Dividends recognised as distribution (note 12)	–	–	(145,860)	–	–	(145,860)	–	(145,860)
Issue of shares upon public offer and placing (the "Share Offer") (note 31)	3,534	236,781	–	–	–	240,315	–	240,315
Costs incurred in connection with issue of shares of the Company	–	(17,418)	–	–	–	(17,418)	–	(17,418)
At 31 December 2018	14,136	480,355	212,664	21,584	263,484	992,223	–	992,223
Profit and total comprehensive income for the year	–	–	–	–	218,021	218,021	–	218,021
Transfer to statutory surplus reserve	–	–	–	24,442	(24,442)	–	–	–
At 31 December 2019	**14,136**	**480,355**	**212,664**	**46,026**	**457,063**	**1,210,244**	**–**	**1,210,244**

Notes:

(i) Other reserve as at 31 December 2019 and 2018 represented the aggregate amount of (i) the aggregate profit of RMB130,191,000 in respect of operations of the Mining Business (as defined in note 2) carried out by Old Operating Entities (as defined in note 2) prior to the Assets Transfer (as defined in note 2) and the profit was legally belonged to Old Operating Entities and non-distributable by the Group; (ii) net credit transfer of RMB39,186,000 prior to 1 January 2018, net debit transfer of RMB40,102,000 and RMB221,753,000 during the year ended 31 December 2017 and 2018, respectively, from the non-controlling interests in respect of the change in shareholding of the subsidiaries without losing control during the Reorganisation (as defined in note 2); (iii) the credit of RMB5,664,000 arisen from the derecognition of assets and liabilities of Old Operating Entities during the year ended 31 December 2016; and (iv) distribution of profits of a subsidiary of RMB145,860,000 to the then shareholders (except for HongKong Resources (as defined in note 2)) during the year ended 31 December 2018.

(ii) As stipulated by the relevant laws and regulations of the People's Republic of China (the "PRC"), before distribution of the net profit each year, the subsidiaries established in the PRC shall set aside 10% of their net profit after taxation for the statutory surplus reserve fund (except where the reserve has reached 50% of the subsidiaries' registered capital). The statutory reserve fund can only be used, upon approval by the board of directors of the relevant subsidiaries and by the relevant authority, to offset accumulated losses or increase capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	**309,794**	256,808
Adjustments for:		
Finance costs	**3,781**	4,298
Depreciation of property, plant and equipment	**55,344**	52,299
Fair value change of investment properties	**(10)**	(340)
Amortisation of mining rights	**5,577**	5,578
Amortisation of prepaid lease payments	**–**	245
(Gain) loss on disposal/written off of property, plant and equipment	**(6,108)**	4,501
Interest income	**(4,340)**	(1,247)
Exchange difference on amounts due to shareholders	**–**	(8,463)
Operating cash flows before movements in working capital	**364,038**	313,679
Decrease (increase) in inventories	**3,635**	(482)
Decrease (increase) in trade and bills receivables	**75,562**	(83,535)
(Increase) decrease in deposits, prepayments and other receivables	**(47)**	4,857
(Decrease) increase in trade payables	**(4,709)**	6,483
Increase in other payables and accrued charges	**9,340**	9,008
Increase in contract liabilities	**1,747**	–
(Decrease) increase in amounts due to related parties	**(7,444)**	1,799
(Decrease) increase in discounted bills with recourse	**(153,956)**	17,601
Cash generated from operations	**288,166**	269,410
Income tax paid	**(81,276)**	(62,844)
Interest paid on discounted bills	**(3,688)**	(7,321)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**203,202**	199,245

	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(353,102)	(129,536)
Proceeds from disposal of property, plant and equipment	4,471	–
Interest received	4,340	1,247
Deposits paid for purchase of property, plant and equipment	(8,428)	(11,965)
Deposit paid for acquisition of mining right and related assets	(110,000)	–
Addition to restricted bank deposits	(44)	(43)
Advance to a director	–	(17,000)
Repayment from a director	–	210,000
Advance to a related party	–	(1,037)
Repayment from a related party	–	5,008
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(462,763)	56,674
FINANCING ACTIVITIES		
Interest paid on other borrowings and lease labilities	(946)	–
Repayment of lease liabilities	(4,128)	–
New borrowings raised	156,765	–
Proceeds from the Share Offer	–	240,315
Share issue costs paid	–	(17,418)
Dividends paid	–	(145,860)
Repayment to a related party	–	(30,156)
Advance from a related party	–	15,213
NET CASH FROM FINANCING ACTIVITIES	151,691	62,094
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(107,870)	318,013
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	351,182	33,169
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	243,312	351,182

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. General Information

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 7 June 2017. The shares of the Company were listed on the company Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on 12 December 2018 and its parent and ultimate holding company is Spring Snow Management Limited ("Spring Snow Limited"), a limited liability company incorporated in the British Virgin Islands ("BVI"). The address of the Company's registered office and principal place of business is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and Unit 1003, 10th Floor, Tower 2, Lippo Centre, 89 Queensway, Hong Kong, respectively.

The Company is an investment holding company and its principal subsidiaries are principally engaged in the exploration and mining of coking coal and coal refinery in the PRC.

The controlling shareholder of the Company is Mr. Yu Bangping ("Mr. Yu").

The consolidated financial statements are presented in Renminbi ("RMB") which is also the same as the functional currency of the Company.

2. Basis of Presentation and Preparation of the Consolidated Financial Statements

The principal business of the Group is exploration and mining of coal in Panzhou City, Guizhou Province, the PRC and coal refining (collectively known as "Mining Business"). Historically, the Mining Business was operated by Guizhou Bangda Energy Development Company Limited Panxian Hongguo Town Hongguo Coal Mine Branch 貴州邦達能源開發有限公司盤縣紅果鎮紅果煤礦分公司 ("Hongguo"), Guizhou Bangda Energy Development Company Limited Panxian Hongguo Town Baogushan Coal Mine Branch 貴州邦達能源開發有限公司盤縣紅果鎮苞谷山煤礦分公司 ("Baogushan") and Liupanshui City Hongguo Economic Development Zone Songshan Coal Refining Factory 六盤水市紅果開發區松山洗煤廠 ("Songshan") (collectively known as "Old Operating Entities"). Hongguo and Baogushan are branches of Guizhou Bangda Energy Development Co., Ltd. ("Bangda"), which is established in the PRC and 80% owned by Mr. Yu. Songshan is a sole proprietorship enterprise wholly owned by Mr. Yu.

From October 2015 to May 2017, Old Operating Entities and Bangda have performed the following group restructuring ("Bangda Restructuring") and details as follows:

(i) On 10 October 2015, Guizhou Jiutai Bangda Energy Development Co., Ltd. 貴州久泰邦達能源開發有限公司 ("Jiutai Bangda") was established as a limited liability company in the PRC. Upon establishment, Jiutai Bangda was wholly owned by Mr. Yu. On 13 January 2016, Mr. Yu completed to transfer 56.2% of Jiutai Bangda to ten individuals, including Ms. Qu Liumei, the spouse of Mr. Yu, who has 20.0% interests in Jiutai Bangda. Upon the transfer, Mr. Yu has 43.8% interests in Jiutai Bangda and continued to control Jiutai Bangda taken into consideration of the contractual arrangement with Ms. Qu Liumei of which Ms. Qu Liumei follows the decisions of Mr. Yu in all shareholders' meetings.

2. Basis of Presentation and Preparation of the Consolidated Financial Statements (continued)

(ii) In May 2016, Mr. Yu and other shareholders completed to transfer 49.0% interests in Jiutai Bangda to HongKong Resources Management Limited ("HongKong Resources"), a limited liability company incorporated in Hong Kong, at a cash consideration of RMB289,100,000. HongKong Resources is the wholly owned subsidiary of Coal & Mines International Resources Limited ("Coal & Mines"), which is 89.8% owned by Spring Snow Limited (which is owned 37.4% by Mr. Yu), and 10.2% owned by Gain Resources Limited ("Gain Resources"), a limited liability company incorporated in the BVI and owned by an independent third party. Upon the completion of transfer, Jiutai Bangda is owned 49.0% as to HongKong Resources and 22.34% as to Mr. Yu. Mr. Yu continues to control Jiutai Bangda taken into consideration of his control over HongKong Resources through Spring Snow Limited and his direct shareholding over Jiutai Bangda.

(iii) During the year ended 31 December 2016, Hongguo and Baogushan transferred the mining rights relating to the Mining Business to Jiutai Bangda through the capital injection to Jiutai Bangda. On 31 August 2016, Jiutai Bangda completed the acquisition of certain assets (i.e. property, plant and equipment, investment properties, prepaid lease payments and inventories) from Old Operating Entities pursuant to sale and purchase agreement (the "Assets Transfer"). Upon completion of Assets Transfer, the Mining Business is transferred from the Old Operating Entities to Jiutai Bangda and Old Operating Entities did not form part of the group entities by then.

(iv) On 27 May 2017, Mr. Yu acquired 5.65% interests of Jiutai Bangda from other non-controlling shareholders (not including HongKong Resources and Ms. Qu Liumei) at a cash consideration of RMB33,359,000. Upon the acquisition, Jiutai Bangda was held as to 49.0% by Hongkong Resources, and 27.99% by Mr. Yu, respectively. The transfer was completed on 14 June 2017.

In the preparation for the listing of the Company's shares on the Stock Exchange (the "Listing"), the companies now comprising the Group underwent the reorganisation ("Reorganisation") which principally involves the following steps:

(a) On 7 June 2017, the Company was incorporated under the laws of the Cayman Islands as an exempted company with an initial authorised capital of Hong Kong Dollar ("HK$") 100,000,000 divided into 10,000,000,000 ordinary shares with par value of HK$0.01 each. Upon the incorporation of the Company, one share at par was issued and allotted to initial subscriber, which was in turn transferred to an independent individual, who is held on trust on behalf of Mr. Yu. Also 9,999 shares of the Company are issued to an individual, on trust on behalf of Mr. Yu, at par.

(b) On 12 March 2018, 10,000 shares of the Company is transferred to Spring Snow Limited at a cash consideration of HK$100.

(c) At the same time, Spring Snow Limited and Gain Resources transferred entire equity interest in Coal & Mines to the Company in consideration of the allotment and issue of 7,960 and 2,040 shares of the Company to Spring Snow Limited and Gain Resources, respectively. Upon the completion of the transfer, Coal & Mines became the wholly owned subsidiary of the Company.

2. Basis of Presentation and Preparation of the Consolidated Financial Statements (continued)

(d) On 12 March 2018, the shareholders of Jiutai Bangda (including Mr. Yu) agreed to assign (i) all the shareholders' rights of Jiutai Bangda, (ii) the power to appoint and remove all the members of the board of directors of Jiutai Bangda, and (iii) the power to govern the financial and operating policies of Jiutai Bangda to Guizhou Fu Bangda Consulting Services Co., Ltd. ("Guizhou Fu Bangda"), a company established in the PRC and wholly owned by HongKong Resources, through contractual arrangements entered between the shareholders of Jiutai Bangda and Guizhou Fu Bangda.

Pursuant to the Bangda Restructuring and Reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group since 12 March 2018, whereas the Company and its subsidiaries have been under the common control of Mr. Yu historically and throughout the period prior to the completion of the Bangda Restructuring and Reorganisation.

In the opinion of the directors of the Company, all the terms of these contractual arrangements as state in note (c) above are valid, binding and legally enforceable on all parties under the applicable laws in the PRC. The directors of the Company consider that such agreements give the Group the current ability to direct the entire relevant activities (i.e. the activities that significantly affect the investee's returns) of Jiutai Bangda through Guizhou Fu Bangda upon signing these agreements as Guizhou Fu Bangda is able to entirely control Jiutai Bangda. Thus, the Group treats Jiutai Bangda as wholly owned subsidiary of the Company since then. At the same time, non-controlling interests of Jiutai Bangda at the date of signing these agreements are then transferred to other reserve of the Group and no further recognition of non-controlling interests of Jiutai Bangda since then.

On 26 July 2018, Guizhou Fu Bangda exercised its call option right pursuant to the exclusive call option agreement dated 12 March 2018.

On 31 July 2018, Guizhou Fu Bangda completed the acquisition of 51% interest of Jiutai Bangda from Mr. Yu and other shareholders (except HongKong Resources) at a cash consideration of RMB1. Upon the completion of the acquisition, Jiutai Bangda is 51% owned by Guizhou Fu Bangda and 49% owned by HongKong Resources. On the same date, the contractual arrangements between the shareholders of Jiutai Bangda and Guizhou Fu Bangda as stated in note 2(d) are terminated upon the completion of the acquisition of 51% interest of Jiutai Bangda by Guizhou Fu Bangda.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2018 have been prepared based on the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2018 have been prepared to present the results, changes in equity and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Bangda Restructuring and the Reorganisation had been in existence throughout the year ended 31 December 2018 or since the respective dates of establishment, whichever is shorter.

3. Adoption of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

The Group has applied HKFRS 16 "Leases" ("HKFRS 16") for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedient to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

(i) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis.

3. Adoption of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 Leases **(continued)**

As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 3.2% per annum.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	10,283
Lease liabilities discounted at relevant incremental borrowing rates relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	9,156
Analysed as	
Current	3,788
Non-current	5,368
	9,156

3. Adoption of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 Leases **(continued)**

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		9,156
Reclassified from prepaid lease payments	(a)	10,426
		19,582
By class:		
Leasehold land		10,426
Leased properties		9,156
		19,582

Note:

(a) Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB179,000 and RMB10,247,000 respectively were reclassified to right-of-use assets with the cost amounted to RMB13,199,000 and the accumulated depreciation amounted to RMB2,773,000.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

3. Adoption of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and Amendments to HKFRSs that are mandatorily effective for the current year (continued)

HKFRS 16 Leases **(continued)**

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	RMB'000	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	–	19,582	19,582
Prepaid lease payments	10,247	(10,247)	–
Current assets			
Prepaid lease payments	179	(179)	–
Current liabilities			
Lease liabilities	–	3,788	3,788
Non-current liabilities			
Lease liabilities	–	5,368	5,368

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

3. Adoption of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 "Definition of a Business"

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The Group intends to elect the optional concentration test for acquisition of mining right and remaining asset with details in note 22. Such election may result in certain acquisitions being accounted for as asset acquisitions upon the application of the amendments.

3. Adoption of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial positions and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and on the historical cost basis except for investment properties that are measured at fair value at the end of each reporting period. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 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 these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKFRS 16 (since 1 January 2019) or HKAS17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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 principal accounting policies adopted are set out below.

4. Significant Accounting Policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when a 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 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.

Consolidation of a subsidiary begins when a company obtains control over the subsidiary and ceases when a company 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 Group gains control until the date when a company ceases to control the subsidiary.

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

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

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

Non-controlling interests in subsidiaries are presented separately from the 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 Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the 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 Group and the non-controlling interests according to the Group's and 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 owners of the Company.

4. Significant Accounting Policies (continued)

Basis of consolidation (continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets, and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing carrying values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the business has been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services in accordance with HKFRS 15. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, the 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.

4. Significant Accounting Policies (continued)

Revenue from contracts with customers (continued)

A performance obligation represents a good and 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 the 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 Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

The Group recognises revenue mainly from the sales of coal products/coalbed methane gas.

Sales of coal products/coalbed methane gas

Revenue from the sales of coal products/coalbed methane gas are recognised at a point in time when the control of goods has transferred, being when the goods have been shipped to the customers' specific location. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the Group's right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Government grants

Government grants are not recognised until there is reasonable assurance that the 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 Group recognises as expenses the related costs for which the grants are intended to compensate.

4. Significant Accounting Policies (continued)

Government grants (continued)

Government grants received are recognised initially as government grants received in advance prior to the fulfilment of the conditions attaching to them and credited to profit or loss upon the fulfilment of the conditions attaching to them.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 3)

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.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3)

Short-term leases

The Group applies the short-term lease recognition exemption to leases of leasehold land and buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

4. Significant Accounting Policies (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) **(continued)**

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. Significant Accounting Policies (continued)

Leases (continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 3) **(continued)**

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessee (prior to 1 January 2019)

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income of leasing the investment property and subleasing the leased properties is included in other income.

4. Significant Accounting Policies (continued)

Leases (continued)

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 3)

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production and administrative purposes are carried at cost less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as same basis as other property assets, commences when the assets are ready for their intended use.

4. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid lease payments" (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land under HKFRS 16 at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained profits.

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

The mining structures are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses. Depreciation is provided to write off the cost of the mining structures using the units of production method based on the actual production volume over the total proven and probable reserves of the coal mine concerned. Reserve estimates are reviewed when information becomes available that indicates a reserve change is needed, or at a minimum once a year. Any material effect from changes in estimates is considered in the period the change occurs.

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.

Mining rights

Mining rights are carried at cost less subsequent accumulated amortisation and subsequent accumulated impairment loss. Mining rights include the cost of acquiring mining licenses. Amortisation for mining rights is provided using the units of production method based on the actual production volume over the total proven and probable reserves of the coal mine concerned.

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

4. Significant Accounting Policies (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Impairment loss on non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets 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 non-financial assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, 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.

4. Significant Accounting Policies (continued)

Impairment loss on non-financial assets (continued)

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. 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 or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 market place.

Financial assets and financial liabilities are initially measured at fair value except trade and bills receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

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.

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.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets **(continued)**

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including restricted bank deposits, trade and bills receivables, deposits and other receivables and bank balances), which are subject to impairment under HKFRS 9. 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-months ECL ("12m 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. Assessment are done based on the 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 Group always recognises lifetime ECL for trade and bills receivables. The lifetime ECL on trade and bills receivables are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the 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.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the 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 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.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets **(continued)**

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk (continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- 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 debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- 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 Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the 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. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been 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.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets **(continued)**

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

- significant financial difficulty of the issuer of the borrower;

- a breach of contract, such as a default or past due event;

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

- it is becoming probably that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The 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, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade and bills receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice when appropriate. A write-off constitutes a derecognition event. Any recoveries made are recognised in profit or loss.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets **(continued)**

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(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.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount with the exception of trade and bills receivables where the corresponding adjustment is recognised through a loss allowance account.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity 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 Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities, including trade payables, other payables and accrued charges, bank and other borrowings and amounts due to related parties are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

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

The Group derecognises financial liabilities when, and only when, the 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.

4. Significant Accounting Policies (continued)

Provision for restoration

A provision for restoration is recognised when the Group has a present obligation (legal or construction) as a result of exploration, development and production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

The amount recognised as the provision for restoration cost is the best estimate of the present value of the expenditure required to settle the present restoration obligation at the end of the reporting period, based on current legal and other requirements. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the provision at the end of the reporting period.

Changes in the estimation of the restoration provision that result from changes in the estimated timing or amount of cash flows, including the effects of revisions to estimated lives of operation or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the period it occurred. If a decrease in liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss. Unwinding of the effect of discounting on the provision is recognised as finance costs.

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

4. Significant Accounting Policies (continued)

Taxation

Taxation represents the sum of the income tax expense currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. 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. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment 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 the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

4. Significant Accounting Policies (continued)

Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right of use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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 to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

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 the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at 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 arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 4, the management of the Group is 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 underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates 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.

Critical judgements in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the management of the Group have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the management of the Group has reviewed the Group's investment properties and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the management of the Group has determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. Accordingly, deferred taxation in relation to the Group's investment properties has been measured in accordance with the general principles set out in HKAS 12.

Key sources of estimation uncertainty

The following is 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.

Depreciation of mining structures included in property, plant and equipment and amortisation of mining rights

As explained in note 4, mining rights and mining structures are amortised or depreciated using the units of production method based on the actual production volume over the total proven and probable reserves of the coal mine concerned.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Depreciation of mining structures included in property, plant and equipment and amortisation of mining rights (continued)

Proven and probable coal reserves estimates are estimates of the quantity of coal that can be economically and legally extracted from the Group's mining properties, which are determined according to an independent technical review report prepared by an external specialist with the consideration of recent production and technical information of each mine. However, the mining rights were granted for terms of 20 years (2018: 15 years). The management of the Group is of the opinion that the Group will be able to continuously renew the mining rights and the business licences without significant costs. Accordingly, the Group has used the proven and probable reserves as a basis of estimation for the useful lives of its mining rights.

Fluctuations in factors including a variation on recovery rates or unforeseen geological or geotechnical perils may render the management of the Group to change the production plan, resulting in a revision on the estimates of coal reserves.

Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results that depreciation and amortisation charged to profit or loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change. The carrying amount of mining rights was RMB115,400,000 (2018: RMB110,342,000) and the carrying amount of mining structures included in the property, plant and equipment was RMB362,856,000 (2018: RMB147,890,000) as at 31 December 2019. The amortisation of mining rights and depreciation of mining structures for the year ended 31 December 2019 amounted to RMB5,577,000 (2018: RMB5,578,000) and RMB7,676,000 (2018: 6,638,000), respectively.

Estimated useful life of machinery included in property, plant and equipment

Machinery included in property, plant and equipment are depreciated over their useful economic lives after taking into account their estimated residual values. The assessment of estimated useful lives is a matter of judgement based on the experience of the Group's management, taking into account factors such as technological process, conditions of machinery and changes in market demand. Useful lives are periodically reviewed for appropriateness. The carrying amount of machinery included in property, plant and equipment was RMB349,303,000 (2018: RMB133,111,000).

Useful lives of mining rights

The Group's management determines the estimated useful lives of 34 to 46 years (2018: 23 to 32 years) for its mining rights based on the proven and probable reserves. However, the mining rights were granted for terms of 20 years (2018: 15 years). The management of the Group is of the opinion that the Group will be able to continuously renew the mining rights and the business licences without significant costs. Accordingly, the Group has used the proven and probable reserves as a basis of estimation for the useful lives of its mining rights.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Fair value of investment properties

The fair value was based on a valuation on these properties conducted by independent qualified professional valuers using property valuation techniques which involve certain estimates, including location and condition adjustments and transaction price of similar properties. Where there are any changes in the assumptions due to market conditions, the estimate of fair value of investment properties may be significantly affected. As at 31 December 2019, the fair value of investment properties was RMB52,730,000 (2018: RMB52,720,000). Details of the valuation methodology are disclosed in note 15.

Provision for restoration costs

Provision for restoration costs has been estimated by the management of the Group based on current regulatory requirements and is discounted to present value. The management of the Group estimated this liability for final reclamation and mine closure based on detailed calculations of the amounts and timing of future cash flows that a third party may be required to perform the required work. However, significant changes in the regulatory requirements, timing of performance of reclamation activities or discount rate will result in changes to the amount of provision from period to period. The provision is reviewed regularly to properly reflect the present value of the obligation arising from the current and past mining activities. The carrying amounts of provision for restoration costs was RMB38,912,000 (2018: RMB2,099,000).

6. Revenue and Segment Information

Revenue

Revenue represents the fair value of amounts received and receivable from the sales of goods and services provided by the Group to related party/external customers, net of related taxes, for the year.

The following is the disaggregation of revenue from contracts with customers:

	2019 RMB'000	2018 RMB'000
Types of goods and services		
Recognised at a point in time:		
Sales of coal products:		
– Clean coal	723,367	635,370
– Middling coal	83,434	79,501
– Sludge coal	2,820	2,479
	809,621	717,350
Sales of coalbed methane gas	2,524	2,062
	812,145	719,412
Geographical market		
The PRC	812,145	719,412

Performance obligations for contracts with customers

Sales of coal products and coalbed methane gas

For sales of coal products and coalbed methane gas, revenue is recognised when the control of goods is transferred, being when the goods are delivered to the customer's specific location. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the Group's right to consideration becomes unconditional, as only the passage of time is required before payment is due. The customers have neither rights of return nor rights to defer or avoid payment for the goods once they are accepted by the customers upon receipt of goods. The contracts signed with the customers are short-term and fixed price contracts.

All revenue contracts are for period of one year or less. As permitted by HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. Revenue and Segment Information (continued)

Segment information

The Group's operation is solely derived from the production and sales of coal products and coalbed methane gas. For the purpose of resources allocation and performance assessment, the chief operating decision maker ("CODM") (i.e. the chief executive officer) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 4. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

The Group's revenue are all derived from the PRC based on the location of the customers and the Group's non-current assets, excluding financial assets and deferred tax assets, of RMB1,156,018,000 (2018: RMB680,617,000) are located in the PRC and of RMB6,876,000 (2018: RMB844,000) are located in Hong Kong, respectively, by physical location of assets.

Information about major customers

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

	2019 RMB'000	2018 RMB'000
Customer A	**191,814**	N/A#
Customer B	**106,850**	233,325
Customer C	**285,682**	210,598
Customer D	**N/A#**	111,539

\# The customer did not contribute over 10% of total sales of the Group during the relevant year.

7. Directors' and Employees' Emoluments

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to the directors of the Company by entities comprising the Group are as follows:

	Mr. Yu RMB'000 (note i & ii)	Mr. Sun Dawei RMB'000 (note ii)	Mr. Wang Shize RMB'000 (note ii)	Mr. Li Xuezhong RMB'000 (note iii)	Mr. Lam Chik Shun, Marcus RMB'000 (note iv)	Mr. Yu Zhilong RMB'000 (note v)	Mr. Yu Xiao RMB'000 (note v)	Mr. Fong Wai Ho RMB'000 (note vi)	Mr. Punnya Niraan De Silva RMB'000 (note vi)	Ms. Cheung Suet Ting, Samantha RMB'000 (note vi)	Mr. Wang Hongchuan RMB'000 (note vii)	Mr. Wang Xiufeng RMB'000 (note viii)	Total RMB'000
Year ended 31 December 2019													
Fees	1,051	1,051	1,051	1,051	1,051	361	361	315	315	315	107	67	7,096
Other emoluments:													
Salaries and other benefits	-	-	-	1,171	1,262	144	100	-	-	-	-	-	2,677
Retirement benefits schemes contributions	16	-	15	29	29	15	9	-	-	-	-	-	113
Total emoluments	1,067	1,051	1,066	2,251	2,342	520	470	315	315	315	107	67	9,886

	Mr. Yu RMB'000 (note i & ii)	Mr. Sun Dawei RMB'000 (note ii)	Mr. Wang Shize RMB'000 (note ii)	Mr. Li Xuezhong RMB'000 (note iii)	Mr. Lam Chik Shun, Marcus RMB'000 (note iv)	Mr. Fong Wai Ho RMB'000 (note vi)	Mr. Punnya Niraan De Silva RMB'000 (note vi)	Ms. Cheung Suet Ting, Samantha RMB'000 (note vi)	Mr. Wang Hongchuan RMB'000 (note vii)	Total RMB'000
Year ended 31 December 2018										
Fees	55	55	55	55	55	17	17	17	13	339
Other emoluments:										
Salaries and other benefits	500	–	500	–	–	–	–	–	–	1,000
Retirement benefits schemes contributions	14	–	14	–	–	–	–	–	–	28
Total emoluments	569	55	569	55	55	17	17	17	13	1,367

7. Directors' and Employees' Emoluments (continued)

(a) Directors' and chief executive's emoluments (continued)

Notes:

(i) Mr. Yu is also the chief executive officer of the Group. His remuneration disclosed above included those for services rendered by him as Chief Executive Officer.

(ii) Mr. Yu, Mr. Sun Dawei, Mr. Wang Shize were appointed as executive directors of the Company on 12 March 2018.

(iii) Mr. Li Xuezhong joined the Company since 28 March 2018 and was appointed as executive director of the Company on 28 March 2018.

(iv) Mr. Lam Chik Shun, Marcus joined the Company since 12 March 2018 and was appointed as executive director of the Company on 12 March 2018.

(v) Mr. Yu Zhilong and Mr. Yu Xiao were appointed as executive directors of the Company on 1 September 2019.

(vi) Mr. Fong Wai Ho, Mr. Punnya Niraan De Silva, Ms. Cheung Suet Ting, Samantha were appointed as independent non-executive directors of the Company on 14 November 2018.

(vii) Mr. Wang Hongchuen was appointed as independent non-executive director of the Company on 14 November 2018 and resigned on 6 June 2019.

(viii) Mr. Wang Xiufeng was appointed as independent non-director of the Company on 1 September 2019.

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

There was no arrangement under which a director of the Company waived or agreed to waive any remuneration in any of the year. No remunerations were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office in any of the year.

7. Directors' and Employees' Emoluments (continued)

(b) Employees' emoluments

The five highest paid employees of the Group during the year included four directors (2018: two directors), details of whose emoluments are set out in note 7(a) above. Details of the remuneration for the year of the remaining one (2018: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other benefits	1,043	867
Bonus (note)	–	850
Retirement benefits schemes contributions	15	41
	1,058	1,758

Note: Bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2019 Number of employees	2018 Number of employees
Nil to HK$1,000,000	–	3
HK$1,000,001 to HK$1,500,000	1	–
	1	3

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

8. Other Income/Other Gains and Losses

	2019 RMB'000	2018 RMB'000
Other income		
Bank interest income	4,340	1,247
Government grant (Note i)	17,321	11,204
Rental income from Bangda (Note ii)	1,101	1,091
Rental income from subleasing (Note ii)	1,399	–
Others	782	139
	24,943	13,681
Other gains and losses		
Fair value change of investment properties	10	340
Gain (loss) on disposal/written-off of property, plant and equipment	6,108	(4,501)
Net exchange (loss) gain	(673)	5,587
	5,445	1,426

Notes:

(i) During the year ended 31 December 2019, government grant included an one-off government grant of RMB13,500,000 for the successful Listing of the Company in Hong Kong and grants received by the Group upon meeting production volume target of coal products and safety requirement set by the local government. During the year ended 31 December 2018, government grant represents grants received by the Group upon meeting production volume target of coal products, upgrade and improvement of machinery and/or safety requirement set by the local government.

(ii) The amounts represent fixed lease payments received under operating leases.

9. Finance Costs

	2019 RMB'000	2018 RMB'000
Unwinding of discount on restoration costs	609	71
Interest on discounted bills	3,688	7,321
Interest on other borrowings	712	–
Interest on lease liabilities	234	–
	5,243	7,392
Less: Interest capitalised in construction in progress	(1,462)	(3,094)
	3,781	4,298

During the year ended 31 December 2019, borrowing costs capitalised on the general borrowing pool and are calculated by applying a capitalisation rate of 3% (2018: 4%) per annum to expenditure on qualifying assets.

10. Profit before Taxation

	2019 RMB'000	2018 RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	1,761	1,266
Directors' emoluments (note 7)	9,886	1,367
Other staff costs:		
Salaries and other allowances	158,563	132,329
Retirement benefits schemes contributions	22,806	16,860
Less: Capitalised in construction in progress	(30,113)	(15,640)
Less: Capitalised in inventories	(113,857)	(107,697)
Total staff costs	47,285	27,219
Depreciation of property, plant and equipment	55,344	52,299
Less: Capitalised in inventories	(46,544)	(47,983)
Total depreciation of property, plant and equipment included in administrative expenses	8,800	4,316
Amortisation of mining rights	5,577	5,578
Less: Capitalised in inventories	(5,577)	(5,578)
Total amortisation of mining rights included in administrative expenses	–	–
Release of prepaid lease payments	–	245
Less: Capitalised in inventories	–	(245)
Total release of prepaid lease payments included in administrative expenses	–	–
Inventories recognised as an expense	389,302	353,166
Gross rental income from investment properties	(2,500)	(1,091)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	1,665	148
	(835)	(943)

11. Taxation Charge

	2019 RMB'000	2018 RMB'000
PRC Enterprise Income Tax ("EIT"):		
– current year	34,473	70,561
Deferred tax charge (credit) (note 19)	57,300	(10,938)
Withholding tax on distributed profits of a subsidiary	–	14,016
Taxation charge	91,773	73,639

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

No provision for Hong Kong Profits Tax has been made as the subsidiary in Hong Kong has no assessable profits for both years.

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25%.

The taxation charge for the year can be reconciled to the profit before taxation as follows:

	2019 RMB'000	2018 RMB'000
Profit before taxation	309,794	256,808
Taxation at PRC EIT rate of 25%	77,449	64,202
Tax effect of expenses not deductible for tax purposes	10,417	6,861
Tax effect of income not taxable for tax purposes	(3,291)	(1,806)
Tax effect on deferred tax liabilities resulting from withholding tax on undistributed profits of a subsidiary	7,479	(9,915)
Tax effect of tax losses not recognised	–	281
Utilisation of tax losses previously not recognised	(281)	–
Withholding tax on distributed profits of a subsidiary	–	14,016
Taxation charge for the year	91,773	73,639

12. Dividends

	2019 RMB'000	2018 RMB'000
Proposed final dividend of HK2.5 cents (2018: nil) per share	36,596	–

On 26 July 2018, Jiutai Bangda declared to distribute the accumulated undistributable profits of RMB286,000,000 to the shareholders in proportion to their respective equity interests in Jiutai Bangda, of which RMB145,860,000 were declared and distributed to Mr. Yu and other shareholders.

Saved as disclosed above, no other dividend was declared or paid by the Company or any of its subsidiaries during the years ended 31 December 2019 and 2018.

Final dividend of HK2.5 cents (2018: nil) per share for the year to shareholders whose names appear on the register of members on 19 June 2020 was proposed by the directors of the Company on 30 March 2020.

13. Earnings per Share

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

	2019 RMB'000	2018 RMB'000
Earnings:		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	218,021	176,243

	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,600,000	1,067,347
Effect of dilutive potential ordinary shares:		
– Over-allotment option	N/A	49
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,600,000	1,067,396

The number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2018 has been determined on the assumption that the Reorganisation and capitalisation issue as described in note 31 has been effective on 1 January 2018.

No diluted earnings per share was presented for the year ended 31 December 2019 as there were no potential ordinary shares in issue during the year.

14. Property, Plant and Equipment

	Construction in progress RMB'000	Buildings RMB'000	Mining structures RMB'000	Machinery RMB'000	Office and electronic equipment RMB'000	Motor vehicles RMB'000	Leasehold land RMB'000	Leased properties RMB'000	Total RMB'000
COST									
At 1 January 2018	77,873	77,356	141,297	314,047	7,006	15,947	–	–	633,526
Additions	59,604	8,157	36,917	41,878	3,416	6,648	–	–	156,620
Disposal/written-off	–	(2,134)	–	(6,440)	(114)	(206)	–	–	(8,894)
At 31 December 2018	137,477	83,379	178,214	349,485	10,308	22,389	–	–	781,252
Adjustment upon application of HKFRS 16	–	–	–	–	–	–	13,199	9,156	22,355
At 1 January 2019 (restated)	137,477	83,379	178,214	349,485	10,308	22,389	13,199	9,156	803,607
Additions	224,553	4,663	36,204	153,779	1,638	1,350	–	–	422,187
Transfer	(346,720)	52,013	186,438	103,414	4,855	–	–	–	–
Disposal/written-off	–	–	–	(22,024)	(108)	(516)	–	–	(22,648)
At 31 December 2019	15,310	140,055	400,856	584,654	16,693	23,223	13,199	9,156	1,203,146
DEPRECIATION									
At 1 January 2018	–	18,197	23,686	181,259	6,457	9,435	–	–	239,034
Provided for the year	–	2,798	6,638	39,061	1,536	2,266	–	–	52,299
Eliminated on disposal/written-off	–	(195)	–	(3,946)	(112)	(140)	–	–	(4,393)
At 31 December 2018	–	20,800	30,324	216,374	7,881	11,561	–	–	286,940
Adjustment upon application of HKFRS 16	–	–	–	–	–	–	2,773	–	2,773
At 1 January 2019 (restated)	–	20,800	30,324	216,374	7,881	11,561	2,773	–	289,713
Provided for the year	–	3,785	7,676	36,614	972	2,002	242	4,053	55,344
Eliminated on disposal/written-off	–	–	–	(17,637)	(104)	(506)	–	–	(18,247)
At 31 December 2019	–	24,585	38,000	235,351	8,749	13,057	3,015	4,053	326,810
CARRYING AMOUNTS									
At 31 December 2019	15,310	115,470	362,856	349,303	7,944	10,166	10,184	5,103	876,336
At 31 December 2018	137,477	62,579	147,890	133,111	2,427	10,828	–	–	494,312

14. Property, Plant and Equipment (continued)

The above items of property, plant and equipment, other than construction in progress and mining structures, are depreciated on a straight-line basis after taking into account their estimated residual values, at the following rates per annum:

Buildings	3.33% to 5%
Machinery	6.7% to 20%
Office and electronic equipment	10% to 20%
Motor vehicles	10% to 20%
Leasehold land	Over the shorter of estimated useful life and the lease term
Leased properties	Over the shorter of estimated useful life and the lease term

The leasehold land represents the payments for land use rights which are under medium-term lease (i.e. 40 to 50 years) in the PRC.

The buildings are situated on the leasehold land in the PRC.

The mining structures include the main and auxiliary mine shafts and underground tunnels. The construction in progress comprises mainly the main and auxiliary mine shafts and underground tunnels in the course of construction and machinery under installation.

Depreciation are provided to write off the cost of the mining structures using the units of production method based on the actual production volume over the total proven and probable reserves of the coal mine concerned. The mining structures have estimated useful lives of 34 to 46 years (2018: 23 to 32 years) based on the proven and probable reserves of the coal mine concerned.

The legal titles of the buildings, with aggregate carrying value of RMB115,470,000 (2018: RMB62,579,000) as at 31 December 2019, have not been granted by the relevant government authorities and the relevant titles are still under application. In the opinion of the management of the Group, taking into account of the PRC lawyer's legal opinion, all the risks and rewards of ownership of the buildings have been transferred to the Group.

14. Property, Plant and Equipment (continued)

The Group as lessee

Right-of-use assets (included in the property, plant and equipment)

	Leasehold Land RMB'000	Leased properties RMB'000	Total RMB'000
As at 1 January 2019			
Carrying amount	10,426	9,156	19,582
As at 31 December 2019			
Carrying amount	10,184	5,103	15,287
For the year ended 31 December 2019			
Depreciation charge	242	4,053	4,295
Capitalised in inventories	(242)	–	(242)
	–	4,053	4,053
Total cash outflow for leases			4,362

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

During the year ended 31 December 2019, certain leased properties of the Group were under sublease as operating lease in which the Group acted as an intermediate lessor. As at 31 December 2019, the carrying amount of such leased properties which were amounted to RMB1,720,000. During the year ended 31 December 2019, income from subleasing these properties amounted to RMB1,399,000 and depreciation of such leased property amounted RMB1,195,000 were recognised in profit or loss.

As at 31 December 2019, leased properties which amounted to RMB2,333,000 were used by the Company.

15. Investment Properties

The Group leases out office premises under operating leases with rentals payable monthly. The leases typically run for an initial period of 3 years (2018: 3 years), with unilateral rights to extend the lease beyond initial period held by lessees only.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	Owned properties RMB'000
FAIR VALUE	
At 1 January 2018	52,380
Fair value changes recognised to profit or loss	340
At 31 December 2018	52,720
Fair value changes recognised to profit or loss	10
At 31 December 2019	**52,730**

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of investment properties as at 31 December 2019 have been arrived at on the basis of valuation carried out by Ravia Global Appraisal Advisory Limited (2018: Greater China Appraisal Limited), independent qualified professional valuer not related to the Group.

The fair value of investment properties was determined based on the direct comparison approach assuming sale of each of these properties in existing state and by making reference to comparable sales transactions as available in the relevant market and adjusted for differences in the location and condition. There has been no change on the valuation technique used during the year ended 31 December 2019.

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use. At the end of the reporting period, the management of the Group works closely with the independent qualified professional valuer to establish the appropriate valuation techniques and inputs into the model. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the management of the Group.

15. Investment Properties (continued)

Information about fair value measurements using significant unobservable input

The following table shows the valuation techniques used in the determination of fair values for investment properties and unobservable inputs used in the valuation models.

Date of valuation	Fair value RMB'000	Fair value hierarchy	Valuation techniques	Unobservable inputs	Range of significant inputs	Relationship of inputs to fair value
31 December 2019	52,730	Level 3	Direct comparison approach	(i) Discounting factors on location and condition	Discounting factors ranging from 5% to 18%	The lower the discounting factor, the higher the fair value
				(ii) Adjusted transaction price	RMB3,214 – RMB6,460 per square meter	The higher the adjusted transaction price, the higher the fair value
31 December 2018	52,720	Level 3	Direct comparison approach	(i) Discounting factors on location and condition	Discounting factors ranging from 8% to 25%	The lower the discounting factor, the higher the fair value
				(ii) Adjusted transaction price	RMB2,910 – RMB6,806 per square meter	The higher the adjusted transaction price, the higher the fair value

The carrying amount of the Group's investment properties is a level 3 fair value measurement. There were no transfers into or out of level 3 fair value measurement during both years.

The owned properties are stated in the PRC.

16. Prepaid Lease Payments

The carrying amount of prepaid lease payments of the Group, which the Group's buildings as disclosed in note 14 are located, is analysed for reporting purposes as follows:

	2018 RMB'000
Non-current assets	10,247
Current assets	179
	10,426

The payments for land use rights are under medium-term lease (i.e. 40 to 50 years) in the PRC and is amortised over the lease term on a straight-line basis.

Upon the application of HKFRS 16 on 1 January 2019, the prepaid lease payments are reclassified to property, plant and equipment. Details of the application of HKFRS 16 are disclosed in note 3.

17. Mining Rights

	RMB'000
COST	
At 1 January 2018 and 31 December 2018	149,751
Addition	10,635
At 31 December 2019	160,386
ACCUMULATED AMORTISATION	
At 1 January 2018	33,831
Charge to profit or loss	5,578
At 31 December 2018	39,409
Charge to profit or loss	5,577
At 31 December 2019	**44,986**
CARRYING AMOUNTS	
At 31 December 2019	**115,400**
At 31 December 2018	110,342

The mining rights represent the rights for the mining of coal reserves located in Hongguo Town, Panzhou County, Guizhou Province, the PRC. The mining rights have average legal lives of 20 years (2018: 15 years) but in the opinion of the management of the Group, the Group will be able to renew the mining rights without incurring significant costs.

Amortisation are provided to write off the cost of the mining rights using the units of production method based on the actual production volume over the total proven and probable reserves of the coal mine concerned.

18. Restricted Bank Deposits

The restricted bank deposits are amounts held in a bank under the requirement of the relevant government authority of the PRC in respect of environmental rehabilitation. The amounts will be released at the cessation of mining activities or closure of mines if and only if the environmental rehabilitation work of the relevant mines meets government's requirements. Such deposits are classified as non-current assets. The restricted bank deposits carried interest at prevailing market rate of 0.38% (2018: 0.38%) per annum.

Details of impairment assessment for the year ended 31 December 2019 and 2018 are set out in note 37.

19. Deferred Tax

The following are the major deferred tax assets (liabilities) recognised by the Group and the movement thereon, during the current year and prior reporting period.

	Accelerated tax depreciation RMB'000	Fair value adjustment on property, plant and equipment, prepaid lease payments and mining rights RMB'000	Undistributed profits of subsidiaries RMB'000	Revaluation of investment properties RMB'000	Total RMB'000
At 1 January 2018	–	25,050	(11,913)	(2,122)	11,015
Credit (charge) to profit or loss	–	1,108	9,915	(85)	10,938
At 31 December 2018	–	26,158	(1,998)	(2,207)	21,953
(Charge) credit to profit or loss	(49,859)	41	(7,479)	(3)	(57,300)
At 31 December 2019	**(49,859)**	**26,199**	**(9,477)**	**(2,210)**	**(35,347)**

Note: The temporary difference from the fair value adjustment on property, plant and equipment, prepaid lease payments and mining rights are arisen from the Assets Transfer that these assets are transferred to Jiutai Bangda with reference to the their fair values estimated by an independent qualified professional valuer not related to the Group. Such fair value adjustments result in an increase in tax bases of Jiutai Bangda. For the preparation of the consolidated financial statements, the Group did not recognise such fair value adjustments as these assets are measured at cost model. Thus, a deductible temporary difference is arisen from the difference between the carrying amount of these assets and their tax bases.

19. Deferred Tax (continued)

For the purpose of 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 purposes:

	2019 RMB'000	2018 RMB'000
Deferred tax assets	–	23,951
Deferred tax liabilities	(35,347)	(1,998)
	(35,347)	21,953

At 31 December 2018, the Group had unused tax losses of RMB1,125,000 available to offset against future profits. No deferred tax asset had been recognised in respect of the unused tax losses of RMB1,125,000, which will expire in 2023, due to unpredictability of future profit streams. The unrecognised tax losses of RMB1,125,000 has been fully utilised during the year ended 31 December 2019.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiary from 1 January 2008 onwards. Deferred taxation has not been provided for in these consolidated financial statements in respect of temporary differences attributable to certain retained profits of the PRC subsidiaries amounting to RMB319,725,000 (2018: RMB150,096,000) as at 31 December 2019, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future. As at 31 December 2019, a deferred tax liability of RMB9,477,000 (2018: RMB1,998,000) has been recognised in respect of undistributed profits of subsidiaries in the PRC amounting to RMB94,770,000 (2018: RMB19,980,000).

20. Inventories

	2019 RMB'000	2018 RMB'000
Coal products	3,211	6,850
Auxiliary materials and spare parts	14,057	14,053
	17,268	20,903

21. Trade and Bills Receivables

	2019 RMB'000	2018 RMB'000
Trade receivables	92,874	82,628
Bills receivables	127,342	213,150
Total	220,216	295,778

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB13,910,000.

The Group allows credit period of 0-30 days to its trade customers. All bills receivables are matured within one year (2018: within one year). The following is an ageing analysis of trade and bills receivables net of impairment losses presented based on the invoice date at the end of the reporting period. For customers who used bank bills to settle their trade receivables upon the expiry of the initial credit period, the ageing analysis of bills receivables at the end of the reporting period was based on the date of the Group's receipt of the bills from the customers.

	2019 RMB'000	2018 RMB'000
Trade receivables		
0–30 days	54,979	66,238
31–90 days	18,184	16,390
91–180 days	19,560	–
181–365 days	151	–
	92,874	82,628
Bills receivables		
0–30 days	32,342	12,000
31–60 days	18,000	33,650
61–90 days	36,000	29,500
91–120 days	15,000	83,000
121–180 days	26,000	52,000
181–365 days	–	3,000
	127,342	213,150
Total	220,216	295,778

21. Trade and Bills Receivables (continued)

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy credit history. Credit limits attributed to customers are reviewed regularly. Trade receivables that are neither past due nor impaired have good settlement records.

The Group applies simplified approach to provide for ECL prescribed by HKFRS 9. To measure the ECL of trade and bills receivables, trade and bills receivables have been assessed individually. Taking into account the financial condition of the customers and historical settlement pattern with no history of default in the past and the forward-looking information (such as future coal price and gross domestic product growth ("GDP") in the PRC), the management of the Group considers the trade and bills receivables are at lower risk under internal credit rating assessment and the probability of default of the counterparties was low. The Group applied ECL rate of 0.1% on trade and bills receivables. Thus, the loss allowance provision of the trade and bills receivables as at 31 December 2019 and 2018 was insignificant. There were no credit-impaired trade and bills receivables as at 31 December 2019 and 2018. In this regard, the management of the Group considers that the credit risks on trade and bills receivables are significantly reduced. The gross carrying amount of trade and bills receivables as at 31 December 2019 is RMB220,216,000 (2018: RMB295,778,000).

Details of impairment assessment for the year ended 31 December 2019 and 2018 are set out in note 37.

Transfers of financial assets

The followings were the bills receivables as at 31 December 2019 and 2018 that were transferred to banks by discounting bills receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the bills receivables and has recognised the cash received on the transfer as secured bank borrowings (see note 29). These financial assets and financial liabilities are carried at amortised cost in consolidated statement of financial position.

	2019 RMB'000	2018 RMB'000
Carrying amount of transferred assets	55,000	210,500
Carrying amount of associated liabilities	(54,661)	(208,617)

22. Deposits, Prepayments and Other Receivables

	2019 RMB'000	2018 RMB'000
Deposits to suppliers of purchasing auxiliary materials and spare parts	3,169	409
Government grant receivables	1,470	5,260
Rental deposits	1,921	1,875
Other receivables from customers on recharged transportation costs	3,602	2,083
Other receivables from disposal of property, plant and equipment	6,038	–
Other receivables, prepayments and deposits	6,159	6,647
Deposit for purchase of property, plant and equipment	8,428	11,965
Deposit for acquisition of mining right and related assets (note)	110,000	–
	140,787	28,239
Classified as:		
Non-current	118,970	13,840
Current	21,817	14,399
	140,787	28,239

Details of impairment assessment for the year ended 31 December 2019 and 2018 are set out in note 37.

Note:

On 4 November 2019, Jiutai Bangda, an indirectly wholly-owned subsidiary of the Company, entered into sale and purchase agreements with 盤縣羊場鄉謝家河溝煤礦 (Pan County Yangchang Village Xiejiahegou Coal Mine) and 貴州德佳投資有限公司 (Guizhou Dejia Investment Co., Ltd.) (collectively referred to as the "Vendors") pursuant to which, Jiutai Bangda has conditionally agreed to purchase, and Vendors have conditionally agreed to sell a target underground coal mine located in Panzhou City, Guizhou Province (the "Target Mine"), together with assets related to the Target Mine at a total consideration of RMB1,100,000,000 (the "Acquisition"). A deposit of RMB110,000,000 has been paid during the year ended 31 December 2019. The Acquisition has been completed in January 2020 and is regarded as an acquisition of assets.

23. Bank Balances and Cash

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less. As at 31 December 2019, the bank balances carried interest at prevailing market rate of 0.3% to 1.48% (2018: 0.3% to 3.08%) per annum.

Details of impairment assessment for the year ended 31 December 2019 and 2018 are set out in note 37.

24. Trade Payables

	2019 RMB'000	2018 RMB'000
Trade payables	51,095	55,804

The average credit period on purchases of goods is 90 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
0–30 days	6,362	8,162
31–60 days	6,360	12,862
61–180 days	13,145	8,967
181–365 days	24,128	25,813
Over 365 days	1,100	–
	51,095	55,804

25. Other Payables and Accrued Charges

	2019 RMB'000	2018 RMB'000
Staff costs payable	32,420	30,366
Transportation cost payable	97	155
Payables for acquisition of property, plant and equipment	41,603	22,149
Payables for acquisition of mining rights (note 17)	10,635	–
Other tax payables	3,526	12,804
Government grants received in advance (Note)	16,650	–
Accrued listing and issue costs	–	310
Accrued repair and maintenance fee	4,865	7,347
Other payables and accrued charges	8,348	5,584
	118,144	78,715

Note: Government grants received in advance represent grants received with unfulfilled conditions on meeting production volume target of cool products and improvement of machinery set by the local government and are accounted for in accordance with the accounting policy set out in the note 4.

26. Contract Liabilities

	2019 RMB'000	2018 RMB'000
Contract liabilities – current		
Sales of coal products	1,747	–

As at 1 January 2018, these are no contract liabilities outstanding.

The Group sells coal products to customers. Payment received in advance that are related to the sales of coal products not yet delivered to customers are deferred and recognised as contract liabilities. Revenue is recognised when coal products are delivered to customers.

27. Lease Liabilities

	As at 31 December 2019 RMB'000
Lease liabilities payable:	
Within one year	3,204
Within a period of more than one year but not more than two years	1,824
	5,028
Less: Amount due for settlement within 12 months shown under current liabilities	(3,204)
Amount due for settlement after 12 months shown under non-current liabilities	1,824

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	RMB'000
As at 31 December 2019	5,028

28. Amounts due to Related Parties

Details of amounts due to related parties are as follows:

	2019 RMB'000	2018 RMB'000
Trade nature		
Guizhou Yuebang Integrated Energy Limited Liability Company ("Yuebang") (note)	4,346	11,176
Bangda	–	614
Total	4,346	11,790

Note: Yuebang is an associate of Bangda.

The credit period granted by the Group to these related parties is 90 days. The following is an ageing analysis of the trading balance with the related parties based on the invoice date at the end of the reporting period.

	2019 RMB'000	2018 RMB'000
0–30 days	585	864
31–60 days	296	1,208
61–180 days	1,628	2,522
181–365 days	1,837	4,393
Over 1 year	–	2,803
	4,346	11,790

29. Bank and Other Borrowings

	2019 RMB'000	2018 RMB'000
Secured bank borrowings from factoring of bills receivables with full recourse (note 21) – repayable within one year	54,661	208,617
Unsecured other borrowings – repayable within one year	156,765	–
	211,426	208,617

Secured bank borrowings from factoring of bills receivables with full recourse refers to discounting of bank acceptance bills received from the customers of the Group with fixed interest rate while the significant risks and rewards from the bills receivables are substantially retained by the Group.

The effective interest rate of the secured bank borrowings from factoring of bills receivables with full recourse is approximately 3% to 4% per annum (2018: 3% to 7% per annum) during the year ended 31 December 2019.

Unsecured other borrowings represents an amount of HK$175,000,000 (equivalent to RMB156,765,000) borrowed from a financial institution, which is an independent third party. It is interest bearing at 15% per annum and repayable on 22 April 2020.

30. Provision for Restoration Costs

	2019 RMB'000	2018 RMB'000
At the beginning of the year	2,099	2,028
Additional provisions in the year	36,204	–
Unwinding of discount	609	71
At the end of the year	38,912	2,099

In accordance with the relevant PRC rules and regulations, if any damage is caused to cultivated land, grassland or forest as a result of exploration or mining activities, mining enterprises must restore the land to a condition appropriate for use by reclamation, re-planting trees or grasses or such other measures, as appropriate, after the mining has been completed. The Group provides for the present obligation of the costs of the restoration.

The provision for restoration costs has been determined by the management of the Group based on their estimates for the restoration upon the closure of the mine sites.

31. Share Capital

The share capital at 1 January 2018 represented the aggregate of the issued capital of the Company and the issued capital of Coal & Mines attributable to Mr. Yu.

The share capital at 31 December 2018 and 2019 represented the issued share capital of the Company.

Details of the Company's shares are disclosed as follows:

	Number of shares	Amount HK$	HK$'000	Equivalent amount RMB'000
Ordinary shares of HK$0.01 each				
Authorised:				
At 1 January 2018, 31 December 2018 and 2019	10,000,000,000	100,000,000	100,000	87,208
Issued and fully paid:				
At 1 January 2018 (note 2(a))	10,000	100	–	–
Issue of shares upon Reorganisation (note 2(b))	10,000	100	–	–
Issue of shares upon loan capitalisation (note a)	10,000	100	–	–
Capitalisation issue (note b)	1,199,970,000	11,999,700	12,000	10,602
Issue of shares upon Share Offer (note c)	400,000,000	4,000,000	4,000	3,534
At 31 December 2018 and 2019	**1,600,000,000**	**16,000,000**	**16,000**	**14,136**

31. Share Capital (continued)

Notes:

(a) On 12 March 2018, the Company issued 9,040 and 960 shares of the Company to Spring Snow Limited and Gain Resources, respectively, in consideration of the loan capitalisation of HK$303,964,000 (equivalent to approximately RMB245,521,000) and HK$32,279,000 (equivalent to approximately RMB26,073,000), respectively.

(b) Pursuant to the written resolutions passed by the shareholders on 15 November 2018, conditional upon the share premium account of the Company being credited as a result of the offer of the Company's shares, the directors of the Company were authorised to capitalise the amount of HK$11,999,700 (equivalent to RMB10,602,000) from the amount standing to the credit of the share premium account of the Company and to apply such amount to pay up in full at par. The capitalisation issue was completed on 12 December 2018.

(c) On 12 December 2018, the Company allotted and issued 400,000,000 new shares of the Company at HK$0.68 per share for a total consideration of HK$272,000,000 (equivalent to RMB240,315,000).

32. Retirement Benefit Scheme

The employees of the Group are members of a state-managed retirement benefit scheme operated by the local government. The Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group also participates in the MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes at the lower of HK$1,500 per month or 5% of the relevant payroll costs to the MPF Scheme.

The contributions to the retirement benefit scheme of the Group during of the years ended 31 December 2019 and 2018 are disclosed in notes 7 and 10, respectively.

33. Related Party Transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

Name of related company	**Nature of transactions**	**2019 RMB'000**	2018 RMB'000
Bangda	Logistics service expense	**1,762**	1,085
	Rental income	**1,101**	1,091
Yuebang	Sales of coalbed methane gas	**2,524**	2,062
	Purchase of electricity	**5,196**	9,213

The above transactions were transacted at prices agreed between the parties.

33. Related Party Transactions (continued)

Compensation of key management personnel

The key management personnel of the Group included 7 executive directors of the Company (2018: 5 executive directors of the Company). Details of whose emoluments are set out in note 7(a). Other members of key management personnel included 7 employees (2018: 6 employees) for the year ended 31 December 2019. The remuneration of these 7 members (2018: 6 members) during the year is as follows:

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	**3,123**	1,083
Bonus	**712**	1,918
Post-employment benefits	**70**	57
	3,905	3,058

34. Operating Leases

The Group as lessee

	2018 RMB'000
Minimum lease payments paid under operating leases during the year	2,591

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of leasehold land and buildings under non-cancellable operating leases which fall due as follows:

	2018 RMB'000
Within one year	4,427
In second to fifth year inclusive	5,856
	10,283

All of the properties held for rental purposes have committed lessees for the next three years.

34. Operating Lease (continued)

The Group as lessor

Minimum lease payments receivable on leases are as follows:

	31 December 2019 RMB'000
Within one year	1,101

The Group had contracted with a tenant for the following future minimum lease payments:

	2018 RMB'000
Within one year	862
In second to fifth year inclusive	862
	1,724

Leases are negotiated for lease term of three years.

35. Capital Commitments

	2019 RMB'000	2018 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	5,301	118,909
Capital expenditure in respect of the acquisition of mining right and related assets contracted for but not provided in the consolidated financial statements	990,000	–

36. Capital Risk Management

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

36. Capital Risk Management (continued)

The capital structure of the Group consists of debt balance and equity balance. Equity balance consists of equity attributable to owners of the Group, comprising share capital and reserves.

The management of the Group reviews the capital structure on an on-going annual basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividends, new capital injection as well as the issue of new debt.

37. Financial Instruments

Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at amortised cost	491,055	669,827
Financial liabilities		
Amortised cost	332,415	311,756

Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, restricted bank deposits, bank balances and cash, amounts due to related parties, trade payables, other payables and accrued charges, bank and other borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its lease liabilities (note 27) and bank and other borrowings (note 29). The Group is also exposed to cash flow interest rate risk in relation to its restricted bank deposits and bank balances (notes 18 and 23).

The Group currently does not have interest rate hedging policy. However, the management of the Group closely monitors its exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

No sensitivity analysis is provided on restricted bank deposits and bank balances as the management of the Group considers that the interest rate fluctuation on bank balances are minimal.

37. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Market risk **(continued)**

Foreign currency risk

Certain bank balances, deposits and other receivables, other payables, lease liabilities and other borrowings are denominated in HK$, the currency other than the functional currency of the respective group entities, at end of the reporting period. Other than disclosed below, the Group has limited foreign currency exposure as both sales and costs were denominated in the functional currency of respective group entities.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's HK$ denominated monetary assets and monetary liabilities at the end of the reporting period as follows:

	2019 RMB'000	2018 RMB'000
Bank balances	47,454	102,274
Deposits and other receivables	1,379	–
Other payables	5,160	1,624
Lease liabilities	5,028	–
Other borrowings	156,765	–

Sensitivity analysis

Sensitivity analysis of strengthening 5% in functional currency of the Company (i.e. RMB) against HK$ resulted in a increase in post-tax profit of RMB4,430,000 (2018: a decrease in post-tax profit of RMB3,774,000) during the year ended 31 December 2019. For a 5% weakening of RMB against HK$, there would be an equal and opposite impact on the results.

5% is the sensitivity rate used and represents management's assessment of the reasonably possible change in foreign exchange rates.

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and bills receivables, deposits and other receivables, restricted bank deposits and bank balances as at 31 December 2019 and 2018. The carrying amounts of financial assets at amortised cost stated in subheading of "categories of financial statements" of this note represented the Group's maximum exposure to credit risk in relation to financial assets which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties.

37. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment **(continued)**

Trade and bills receivables

At 31 December 2019, the Group had a concentration of credit risk as the top three trade debtors accounted for approximately 85% (2018: 91%) of its total trade receivables. The management of the Group regularly visits these customers to understand their business operations and cash flows position and follows up the subsequent settlement from the counterparties. In this regard, the management of the Group considers that this credit concentration risk has been significantly mitigated.

In order to minimise the credit risk on trade and bills receivables, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group applies simplified approach and always recognises lifetime ECL for trade and bills receivables on individual basis. Taking into account the financial condition of the customers and historical settlement pattern with no history of default in the past and the forward-looking information (such as future coal price and GDP in the PRC), the management of the Group considers the trade and bills receivables are at lower risk under internal credit rating assessment and the probability of default of the counterparties was low. The Group applied ECL rate of 0.1% on trade and bills receivables. Thus, the loss allowance provision of the trade and bills receivables as at 31 December 2019 and 2018 was insignificant. There were no credit-impaired trade and bills receivables as at 31 December 2019 and 2018. In this regard, the management of the Group considers that the credit risks on trade and bills receivables are significantly reduced. The gross carrying amount of trade and bills receivables as at 31 December 2019 is RMB220,216,000 (2018: RMB295,778,000).

Deposits and other receivables

For deposits and other receivables, the management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables. For the purposes of internal credit management, the Group uses past due information to assess whether the credit risk of deposits and other receivables has increased significantly since initial recognition. There is no overdue balances on deposits and other receivables as at 31 December 2019 and 2018. In the opinion of the management of the Group, the risk of default by the counterparties is not significant and the Group assesses that the ECL on these balances are insignificant. Thus, the Group assessed 12m ECL on deposits and other receivables. The loss allowance provision of the deposits and other receivables as at 31 December 2019 and 2018 was insignificant. There were no credit-impaired deposits and other receivables as at 31 December 2019 and 2018. In this regard, the management of the Group considers that the credit risk on deposits and other receivables is significantly reduced. The gross carrying amount of deposits and other receivables as at 31 December 2019 is RMB16,235,000 (2018: RMB11,619,000).

37. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Credit risk and impairment assessment **(continued)**

Restricted bank deposits/bank balances

The credit risk on restricted bank deposits and bank balances of the Group is limited because the counterparties are banks with good reputation and no history of default in the past and no loss allowance provision for restricted bank deposits and bank balances was recognised. The Group has limited exposure to any single financial institution. The Group recognised 12m ECL on restricted bank deposits and bank balances and the gross carrying amounts of restricted bank deposits and bank balances as at 31 December 2019 are RMB11,292,000 (2018: RMB11,248,000) and RMB243,312,000 (2018: RMB351,182,000), respectively.

There were no significant increase in credit risk on these financial assets and credit-impaired financial assets as at 31 December 2019 and 2018.

Other than the credit risk management policy stated above, the Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis. To assess whether there is significant increase in credit risk, the Group compares the risk of default occurring on an asset at the end of the reporting period with the risk of default at the date of initial recognition. In making this assessment, the 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.

The Group accounts for credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group considered historical loss rates for each category of receivables and adjusts for forward-looking macroeconomic data.

37. Financial Instruments (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance its operations and mitigates the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Effective interest rate %	1–3 months RMB'000	4–12 months RMB'000	1–5 years RMB'000	Total undiscounted cash flow RMB'000	Total carrying amount RMB'000
As at 31 December 2019						
Trade payables	N/A	51,095	–	–	51,095	51,095
Other payables and accrued charges	N/A	65,548	–	–	65,548	65,548
Amounts due to related parties	N/A	4,346	–	–	4,346	4,346
Bank and other borrowings	11.9	41,000	178,603	–	219,603	211,426
Lease liabilities	3.2	709	2,590	1,855	5,154	5,028
		162,698	181,193	1,855	345,746	337,443

	Effective interest rate %	1–3 months RMB'000	4–12 months RMB'000	Total undiscounted cash flow RMB'000	Total carrying amount RMB'000
As at 31 December 2018					
Trade payables	N/A	55,804	–	55,804	55,804
Other payables and accrued charges	N/A	35,545	–	35,545	35,545
Amounts due to related parties	N/A	11,790	–	11,790	11,790
Bank and other borrowings	4.2	118,000	92,500	210,500	208,617
		221,139	92,500	313,639	311,756

37. Financial Instruments (continued)

Fair value measurement

Fair value of financial assets and financial liabilities that are measured at amortised cost

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values as determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

38. Share Option Scheme

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 15 November 2018 for the primary purpose of providing incentives to any directors (including executive directors and independent non-executive directors), full-time or part-time employees and potential employees of the Group and any suppliers, customers, consultants, agents and advisers who the directors of the Company considers, in its sole discretion, has contributed or shall contribute to the Group ("Eligible Participant").

The following is a summary of the principal terms of the Share Option Scheme:

(i) On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the directors of the Company shall be entitled to, at its absolute discretion and on such terms as it deems fit, grant options to any Eligible Participant.

(ii) The maximum number of options in respect of which might be granted under this Share Option Scheme must not exceed 10% of the aggregate of the shares in issue on the date the shares commence trading on the Stock Exchange. The maximum number of shares in respect of which options may be granted was 160,000,000 shares, respectively 10% of issued share capital of the Company on the date the shares commence trading on the Stock Exchange. The overall limit on the number of shares which shall be issued upon exercise of all outstanding options granted, and yet to be exercised, under the Share Option Scheme shall not exceed 30% of the shares in issue from time to time.

(iii) The total number of shares issued, and to be issued, upon exercise of the options granted to each Eligible Participant (including both exercised, cancelled and outstanding options) in any twelve months period shall not exceed 1% of the shares in issue.

(iv) The period within which the shares shall be taken up under an option shall be a period to be notified by the directors of the Company to each grantee at the time of making an offer, which shall be determined by the directors of the Company in its absolute discretion at the date of grant of the relevant option, but such period shall not expire later than 10 years from the date of grant of the relevant option.

(v) An option shall remain open for acceptance by the Eligible Participant concerned for a period of the date on which the letter containing the offer is delivered to the Eligible Participant. HK$1 is payable by the grantee to the Company on acceptance of the offer of the option.

38. Share Option Scheme (continued)

(vi) The subscription price shall be such price determined by the directors of the Company at its absolute discretion and notified to the Eligible Participant in the offer at the time of the offer, and shall be no less than the highest of:

a. the official closing price of the shares as stated in the daily quotations sheets of the Stock Exchange on the date of grant of the relevant option;

b. the average of the official closing prices of the shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant of the relevant option; and

c. the nominal value of a share.

No share options were granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 December 2019 and 2018 nor outstanding as at the end of the reporting period.

39. Movement on Group's Liabilities arising from Financing Activities

The table below details changes in the 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 Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable RMB'000	Accrued shares issue costs RMB'000	Lease liabilities RMB'000	Other borrowing RMB'000	Amounts due to shareholders RMB'000	Non-trade amounts due to related parties RMB'000	Total RMB'000
At 1 January 2018	–	–	–	–	280,057	14,943	295,000
Financing cash flows (note)	(145,860)	(17,418)	–	–	–	(14,943)	(178,221)
Exchange difference	–	–	–	–	(8,463)	–	(8,463)
Issue of shares upon loan capitalisation	–	–	–	–	(271,594)	–	(271,594)
Share issued costs	–	17,418	–	–	–	–	17,418
Dividends declared	145,860	–	–	–	–	–	145,860
At 31 December 2018	–	–	–	–	–	–	–
Adjustment upon application of HKFRS 16	–	–	9,156	–	–	–	9,156
At 1 January 2019 (restated)	–	–	9,156	–	–	–	9,156
Financing cash flows (note)	–	–	(4,362)	156,053	–	–	151,691
Finance costs recognised	–	–	234	712	–	–	946
At 31 December 2019	**–**	**–**	**5,028**	**156,765**	**–**	**–**	**161,793**

Note: The financing cash flows represented the advance from related parties, repayments to related parties, payment of dividends, shares issue costs, repayment of lease liabilities and new borrowings raised.

40. Particulars of Subsidiaries

Particulars of the Company's subsidiaries as at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ establishment and kind of legal entity	Issued and fully paid capital/ registered capital	Shareholding/ equity interest attributable to owners of the Company at 31 December		Principal activities
			2019	2018	
Directly held:					
Coal & Mines	BVI, limited liability company	United States Dollars 10,000	100%	100%	Investment holding
Indirectly held:					
HongKong Resources	Hong Kong, limited liability company	HK$1	100%	100%	Investment holding
Subsidiaries of HongKong Resources:					
Jiutai Bangda	PRC, limited liability company	RMB590,000,000	100%	100%	Exploration and mining of coking coal and coal refinery in the PRC
Guizhou Fu Bangda	PRC, limited liability company	RMB100,000	100%	100%	Management services support for the group entities and investment holding

All the companies comprising the Group have adopted 31 December as their financial year end date.

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

41. Details of the Non-Controlling Interests

The table below shows details of non-controlling interests:

Name of entities	Place of incorporation	Principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests as at 31 December		Profit allocated to non-controlling interests during year ended 31 December		Accumulated non-controlling interests as at 31 December	
			2019	2018	2019	2018	2019	2018
Jiutai Bangda	The PRC	The PRC	–	–	–	3,626	–	–
Coal & Mines and Hong Kong Resources	BVI and Hong Kong	Hong Kong	–	–	–	608	–	–
Spring Snow Limited (Note)	BVI	The PRC	–	–	–	2,692	–	–
					–	6,926	–	–

Note: Spring Snow Limited is the immediate holding company of Coal & Mines as at 31 December 2017 and not form part of the Group. As at 1 January 2017, Mr. Yu owned 37.4% interest in Spring Snow Limited. One of the shareholders of Spring Snow Limited is Ms. Qu Liumei, the spouse of Mr. Yu, who has 22.3% interests in Spring Snow Limited. Mr. Yu has control over Spring Snow Limited taken into consideration of the contractual arrangement with Ms. Qu Liumei of which Ms. Qu Liumei follows the decisions of Mr. Yu in all shareholders' meetings.

For the purpose of presentation of the consolidated financial statements, all equity interest attributable to parties other than controlling party, Mr. Yu, is treated as non-controlling interests. Thus, the non-controlling interests of Spring Snow Limited is treated as deemed non-controlling interests.

On 15 May 2017, Mr. Yu acquired 10.9% of interests in Spring Snow Limited from other shareholders (not including Ms. Qu Liumei), resulting in a credit transfer of RMB2,142,000 from the non-controlling interests in respect of the change in shareholding of the subsidiaries to other reserve. Upon the acquisition, Mr. Yu has 48.3% interest in Spring Snow Limited.

On 27 May 2017, Mr. Yu acquired 5.65% interests in Jiutai Bangda from other non-controlling shareholders (not including HongKong Resources and Ms. Qu Liumei) at a cash consideration of RMB33,359,000, resulting in a credit transfer of RMB37,961,000 from the non-controlling interests in respect of the change in shareholding of the subsidiaries to other reserve. Upon the acquisition, Mr. Yu has 27.99% interests in Jiutai Bangda. The transfer was completed on 14 June 2018.

Summarised financial information for the year ended 31 December 2018 in respect of each of the entities that had non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

41. Details of the Non-Controlling Interests (continued)

The table below shows details of non-controlling interests:

Jiutai Bangda

	2018* RMB'000
Revenue	84,237
Expenses and others	(68,477)
Profit and total comprehensive income for the period	15,760
Equity attributable to owners of the Company (note)	12,134
Non-controlling interests of Jiutai Bangda	3,626
	15,760

* The Reorganisation has been completed on 12 March 2018. Accordingly, the results of Jiutai Bangda was included up to the date of completion of Reorganisation.

Note: The owners of Jiutai Bangda represent HongKong Resources and Mr. Yu.

Coal & Mines (including Spring Snow Limited)

	2018* RMB'000
Revenue	84,237
Expenses and others	(70,234)
Profit and total comprehensive income for the period	14,003
Equity attributable to owners of the Company:	
– Mr. Yu	7,077
– non-controlling interests of Spring Snow Limited	2,692
Non-controlling interests of Coal & Mines	608
Non-controlling interests of Jiutai Bangda	3,626
	14,003

* The Reorganisation has been completed on 12 March 2018. Accordingly, the results of the Group was included up to the date of completion of Reorganisation.

42. Statement of Financial Position and Reserves of the Company

	2019 RMB'000	2018 RMB'000
Non-current assets		
Investment in a subsidiary	388,330	367,046
Property, plant and equipment	560	–
Amount due from a subsidiary	219,204	–
	608,094	367,046
Current assets		
Prepayments and other receivables	1,196	268
Bank balances	8,891	100,337
	10,087	100,605
Current liabilities		
Accrued charges and other payables	3,105	1,624
Other borrowings	156,765	–
	159,870	1,624
Net current (liabilities) assets	(149,783)	98,981
Net assets	458,311	466,027
Capital and reserves		
Share capital	14,136	14,136
Reserves	444,175	451,891
Total equity	458,311	466,027

42. Statement of Financial Position and Reserves of the Company (continued)

Movement of reserves of the Company

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	–	(9,278)	(9,278)
Loss and total comprehensive expense for the year	–	(19,186)	(19,186)
Issue of shares upon loan capitalisation (note 31)	271,594	–	271,594
Capitalisation issue (note 31)	(10,602)	–	(10,602)
Issue of shares upon Share Offer	236,781	–	236,781
Costs incurred in connection with issue of shares of the Company	(17,418)	–	(17,418)
At 31 December 2018	480,355	(28,464)	451,891
Loss and total comprehensive expense for the year	–	(7,716)	(7,716)
At 31 December 2019	**480,355**	**(36,180)**	**444,175**

43. Events after the Reporting Period

(a) Subsequent to 31 December 2019, the Acquisition as set out in note 22 has been completed. The Group is in the process of assessing the relevant financial impact of the Acquisition.

(b) The outbreak of Coronavirus Disease 2019 (''**COVID-19**'') and the subsequent quarantine measures have caused disruptions to many industries, including the coal mining industry, in the PRC as well as other countries and regions. The spread of the COVID-19 globally increases uncertainty in all aspect of economies. The Group had to reduce temporarily the scale of its coal mining production activities since late January 2020 due to mandatory government quarantine measures in an effort to contain the spread of the epidemic. The Group has ramped up its mining production activities since early February 2020 and more than 90% of its workforce was already at work by the end of February 2020. The PRC has remained as a steadfast economy in recent decades and is taking appropriate measures for a speedy recovery. The southwest region of the PRC has shown promise for growth as investment capital are drawn to the region, with the steel and metallurgical industry creating demand for clean coal. In the meantime, reduction of overcapacity in the mining industry favours those more advanced operators which comply with national policy.

The Group will closely monitor the development of the pandemic and assess its impact on its financial condition and operations.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**812,145**	719,412	627,006	397,261	467,938
Profit before taxation	**309,794**	256,808	260,612	103,593	92,263
Taxation charge	**(91,773)**	(73,693)	(77,197)	(4,638)	(32,053)
Profit and total comprehensive income for the year	**218,021**	183,169	183,415	98,955	60,210
Profit and total comprehensive income for the year attributable to:					
– Owners of the Company	**218,021**	176,243	82,799	51,031	44,360
– Non-controlling interests	**–**	6,926	100,616	47,924	15,850
	218,021	183,169	183,415	98,955	60,210

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**1,677,341**	1,399,101	1,093,372	797,997	784,101
Total liabilities	**(467,097)**	(406,878)	(632,949)	(520,989)	(589,357)
Net assets	**1,210,244**	992,223	460,423	277,008	194,744
Non-controlling interests	**–**	–	(214,827)	(154,313)	(37,425)
Equity attributable to owners of the Company	**1,210,244**	992,223	245,596	122,695	157,319

SUMMARY OF MINE PROPERTIES

	Hongguo coal Mine	Baogushan coal Mine
Location	Panzhou City	Panzhou City
Equity interest held by the Group	100%	100%
Date of full commercial production	May 2012	May 2012
Mining area (sq.km.)	3.0225	2.4736
Number of mineable coal seams	17	17
Permitted annual production capacity (tonnes)	600,000	600,000
Licence holder	Jiutai Bangda	Jiutai Bangda
Mining right licence validity period	January 2019 – January 2039	January 2019 – January 2039
Coal reserve mine life	Approximately 34 years	Approximately 46 years
Resource data under the JORC Code Summary (as at 31 December 2019) (Note 1)		
Measured resources (kt)	18,700	11,700
Indicated resources (kt)	7,800	24,700
Inferred resources (kt)	13,000	7,000
Reserve data under the JORC Code Summary (as at 31 December 2019) (Note 1)		
Proved reserves (kt)	14,230	8,870
Probable reserves (kt)	5,910	18,790

The table below sets out the typical quality of the Group's clean coal and middling coal:

	Clean coal	Middling coal
Ash content on a dry basis (%)	10 – 10.5	N/A
Volatile content on a dry and ash free basis (%)	28 – 35	26.18
Total sulfur content on a dry basis (%)	≤0.6	1.54
Caking index	≥85	N/A
Total moisture (%)	9.0	N/A
Net calorific value on an as received basis (kcal/kg)	N/A	4,632

Note:

(1) The resource and reserve data as of 31 December 2019 are provided by GCA, the competent person, in accordance with the JORC Code.

There was no exploration activity for the Group during the year ended 31 December 2019, and that the Group has incurred approximately RMB389,302,000 (2018: approximately RMB353,166,000), being the cost of sales, for the mining production activities for the year ended 31 December 2019.