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 2020

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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
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Hong Kong

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KY1-1102, Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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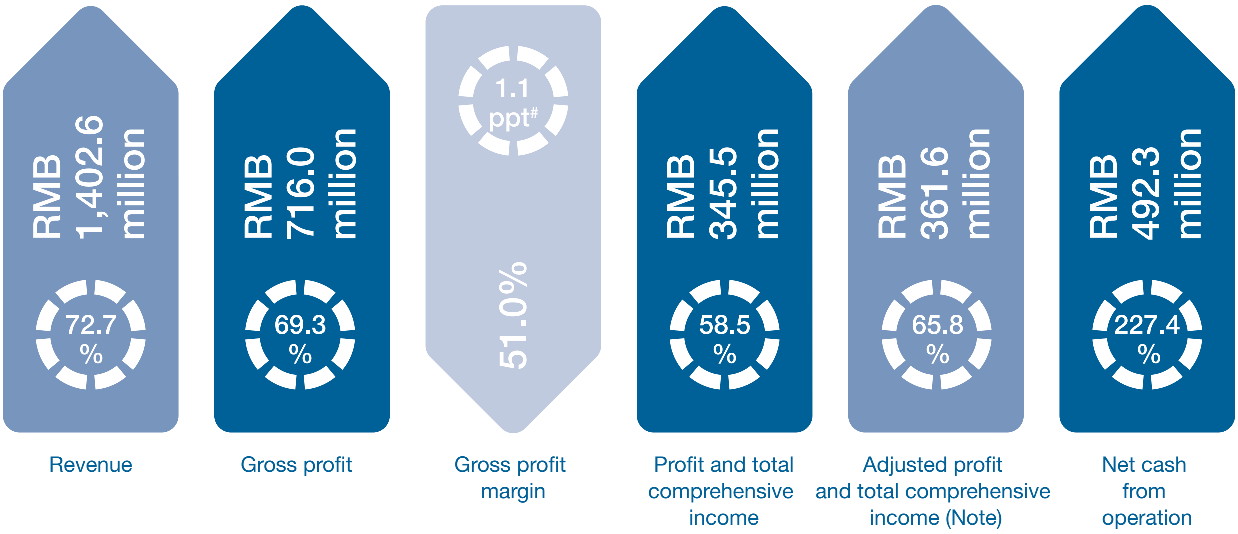
Principal Bankers

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	2020	2019	Change in Percentage Increase/ (Decrease)
For the year				
Revenue (RMB'000)	(1)	**1,402,604**	812,145	72.7
Gross profit (RMB'000)	(2)	**716,004**	422,843	69.3
Profit and total comprehensive income for the year (RMB'000)	(3)	**345,480**	218,021	58.5
Adjusted profit and total comprehensive income for the year (RMB'000) (Note)		**361,552**	218,021	65.8
At year end				
Total equity (RMB'000)	(4)	**1,519,128**	1,210,244	25.5
Total assets (RMB'000)	(5)	**2,675,408**	1,677,341	59.5
Bank and other borrowings (RMB'000)	(6)	**376,864**	211,426	78.2
Net cash from operation (RMB'000)		**492,267**	150,346	227.4
Number of shares in issue	(7)	**1,600,000,000**	1,600,000,000	–
Per share				
Basic earnings per share (RMB cents)		**21.59**	13.63	58.4
Dividend per share (HK cents)		**3.75**	2.50	50.0
Net asset value per share (RMB)	(4)/(7)	**0.95**	0.76	25.0
Financial ratios				
Gross profit margin = (Gross profit/Revenue)	(2)/(1)	**51.0%**	52.1%	(1.1 ppt#)
Gearing ratio = (Bank and other borrowings/Total equity)	(6)/(4)	**24.8%**	17.5%	7.3 ppt#
Return on total assets	(3)/(5)	**12.9%**	13.0%	(0.1 ppt#)
Return on total equity	(3)/(4)	**22.7%**	18.0%	4.7 ppt#

ppt: percentage point

Note: Adjusted profit and total comprehensive income for the year is calculated by profit and total comprehensive income for the year less fair value change on contingent consideration payables.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I would like to express my gratitude for your support for Perennial Energy Holdings Limited ("**Perennial Energy**" or the "**Company**").

The Company faced operating challenges in 2020 arising from a complex socio-economic environment. Nevertheless, the Company kept to its operating principles to "continue to increase mechanisation and automation, maintain high safety production standards, engage new quality customers proactively", and achieved encouraging results. On behalf of the board of directors of the Company (the "**Board**"), I am pleased to present to our shareholders the annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020.

Industry Review

The pandemic outbreak in China was brought under control by the first quarter of 2020 through efficient control measures, making the country one of the few to be able to maintain ordinary social and economic activities. With annual gross domestic product ("**GDP**") growth of approximately 2%, China was one of a few major economies to achieve positive growth.

For the 10th consecutive year, Guizhou Province, where the Group's headquarters is located, was one of the fastest-growing economies in China, recording a 4.5% GDP growth for 2020. The neighbouring provinces of Yunnan and Sichuan in Southwest China both outperformed the national average, lending strong momentum to regional industrial development and stimulating demand for refined coking coal, which in turn gives an edge to locally produced refined coking coal both in terms of sales volume and selling price. In the case of Guizhou, since pandemic control measures achieved significant results by May 2020, the energy-consuming infrastructure materials and construction materials industries have enjoyed considerably faster growth, driving a boom in the coal industry. In particular, production of coking coal attained positive growth for the entire year. A research report on the website of the China National Coal Association indicates that during the first 10 months of 2020, the cumulative coking coal production in Guizhou was 3,584,000 tonnes with a cumulative growth of approximately 12.4%.

Business Review

The Group mainly owns and operates three underground coal mines, namely Hongguo Coal Mine, Baogushan Coal Mine, and Xiejiahegou Coal Mine, in Panzhou, Guizhou Province, of which the licensed annual production capacity of each of Hongguo Coal Mine and Baogushan Coal Mine has been raised from 450,000 tonnes to 600,000 tonnes, respectively, since August 2019, while the Xiejiahegou Coal Mine is a new asset acquired by the Group on 1 January 2020, with a licensed annual production capacity of 450,000 tonnes.

For 2020, annual raw coal production of the Group was 1,643,280 tonnes, representing an increase of approximately 61.8% over the raw coal production of 1,015,896 tonnes last year. Total sales volume of coal products from our three underground coal mines amounted to 1,298,928 tonnes in 2020, representing a growth of approximately 54.5% over the total sales volume of 840,486 tonnes last year. Under the effect of market price adjustments for coking coal, the average selling price of clean coal during the year was approximately RMB1,190.6 per tonne, compared to approximately RMB1,232.3 per tonne last year, representing a year-on-year decrease of approximately 3.4%. The impact of the decrease in average selling price was partially offset by favourable factors such as growth in production capacity. Revenue during the year was approximately RMB1,402.6 million, representing a growth of approximately 72.7% over last year. Gross profit was approximately RMB716.0 million, representing a growth of approximately 69.3% over last year. Gross profit margin was approximately 51.0%.

The significant growth in performance is mainly attributable to the significant growth in the Group's production capacity resulting from the increase in licensed annual capacity for each of Hongguo Coal Mine and Baogushan Coal Mine as well as the new acquisition of Xiejiahegou Coal Mine.

Prospects

Southwest China has in recent years consistently been one of the fastest-growing regions within China, driving up demand for coal and creating a supply shortfall. Since railway is the main logistic approach for transporting coal from regions outside of Southwest regions, the higher cost and time required put local coal producers at a favourable position.

Meanwhile, as China is believed to further implement policies to phase out unproductive facilities and integrate coal resources, some coal enterprises which are unable to meet new standards will face closure. From a certain perspective, this is positive news for businesses with an edge in technology and scale, such as the Group. Since the acquisition of the Xiejiahegou Coal Mine and enhancement in the annual production capacity of two existing coal mines, our sales volume and revenue have grown significantly. The Group is pleased to have achieved a fine performance against such a particular macro environment during the year. We will continue our focus on production capacity enhancement and operational advancement. The Group's recent possible acquisition of closure quota and planned subsequent expansion of permitted annual production capacity of the Hongguo Coal Mine from 600,000 tonnes to 1.2 million tonnes and the Baogushan Coal Mine from 600,000 tonnes to 900,000 tonnes should drive the Group's momentum for better results in the future.

Acknowledgement

With the support from government authorities and trust from our business partners, as well as the concerted efforts of our staff, we have managed to achieve a satisfying performance for the year 2020. I would like to express my utmost appreciation for the support and assistance from across various sectors that Perennial Energy enjoyed, and solemnly commit to further efforts in driving the integrated development across society, industries and businesses.

Yu Bangping
Chairman and Chief Executive Officer

Hong Kong, 25 March 2021

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 52, 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 also a director of 貴州久泰邦達能源開發有限公司 (Jiutai Bangda Energy Development Co., Ltd*) ("**Jiutai Bangda**"), a wholly-owned subsidiary of the Company. 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 29 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. He is the father of Mr. Yu Zhilong, the executive Director.

Mr. Sun Dawei, aged 48, joined the Group in 2008 and was appointed as executive Director in March 2018. He is also a director of Jiutai Bangda. Mr. Sun is responsible for the daily business operations of the Group. He has over 11 years of experience in coal mining industry. Mr. Sun graduated from Dafang County Vocational High School.

Mr. Wang Shize, aged 52, joined the Group in 2003 and was appointed as executive Director in March 2018. He is also a director of Jiutai Bangda. 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 16 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 52, 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 PRC legal matters and the administrative management of the Group. 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.

** For identification purpose only*

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS (Continued)

Mr. Lam Chik Shun, Marcus, aged 43, 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 is also a director of certain subsidiaries of the Company. 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 was 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 33, 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. He is also a director of 貴州富邦達諮詢服務有限公司 (Guizhou Fu Bangda Consultancy Services Co., Ltd.*) ("**Guizhou Fu Bangda**"), an indirect wholly-owned subsidiary of the Company. Mr. Yu Zhilong was also appointed as the legal representative of Guizhou Fu Bangda 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 38, 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 Jiutai Bangda 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. Mr. Yu graduated from Guizhou University and holds a bachelor degree in management.

Mr. Fong Wai Ho, aged 40, 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 16 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), Great Wall Belt & Road Holdings Limited (stock code: 524) and CT Environmental Group Limited (stock code: 1363), the shares of which are listed on the Stock Exchange.

** For identification purpose only*

Mr. Punnya Niraan De Silva, aged 36, 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 13 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 38, 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 8 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 63, was appointed as an independent non-executive Director in September 2019. Mr. Wang has over 31 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 37, joined the Group in February 2019, is the Chief Financial Officer of the Group as at the date of this annual report. Mr. Au Yeung holds a bachelor's degree in business management from Newcastle University (formerly known as the University of Newcastle upon Tyne). He is an associate member of the Hong Kong Institute of Chartered Secretaries and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Au Yeung has 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 49, 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 47, 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 47, 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 15 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 47, 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 58, 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 46, 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.

** For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

The lingering novel coronavirus ("**COVID-19**") pandemic and the associated containment measures severely hit the global economy in 2020. The Chinese government had significantly strengthened the prevention and control measures against COVID-19 by implementing effective lockdown measures to contain several outbreaks in China during the first quarter of 2020. Therefore, quarantines and other subsequent measures had disrupted business and economic activities. Notwithstanding that the Chinese economy recorded a historic contraction of 6.8% in the first quarter of 2020, China is one of a few major economies that reported positive economic growth for 2020. The National Bureau of Statistics stated that China's GDP rose by 4.9% in the third quarter compared to the corresponding period of last year. The continuous solid growth is evidenced by on the year-on-year GDP growth of 6.5% during the fourth quarter of 2020, reflecting signs of recovery.

Despite the predicament, the performance of China's coal production industry was optimistic compared to other industries. Owing to the high energy consumption for industrial use in China, coal has been one of the primary energy sources. Although coal production across the key coal-producing regions in China has halted during early 2020 in view of COVID-19 prevention and control measures, many mining production activities have resumed its operation and then ramped up in China shortly after the situation stabilised. Amid surging industrial demand, China's coal output in 2020 has even grown to its highest since 2015.

BUSINESS REVIEW

The Group owns and operates three underground coal mines in Panzhou City, Guizhou Province, namely Hongguo Coal Mine, Baogushan Coal Mine, and Xiejiahegou Coal Mine. The mining rights of these coal mines are fully-owned by the Group. The Xiejiahegou Coal Mine was newly acquired by the Group on 1 January 2020. The acquisition of the Xiejiahegou Coal Mine, as well as the expansion of the permitted annual production capacity of the Hongguo Coal Mine and the Baogushan Coal Mine, have enabled the Group with increased production volume during the year ended 31 December 2020 and further enhanced the Group's performance.

Acquisition of Xiejiahegou Coal Mine

As mentioned in the Company's announcements dated 5 November 2019, 22 November 2019, 26 November 2019, 2 January 2020 and the Company's circular dated 19 December 2019, the Vendors of the Xiejiahegou Coal Mine guarantee to Jiutai Bangda that each of audited net profit for the year ended 31 December 2020, years ending 31 December 2021 and 2022 generated by the Xiejiahegou Coal Mine shall not be less than RMB150 million (the "**Profit Guarantee**"). In the event of breach of the Profit Guarantee, the Vendors shall pay the compensation(s) to Jiutai Bangda, subject to an overall cap of RMB300 million. On the other hand, in the event where any of the audited profit for the year ended 31 December 2020, years ending 31 December 2021 and 2022 generated by the Xiejiahegou Coal Mine is greater than RMB150 million, Jiutai Bangda shall pay bonus(es) to the Vendors, subject to an overall cap of RMB300 million.

The audited net profit of the Xiejiahegou Coal Mine for the year ended 31 December 2020 exceeded RMB150 million, meeting the Profit Guarantee for the year ended 31 December 2020.

Coal Mining Business

The Group's coal products are mainly sold to end-user customers in Southwestern China. The Group's end-user customers of clean coal include coking enterprises, iron and steel or chemical manufacturers possessing coke production capabilities, whereas 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 three mines:

	Hongguo Coal Mine	Baogushan Coal Mine	Xiejiahegou Coal Mine
Resource data under the JORC Code Summary (as at 31 December 2020)[1]			
Measured resources (kt)	18,105	11,101	–
Indicated resources (kt)	7,800	24,700	16,319
Inferred resources (kt)	13,000	7,000	10,350
Reserve data under the JORC Code Summary (as at 31 December 2020)[1]			
Proved reserves (kt)	13,635	8,271	–
Probable reserves (kt)	5,910	18,790	10,429
Marketable reserves[2]			
– Clean coal (kt)[3]	11,312	15,831	7,900
– Middling coal (kt)	3,749	5,006	1,377
– Sludge coal (kt)	48	54	–

Notes:

1 The resource and reserve data of the Hongguo Coal Mine and Baogushan Coal Mine are estimated based on the competent person's report prepared by Mr. Edmundo J. Laporte of Greater China Mineral & Energy Consultants Limited as of 31 December 2019 while the resource and reserve data of the Xiejiahegou Coal Mine are based on the competent person's report prepared Mr. Leung Karfai of BAW Mineral Partners Limited as of 30 September 2019. The resource and reserve data as of 31 December 2020 of the Hongguo Coal Mine and Baogushan Coal Mine have been adjusted by the measured resource data and the proved reserve data as at 31 December 2019, after deducting the respective data extracted from the mining activities between 1 January 2020 and 31 December 2020 whereas the resource and the reserve data as of 31 December 2020 of the Xiejiahegou Coal Mine have been adjusted by the indicated resource data and the probable reserve data as at 30 September 2019, after deducting the respective data extracted from the mining activities between 1 October 2019 and 31 December 2020.

2 The marketable reserves of each of the three final products (clean coal, middling coal and sludge coal) of the Hongguo Coal Mine, Baogushan Coal Mine and Xiejiahegou Coal Mine were estimated by using the historical average recoveries of coal preparation from 1 January 2020 to 31 December 2020.

3 The clean coal produced from the Hongguo Coal Mine and Baogushan Coal Mine are mostly 1/3 coking coal whereas the clean coal produced from the Xiejiahegou Coal Mine are mostly coking coal.

Below sets out the raw coal production and utilisation rates at each of the Hongguo Coal Mine, Baogushan Coal Mine, and Xiejiahegou Coal Mine for the year ended 31 December 2020 and 2019, respectively:

	For the year ended 31 December			
	2020		2019	
	Actual production (tonnes)	Utilisation rate (%)	Actual production (tonnes)	Utilisation rate (%)
Hongguo Coal Mine	594,936	99.2	506,034	84.3
Baogushan Coal Mine	598,934	99.8	509,862	85.0
Xiejiahegou Coal Mine[1]	449,410	99.9	–	–
Total	1,643,280	99.6	1,015,896	84.7

Note 1: As the Xiejiahegou Coal Mine was newly acquired by the Group following the completion of the acquisition on 1 January 2020, the pre-completion information of actual production and utilisation rate of the Xiejiahegou Coal Mine are not shown.

Each of the Hongguo Coal Mine and Baogushan Coal Mine has a permitted annual capacity of 600,000 tonnes, whereas the Xiejiahegou Coal Mine has a permitted annual capacity of 450,000 tonnes. The utilisation rates shown in the above table are calculated by dividing the actual production volume with the permitted annual production capacity of each mine 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 2020, the raw coal production of the Hongguo Coal Mine and Baogushan Coal Mine amounted to approximately 594,936 tonnes and 598,934 tonnes respectively, representing a growth of approximately 17.6% and a growth of approximately 17.5% as compared to the year ended 31 December 2019. The utilisation rate of the Hongguo Coal Mine was approximately 99.2%, which increased by approximately 14.9% as compared to that of the year ended 31 December 2019. Meanwhile, the Baogushan Coal Mine has achieved approximately 99.8% of utilisation rate during the year ended 31 December 2020, representing an approximately 14.8% increase as compared to the year ended 31 December 2019. The increase was mainly because the Hongguo Coal Mine and Baogushan Coal Mine commenced the joint trial operation of 600,000 tonnes per year in August 2019 only and prior to that, production at each of the Hongguo Coal Mine and Baogushan Coal Mine was only at 450,000 tonnes per annum. The Xiejiahegou Coal Mine produced approximately 449,410 tonnes of raw coal, with approximately 99.9% utilisation rate based on its permitted annual production capacity.

Songshan Coal Preparation Plant operated by the Group is mainly engaged in the process of removing impurities from raw coal for higher-quality coal products to fulfill its customers' standards. Due to the Group's plan on replacing the operation of the existing individual plants within the Songshan Coal Preparation Plant with a new phase of coal preparation plant (the "**Phase III**"), the Group has been involving in a transition process after the construction of Phase III was completed. In September 2019, the Phase I ceased to operate, and the coal preparation of the raw coal produced from the Hongguo Coal Mine was replaced by the Phase III while the Phase II continued to function normally until the entire transition process has completed.

Since the completion of the acquisition of the Xiejiahegou Coal Mine on 1 January 2020, the Group has been utilising its Songshan Coal Preparation Plant in Phase II and Phase III to process the raw coal extracted from the Xiejiahegou Coal Mine during the period from January 2020 to May 2020. In order to save its operation costs, the Group and 貴州邦達能源開發有限公司盤縣淤泥鄉昌興煤礦 (Guizhou Bangda Energy Development Company Limited Pan County Yunixiang Changxing Coal Mine*) ("**Changxing Coal Mine**"), a connected person of the Company, entered into the coal washing and processing service agreement on 26 May 2020, pursuant to which the Xiejiahegou Coal Mine commissioned the Changxing Coal Mine for coal washing and processing services for a term from 1 June 2020 to 31 December 2022. Details were set out in the announcement of the Company dated 26 May 2020.

Below sets out the preparation capacity and utilisation rates of Songshan Coal Preparation Plant for the year ended 31 December 2020 and 2019, respectively:

	For the year ended 31 December			
	2020		2019	
	Actual preparation volume (tonnes)	**Utilisation rate (%)**	Actual preparation volume (tonnes)	Utilisation rate (%)
Phase I (Hongguo Coal Mine)	**–**	**–**	318,505	79.6[b]
Phase II (Baogushan Coal Mine)	**488,995**	**54.3**[a]	524,958	58.3[a]
Phase III (Hongguo Coal Mine & Baogushan Coal Mine)	**868,026**	**57.9**[a]	188,484	37.7[c]
Total	**1,357,021**	**56.5**	1,031,947	57.3

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 was 600,000 tonnes before it ceased operation in September 2019, whereas the annual preparation capacity for Phase II and Phase III are 900,000 tonnes and 1,500,000 tonnes, respectively.

** For identification purpose only*

For the year ended 31 December 2020, Phase II and Phase III of Songshan Coal Preparation Plant recorded a preparation volume of approximately 488,995 tonnes and 868,026 tonnes respectively, representing a decrease of approximately 6.9% and an increase of approximately 360.5% as compared to the year ended 31 December 2019. Their utilisation rates were approximately 54.3% and 57.9%, respectively, for the year ended 31 December 2020 which represented a decrease of approximately 4.0% and an increase of approximately 20.2% as compared to 58.3% and 37.7%, respectively, for the year ended 31 December 2019.

Below sets forth the sales volumes and average selling prices of the Group's coal products for the year ended 31 December 2020 and 2019, respectively:

	For the year ended 31 December			
	2020		2019	
	Sales volume (tonnes)	**Average selling price (RMB/tonne)**	Sales volume (tonnes)	Average selling price (RMB/tonne)
Clean coal – internally produced	**1,014,902**	**1,190.55**	587,016	1,232.28
Clean coal – externally purchased	**82,349**	**1,210.00**	–	–
Middling coal	**275,120**	**327.85**	233,200	357.78
Sludge coal	**5,595**	**84.18**	20,270	139.12
Raw coal	**3,311**	**437.03**	–	–

Except for certain occasional sales of raw coal, the Group generally washes and processes raw coal into clean coal at the Group's Songshan Coal Preparation Plant before selling the coal products to the Group's customers. For the year ended 31 December 2020, the sales volume of clean coal internally produced from its coal mines increased significantly by approximately 72.9% to approximately 1,014,902 tonnes (2019: approximately 587,016 tonnes), the sales volume of clean coal purchased externally increased to approximately 82,349 tonnes (2019: nil), the sales volume of middling coal increased by approximately 18.0% to approximately 275,120 tonnes (2019: approximately 233,200 tonnes), and the sales volume of sludge coal decreased by approximately 72.4% to approximately 5,595 tonnes (2019: approximately 20,270 tonnes). For the year ended 31 December 2020, the average selling price of clean coal internally produced from its coal mines decreased to approximately RMB1,190.55 per tonne (2019: approximately RMB1,232.28 per tonne), the average selling price of clean coal purchased externally amounted to approximately RMB1,210.00 per tonne (2019: nil), the average selling price of middling coal also decreased to approximately RMB327.85 per tonne (2019: approximately RMB357.78 per tonne), and the average selling price of sludge coal decreased to approximately RMB84.18 per tonne (2019: approximately RMB139.12 per tonne). The above increase in sales volume of clean coal, which is the Group's major product, was due to the completion of the acquisition of the Xiejiahegou Coal Mine on 1 January 2020 and the expanded permitted annual production capacity of the Hongguo Coal Mine and Baogushan Coal Mine, which contributed 332,823 tonnes, 335,939 tonnes and 346,140 tonnes of sales volume of clean coal, respectively. The decrease in the average selling price of clean coal was mainly attributable to the adjustment of coal prices in general in the market.

For the year ended 31 December 2020, the Group recorded a total revenue of approximately RMB1,402.6 million (2019: approximately RMB812.1 million) from the production and sales of clean coal, middling coal, sludge coal, raw coal and coalbed methane gas, as well as coal product trading, representing an increase in approximately 72.7% from the year ended 31 December 2019. The revenues for the year ended 31 December 2020 and 2019 were summarised as follows:

	For the year ended 31 December			
	2020		2019	
	RMB'000	Percentage to total revenue	RMB'000	Percentage to total revenue
Sales of coal products				
– Clean coal	1,208,294	86.2%	723,367	89.1%
– Middling coal	90,198	6.4%	83,434	10.3%
– Sludge coal	471	0.0%	2,820	0.3%
– Raw coal	1,447	0.1%	–	–
Sales of coalbed methane gas	2,553	0.2%	2,524	0.3%
Coal product trading	99,641	7.1%	–	–
Total	1,402,604	100.0%	812,145	100.0%

For the year ended 31 December 2020, the Group's sales revenue of clean coal produced from its coal mines increased by approximately 67.0% to approximately RMB1,208.3 million (2019: approximately RMB723.4 million), sales revenue of middling coal increased by approximately 8.1% to approximately RMB90.2 million (2019: approximately RMB83.4 million), sales revenue of sludge coal reduced by approximately 83.3% to approximately RMB0.5 million (2019: approximately RMB2.8 million), sales revenue of coalbed methane gas increased by approximately 1.1% to approximately RMB2.6 million (2019: approximately RMB2.5 million). The increase of total revenue for the year ended 31 December 2020 was attributable to the significant growth in the sales of clean coal, as a result of the increased permitted annual production capacity of the Hongguo Coal Mine and Baogushan Coal Mine, as well as the completion of the acquisition of the Xiejiahegou Coal Mine.

For the year ended 31 December 2020, the Group has engaged in trading of coal products, the Group purchased the coal products, mainly clean coal, from a domestic coal enterprise for resale to the customers, and its sales revenue amounted to approximately RMB99.6 million, contributing to approximately 7.1% of the total revenue.

Gross Profit

The Group recorded a significant increase in its gross profit from approximately RMB422.8 million for the year ended 31 December 2019 to approximately RMB716.0 million for the year ended 31 December 2020, representing an increase of approximately 69.3%, which is in line with the increase in revenue. Gross profit margin for the year ended 31 December 2020 was approximately 51.0% (2019: approximately 52.1%), which remains at a relatively stable level as compared to last year.

Other Income

The Group's other income increased by approximately 41.5% from approximately RMB24.9 million for the year ended 31 December 2019 to approximately RMB35.3 million for the year ended 31 December 2020. Such increase was primarily attributable to (i) increased government grants received for meeting the production volume target of coal products and coalbed methane gas and safety requirement required by the local government; and (ii) an increase in rental income from subleasing.

Fair Value Change of Contingent Consideration Payables

The fair value of contingent consideration payable is derived from the expected present value of the remaining consideration payable by the Group in respect of its acquisition of the Xiejiahegou Coal Mine and the projected performance of the Xiejiahegou Coal Mine under the Profit Guarantee which consists of compensation and bonus using discounted cash flow method. As at 31 December 2020, the contingent consideration payables in respect of the Profit Guarantee was approximately RMB511.1 million (2019: nil) while a fair value loss on contingent consideration payable of approximately RMB16.1 million (2019: nil) was recognised in profit or loss for the year ended 31 December 2020.

Other Gains and Losses

Other gains and losses primarily comprised gain or loss on disposal/write-off of property, plant and equipment, fair value change of investment properties and net exchange loss. The Group's other gains and losses changed from a gain of approximately RMB5.4 million for the year ended 31 December 2019 to a loss of approximately RMB2.5 million for the year ended 31 December 2020 which was primarily attributable to a loss on disposal/write off of property, plant and equipment of approximately RMB2.4 million.

Distribution and Selling Expenses

The Group's distribution and selling expenses increased by approximately 192.1% from approximately RMB36.2 million for the year ended 31 December 2019 to approximately RMB105.6 million for the year ended 31 December 2020. The increase in the Group's distribution and selling expenses was primarily due to the increase in transportation costs to new customers to which a large amount of sales volume of the Group's coal products was made and the Group borne the transportation costs. The Group has made less sales to several customers who borne the transportation cost for the year ended 31 December 2020. Also, the increase was due to the general growth in the sales volume of the Group's coal products.

Administrative Expenses

Administrative expenses increased by approximately 19.2% from approximately RMB101.7 million for the year ended 31 December 2019 to approximately RMB121.2 million for the year ended 31 December 2020. Such increase was mainly due to the increase in staff costs for managerial and administrative staff, as a result of the completion of the acquisition of the Xiejiahegou Coal Mine and a one-off donation to support the COVID-19 pandemic recovery in China.

Other Expenses

The Group's other expenses decreased by approximately 84.5% from approximately RMB1.8 million for the year ended 31 December 2019 to approximately RMB0.3 million for the year ended 31 December 2020 primarily due to travel subsidies for villagers over 60 years old in Songshan Village, Hongguo Street, Panzhou City for the year ended 31 December 2019 while no such travel subsidy was incurred for the year ended 31 December 2020.

Finance Costs

The Group's finance costs primarily comprise the interest expenses on bank and other borrowing and interest expenses on secured bank borrowings from factoring of bills receivables with full recourse from the Group's customers offset by interest capitalised in construction in progress. Finance costs increased by approximately 461.3% from approximately RMB3.8 million for the year ended 31 December 2019 to approximately RMB21.2 million for the year ended 31 December 2020. The increase was mainly due to the interest expenses arising from the increase in average secured and unsecured borrowings during the year ended 31 December 2020.

Net Profit

As a result of the foregoing, the Group recorded a net profit of approximately RMB345.5 million and a net profit margin of approximately 24.6% for the year ended 31 December 2020 (2019: approximately RMB218.0 million and 26.8%), representing a significant increase of approximately 58.5% in net profit and a mild 2.2% decrease in net profit margin from last year. The increase in net profit was in line with the rise in sales revenue whereas net profit margin decreased mainly due to the fair value loss of approximately RMB16.1 million arising from fair value change of contingent consideration payables on the Profit Guarantee for the year ended 31 December 2020. Excluding its impact, net profit would be approximately RMB361.6 million for the year ended 31 December 2020 (2019: approximately RMB218.0 million), representing an increase of approximately 65.8% from last year.

PROSPECTS

The year-long "COVID-19" crisis has unleashed great disruption across industries in 2020. Albeit the business performance has been recovering since the second quarter of 2020, the threat of COVID-19 continues to pose uncertainty to the business environment of China and Hong Kong. It is expected to see economic growth for 2021 as a whole in China, yet the magnitude and speed of recovery are subject to uncertainties, depending on the pandemic situation and the progress of vaccination against COVID-19.

Amid tough economic climate, the growth of coal production industry in China progress steadily due to the support of high domestic energy demand. The China Electricity Council has forecasted that the China's electricity consumption is likely to increase by approximately 6% to 7% in 2021. Meanwhile, the Guizhou government has planned to encourage advanced coal operators to expand coal production, aiming to integrate the industry further and reduce the numbers of small-scale operations that cannot meet the latest standards in terms of economic and environmental efficiency which in turn provides the advanced coal operators with an opportunity to further expand their business. Under such favourable market environment, the Group is confident to continue to expand its scale in the supply of clean coal, including 1/3 coking coal and coking coal. The Group's recent possible acquisition of closure quota and planned subsequent expansion of permitted annual production capacity of the Hongguo Coal Mine from 600,000 tonnes to 1.2 million tonnes and the Baogushan Coal Mine from 600,000 tonnes to 900,000 tonnes should drive the Group's momentum for better results in the future. The Group will continue to focus on production capacity enhancement and operational advancement, staying alert to the opportunities arising in the market.

The Group also intends to identify suitable business opportunities to expand its business and to maximise its full potentials and profitability.

LIQUIDITY AND FINANCIAL INFORMATION

Bank Balances and Cash

As at 31 December 2020, bank balances and cash amounted to approximately RMB139.6 million (2019: approximately RMB243.3 million).

Bank and Other Borrowings

As at 31 December 2020, secured bank borrowings from factoring of bills receivables with full recourse amounted to approximately RMB80.9 million (2019: approximately RMB54.7 million). The effective interest rate of the discounted bills is approximately 2% to 3% per annum during the year ended 31 December 2020 (2019: approximately 3% to 4% per annum).

As at 31 December 2020, secured bank borrowings amounted to approximately RMB296.0 million (2019: nil). The effective interest rate of bank borrowings is 5.5% per annum for the year ended 31 December 2020 (2019: nil).

During the year ended 31 December 2020, unsecured other borrowings of HK$175.0 million (equivalent to approximately RMB156.8 million) borrowed from a financial institution with effective interest rate of 12.0% per annum was fully settled.

Gearing Ratio

As at 31 December 2020, the Group's gearing ratio was approximately 0.25 (2019: approximately 0.17). 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 increased gearing ratio was mainly due to an increase in the bank and other borrowings.

Foreign Currency Risk

The Group is subject to limited foreign currency exposure as its business activities mainly take place in 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, deposits 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 2020 and 2019. Such risk may cause financial loss to us due to a failure to discharge obligation by the counterparties.

As at 31 December 2020 and 31 December 2019, the top three trade debtors accounted for approximately 93% and 85% 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

As at 31 December 2020, the Group recorded net current liabilities of approximately RMB45.0 million, which was mainly attributable to the contingent consideration payables to the vendors for the acquisition of the Xiejiahegou Coal Mine. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors are of the view that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future after taking into consideration of the following:

(1) the availability of the Group's credit facilities. Unutilised credit facility of the Group as at 31 December 2020 was approximately RMB304.0 million; and

(2) the estimated operating cash flows of the Group for the next twelve months from the end of the reporting period.

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 2020, the Group had capital commitments in respect of property, plant and equipment and the acquisition of the Xiejiahegou Coal Mine in Guizhou Province contracted for but not yet incurred in the amount of approximately RMB10.8 million and nil, respectively (2019: approximately RMB5.3 million and RMB990.0 million). The Group planned to finance the capital commitments by internal resources.

Contingent Liabilities

As at 31 December 2020, save as the contingent consideration payables amounted to approximately RMB511.1 million set out in note 29 to the consolidated financial statements of this annual report, the Group had no material contingent liabilities (2019: nil).

HUMAN RESOURCES

As at 31 December 2020, the Group had a total of 2,993 employees (2019: 2,077). During the year ended 31 December 2020, staff costs (including Directors' remuneration) totalled approximately RMB236.6 million (2019: approximately RMB191.3 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.

MATERIAL ACQUISITIONS, DISPOSALS AND INVESTMENT PROJECTS

On 9 December 2020, Jiutai Bangda and an independent third party (the "**Seller**") entered into a closure quota transfer agreement in respect of the production quota of Guizhou Chinalco Hengtaihe Mining Co., Ltd. Shuicheng County Panlong Township Panlong Coal Mine* (貴州中鋁恒泰合礦業有限公司水城縣蟠龍鄉蟠龍煤礦), pursuant to which the Seller has agreed to sell and the Purchaser has agreed to acquire, the 900,000 tonnes/year closure quota of the Panlong Coal Mine in Shuicheng County* (水城縣蟠龍鄉蟠龍煤礦) at a total consideration of RMB72,000,000.00 (tax inclusive). Please refer to the Company's announcement published on the websites of the Stock Exchange and the Company on 10 December 2020 for details.

Save as the aforementioned acquisition of production quota and the completion of the acquisition of the Xiejiahegou Coal Mine on 1 January 2020, the Group had no material acquisitions, disposals, or investment projects for sale during the year ended 31 December 2020.

PLACING OF NEW SHARES

On 31 August 2020 (after trading hours), the Company entered into the placing agreement with China Securities Limited (the "**Placing Agent**") pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best endeavour basis, in aggregate of up to 40,000,000 placing shares at the placing price of HK$3.66 per placing share, to not less than six placees, who and whose ultimate beneficial owners are independent third parties.

After taking into account the then recent market conditions and the market demand for the placing shares, on 14 September 2020 (after trading hours), the Company and the Placing Agent (together, the "**Parties**") have mutually agreed to terminate the placing agreement with immediate effect. Accordingly, all rights, obligations, liabilities of the Parties under the placing agreement have ceased and determined and neither Parties shall have any claim against the others in respect of the placing save in respect of any antecedent breach of any obligation under the placing agreement.

Please refer to the Company's announcements published on the websites of the Stock Exchange and the Company on 31 August 2020 and 14 September 2020 for details.

** For identification purpose only*

ASSET CHARGES

As at 31 December 2020, the Hongguo Coal Mine was pledged as collateral for a secured bank borrowings of RMB296.0 million as set out in note 28 to the consolidated financial statements of this annual report.

THE IMPACT OF THE OUTBREAK OF COVID-19

At the beginning of 2020, the rapid outbreak of COVID-19 pandemic in different cities has put the global economy to a major test. With the effective control measures taken by the Chinese Central Government, the outbreak in the PRC had been gradually brought under control. To fully support the relevant prevention and control efforts and effectively cut off the transmission of the virus, the Group carried out a comprehensive assessment of the impacts on its coal mining operations and took precise measures to overcome these impacts.

With the pandemic largely under control in the PRC, the Group's main business operation had gradually resumed normal and more than 90% of its workforce was already at work by the end of February 2020. There was no material impact on the production, liquidity positions and working capital sufficiency of the Group, nether was there cluster of infection incidents throughout the Group during the year under review.

The Group will closely monitor the development of the pandemic and assess its impact on its financial condition, operations and business plan going forward.

EVENT AFTER THE REPORTING DATE

The Directors are not aware of any significant event requiring disclosure that have been taken place subsequent to 31 December 2020 and up to the date of this annual report.

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 Stock Exchange on 12 December 2018 by way of share offer (the "**Share Offer**"). The Group 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 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 2020:

	Intended applications set out in the Prospectus (HK$ million)	Utilised proceeds as at 31 December 2020 (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	77.0
Constructing, installing and purchasing mechanical components for underground mining activities in line with the expansion of coal mining production capacity (25.6%)	64.0	64.0
Working capital and general corporate purposes (7.7%)	19.2	19.2
Total	250.0	250.0

CHANGES SINCE 31 DECEMBER 2019

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 2019.

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 2020.

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 2020, distributable reserves of the Company amounted to approximately RMB383.9 million (2019: approximately RMB444.2 million).

Results and Appropriations

The results of the Group for the year ended 31 December 2020 and the state of affairs of the Company and the Group as at 31 December 2020 are set out in the consolidated financial statements on pages 76 to 78 of this annual report.

The Board has recommended the distribution of a final dividend of HK3.75 cents (2019: HK2.5 cents) per Share for the year ended 31 December 2020.

Closure of Register of Members

For the purposes of determining shareholders' eligibility to attend and vote at the 2021 annual general meeting of the Company (the "**2021 AGM**") to be held on Thursday, 27 May 2021 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 2021 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 Friday, 21 May 2021
Closure of register of members of the Company	Monday, 24 May 2021 to Thursday, 27 May 2021 (both dates inclusive)

Closure of Register of Members (continued)

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

Ex-dividend date	Wednesday, 2 June 2021
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, 3 June 2021
Closure of register of members of the Company	Friday, 4 June 2021 to Tuesday, 8 June 2021 (both dates inclusive)
Record date	Tuesday, 8 June 2021
Expected payment date	Friday, 25 June 2021

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 2021 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 150 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 2020 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 11 to 23 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 2020 are set out in note 13 to the consolidated financial statements.

Investment Properties

Details of the investment properties held by the Group during the year ended 31 December 2020 are set out in note 14 to the consolidated financial statements.

Share Capital

Details of movements in the Company's share capital during the year ended 31 December 2020 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 2020.

Arrangements for Directors to Purchase Shares or Debentures

At no time during the year ended 31 December 2020 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 2020.

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 2020 amounted to approximately RMB5.8 million (2019: approximately RMB3.0 million).

Major Customers and Suppliers

For the year ended 31 December 2020, sales attributable to the largest customer of the Group amounted to approximately 26.8% of the total sales and the five largest customers of the Group accounted for approximately 82.7% of the Group's total sales.

For the year ended 31 December 2020, purchases attributable to the largest supplier of the Group amounted to approximately 13.1% of the total purchases and the five largest suppliers of the Group accounted for approximately 30.4% 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 2020 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

Mr. Yu Xiao

Independent Non-executive Directors

Mr. Fong Wai Ho

Mr. Punnya Niraan De Silva

Ms. Cheung Suet Ting, Samantha

Mr. Wang Xiufeng

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. Sun Dawei, Mr. Wang Shize, Mr. Fong Wai Ho and Mr. Punnya Niraan De Silva will retire by rotation at the 2021 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 salary was adjusted to RMB899,000 per annum paid by a subsidiary of the Company with effect from 1 February 2021.
Mr. Sun Dawei	His salary was adjusted to RMB899,000 per annum paid by a subsidiary of the Company with effect from 1 February 2021.
Mr. Wang Shize	His salary was adjusted to RMB899,000 per annum paid by a subsidiary of the Company with effect from 1 February 2021.
Mr. Lam Chik Shun, Marcus	He resigned 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 12 March 2021.
Mr. Yu Zhilong	His salary was adjusted to RMB399,000 per annum paid by a subsidiary of the Company with effect from 1 February 2021.
Mr. Yu Xiao	His salary was adjusted to RMB399,000 per annum paid by a subsidiary of the Company with effect from 1 February 2021.

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 2020 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 2020.

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 of the Company or any of its subsidiaries during the year ended 31 December 2020.

Equity-Linked Agreements

For the year ended 31 December 2020, the Company has not entered into any equity-linked agreement.

Directors' Service Contracts

No Director proposed for re-election at the 2021 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 2020, 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)	856,000,000	53.50

Notes:

1. The percentage was calculated based on 1,600,000,000 Shares in issue as at 31 December 2020.

2. These Shares were held by Spring Snow Management Limited. The issued share capital of Spring Snow Management Limited was held as to approximately 48.27% by Lucky Street Limited which was wholly owned by Mr. Yu Bangping. Accordingly, Mr. Yu Bangping was deemed to be interested in 856,000,000 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 corporations:

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Total number of shares held	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 2020.

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

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

4. Mr. Wang Shize owned the entire issued share capital of Seasons In The Sun Limited which owned approximately 2.87% of the issued share capital of Spring Snow Management Limited. By virtue of the SFO, Mr. Wang was 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 2020, 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' Interests in Shares and Underlying Shares

As at 31 December 2020, the following interests in Shares or underlying Shares of 5% or more of the issued Shares of the Company 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 Substantial Shareholder	Nature of interest	Total number of Shares held	Approximate % of interests held (Note 1)
Spring Snow Management Limited	Beneficial owner (Note 2)	856,000,000	53.50
Lucky Street Limited	Interest in controlled corporation (Note 2)	856,000,000	53.50
Mr. Yu Bangping	Interest in controlled corporation, interest of spouse (Note 3)	856,000,000	53.50
Ms. Qu Liumei	Interest of spouse (Note 4)	856,000,000	53.50

Notes:

1. The percentage was calculated based on 1,600,000,000 Shares in issue as at 31 December 2020.

2. The issued share capital of Spring Snow Management Limited was held as to approximately 48.27% by Lucky Street Limited. Accordingly, Lucky Street Limited was deemed to be interested in 856,000,000 Shares held by Spring Snow Management Limited by virtue of the SFO.

3. Mr. Yu Bangping owned the entire issued share capital of Lucky Street Limited which owned approximately 48.27% of the issued share capital of Spring Snow Management Limited. Therefore, Mr. Yu Bangping was deemed to be interested in 856,000,000 Shares held by Spring Snow Management Limited by virtue of the SFO.

4. Ms. Qu Liumei is the spouse of Mr. Yu Bangping and was 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.

Save as disclosed above, as at 31 December 2020, 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.

Competing Business

During the year ended 31 December 2020, Guizhou Bangda, an associate of the connected person of the Company pursuant to Rule 14A.12(1)(c) of the Listing Rules, and owned by Mr. Yu Bangping (Chairman and executive Director) as to 90% and Mr. Yu Bangcheng (brother of Mr. Yu Bangping) as to 10%, both being the Controlling Shareholders (as defined in the Prospectus), was principally engaged in the mining, production and sale of coking coal, whereas the Group has been principally engaged in the mining, production and sale of 1/3 coking coal and coking coal. The Directors are of the view that there is no actual or potential in competition in business between the Group and Guizhou Bangda and there is a clear delineation of business between the Group and Guizhou Bangda. The Directors are satisfied that each of Mr. Yu Bangping, Mr. Sun Dawei and Mr. Wang Shize (who are the executive Directors and the Controlling Shareholders) are able to perform their roles in the Company independently. The Directors are also of the view that the Group is capable of managing its business independently from the Controlling Shareholders and their respective close associates during the year under review.

As at 31 December 2020, save as disclosed above, the Directors were not aware of any business or interest of the Directors or the Controlling Shareholders 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.

Non-Competition Undertakings by Controlling Shareholders

In order to avoid and safeguard any potential competition arising between the Group and the Directors or the Controlling Shareholders and their respective close associates, each of the Controlling Shareholders (including Mr. Yu Bangping, Mr. Sun Dawei and Mr. Wang Shize) and Guizhou Bangda has executed a deed of non-competition ("**Deed of Non-Competition**") in favour of the Company. Details of the Deed of Non-Competition are disclosed in the section headed "Relationship with Controlling Shareholders – Non-Competition Undertakings" in the Prospectus.

On 22 December 2020, the Company received a pre-emption notice (the "**Pre-emption Notice**") from Mr. Yu Bangping, pursuant to which Mr. Yu informed the Company that Guizhou Bangda intended to acquire 水城縣勻米老地溝煤礦 (Shuicheng County Yunmi Laodigou Coal Mine*) ("**Laodigou Coal Mine**"). Laodigou Coal Mine is engaged in exploration, mining and sale of anthracite coal. According to the non-competition undertakings (the "**Undertakings**") as set out in the Deed of Non-Competition, the Group will have the first right of refusal to exploit any business opportunity in connection with the exploration, mining and refining of 1/3 coking coal business that could be exploited by each of the Controlling Shareholders and Guizhou Bangda.

The Company decided not to exercise the first right of refusal to acquire Laodigou Coal Mine (the "**First Right of Refusal**"). The independent non-executive Directors are of the view that the non-exercise of the First Right of Refusal was fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole since, inter alia, (i) the remaining reserve of Laodigou Coal Mine was relatively small; (ii) the sales value of anthracite coal was lower than that of the coking coals produced from the Group's coal mines. Engagement in mining and sale of anthracite coal does not appear to be aligned with the Company's long-term strategy to focus on coking coal products; and (iii) additional capital expenditure would be needed after the acquisition of Laodigou Coal Mine. No money was payable between the Company and each person and corporate entity comprised in the group of the Controlling Shareholders and Guizhou Bangda (the "**Covenantors**") in respect of the non-exercise of the First Right of Refusal.

* *For identification purpose only*

Non-Competition Undertakings by Controlling Shareholders (continued)

The Covenantors have made an annual confirmation that they have fully complied with the Undertakings given by them in favour of the Company pursuant to the Deed of Non-Competition. The independent non-executive Directors have reviewed the status of the compliance by the Covenantors with the Undertakings during the year ended 31 December 2020 and confirmed that, as far as they can ascertain, there is no breach by any of the Covenantors of the Undertakings given by them.

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 2020.

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 2020, all the net proceeds 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.

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 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 2020. No options were outstanding as at 31 December 2020.

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 2020, 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. Mr. Yu Bangping is the Chairman and an executive Director. Also, each of Mr. Yu Bangping and Mr. Yu Bangcheng is indirectly interested in approximately 48.3% and 7.2% shareholding interest in Spring Snow Management Limited, a substantial shareholder of the Company. Hence, Mr. Yu Bangping and Mr. Yu Bangcheng are regarded as the Controlling Shareholders. As such, Guizhou Bangda, an entity controlled by Mr. Yu Bangping and Mr. Bangcheng, is regarded as 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 of the Company 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 as CCT No. 1 to 5 in the table below pursuant to Rule 14A of the Listing Rules. More details of each of these continuing connected transactions could also be referred to in the section headed "Connected Transactions" in the Prospectus.

On 26 May 2020, 貴州久泰邦達盤縣羊場鄉謝家河溝煤礦 (Guizhou Jiutai Bangda Pan County Yangchang Village Xiejiahegou Coal Mine*) ("**Xiejiahegou Coal Mine Branch**"), a branch of Jiutai Bangda, and 貴州邦達能源開發有限公司盤縣淤泥鄉昌興煤礦 (Guizhou Bangda Energy Development Company Limited Pan County Yunixiang Changxing Coal Mine*) ("**Changxing Coal Mine Branch**"), a branch of Guizhou Bangda (which, as mentioned above, is an associate of the connected person of the Company pursuant to Rule 14A.12(1)(c) of the Listing Rules), entered into the coal washing and processing service agreement ("**Coal Washing and Processing Service Agreement**"). Accordingly, the transactions as contemplated under the Coal Washing and Processing Service Agreement constituted continuing connected transactions which are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, but are subject to the reporting, announcement and annual review requirements. Details are disclosed as CCT No. 6 in the table below pursuant to Rule 14A of the Listing Rules and set out in the announcement of the Company dated 26 May 2020.

* *For identification purpose only*

Continuing Connected Transactions (continued)

CCT 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 2020 (RMB'000)
1	Operations Agreement signed on 1 January 2018 ("**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	3,291
2	Baogushan Gas Supply Agreement signed on 1 January 2018 ("**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	2,510
3	Hongguo Gas Supply Agreement signed on 1 January 2018 ("**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 for generating other source of revenue	43
4	Baogushan Electricity Supply Agreement signed on 1 January 2018 ("**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	5,230

Continuing Connected Transactions (continued)

CCT 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 2020 (RMB'000)
5	Hongguo Electricity Supply Agreement signed on 1 January 2018 ("**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	244
6	Coal Washing and Processing Service Agreement signed on 26 May 2020 Term: From 1 June 2020 to 31 December 2022 Coal washing and processing services at cost of RMB26.5 per tonne (tax exclusive)	Jiutai Bangda	Coal washing and processing services provided by Changxing Coal Mine Branch	Washing and processing raw coal extracted from Xiejiahegou Coal Mine	7,536

As disclosed in the Prospectus, each of the 2018 Operations Agreement, the 2018 Baogushan Gas Supply Agreement and the 2018 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 and each of the 2018 Baogushan Electricity Supply Agreement and the 2018 Hongguo Electricity Supply Agreement is subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 continuing connected transactions disclosed as CCT No. 1 to 5 in the table above on the following conditions:

(a) The annual cap amount for the continuing connected transactions under the 2018 Operations Agreement, the 2018 Baogushan Gas Supply Agreement and the 2018 Hongguo Gas Supply Agreement (on an aggregated basis), and the 2018 Baogushan Electricity Supply Agreement and the 2018 Hongguo Electricity Supply Agreement (on an aggregated basis) for each of the three financial years ended 31 December 2020 would not be exceeded; and

(b) The Company shall comply/continue to comply with the relevant provisions of Chapter 14A of the Listing Rules, including the annual caps in relation to the continuing connected transactions under each of the 2018 Operations Agreement, the 2018 Baogushan Gas Supply Agreement and the 2018 Hongguo Gas Supply Agreement (on an aggregated basis), and the 2018 Baogushan Electricity Supply Agreement and the 2018 Hongguo Electricity Supply Agreement (on an aggregated basis).

Continuing Connected Transactions (continued)

None of the transaction amount of each of the above continuing connected transactions as referred to CCT No. 1 to 6 has exceeded their respective annual cap (on an aggregated basis where appropriate) for the year ended 31 December 2020.

The independent non-executive Directors have reviewed the continuing connected transactions of the Company set out above and unanimously confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company 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.

On 16 December 2020, the same parties to the 2018 Operations Agreement, the 2018 Baogushan Gas Supply Agreement and the 2018 Baogushan Electricity Supply Agreement (collectively, the "**2018 Agreements**") entered into the 2020 operations agreement, the 2020 Baogushan gas supply agreement and the 2020 Baogushan electricity supply agreement (collectively, the "**2020 Agreements**") respectively to extend the 2018 Agreements, for three years from 1 January 2021 to 31 December 2023. The entering into of the 2020 Agreements constituted continuing connected transactions for the Company under the Listing Rules. On the same date, 貴州久泰邦達能源開發有限公司盤縣紅果鎮紅果煤礦 (Guizhou Jiutai Bangda Energy Development Co., Ltd. Panxian Hongguo Town Hongguo Coal Mine*) ("**Hongguo Coal Mine Branch**"), a branch of Jiutai Bangda, and 盤州市紅達綜合能源有限公司 (Panzhou Hongda Comprehensive Energy Co., Ltd.*) ("**Panzhou Hongda**"), a company owned by Guizhou Bangda (which, as mentioned above, is an associate of the connected person of the Company pursuant to Rule 14A.12(1)(c) of the Listing Rules) and 廣東省能源集團貴州有限公司 (Guangdong Energy Group Guizhou Co., Ltd.*) (an independent third party of the Company) as to 49% and 51%, respectively, entered into the 2020 Hongguo gas supply agreement and the 2020 Hongguo electricity supply agreement (collectively, the "**2020 Hongguo Agreements**"), each for a term of three years from 1 January 2021 to 31 December 2023. The entering into of the 2020 Hongguo Agreements constituted continuing connected transactions for the Company under the Listing Rules. Pursuant to the 2020 Hongguo gas supply agreement and the 2020 Hongguo electricity supply agreement, Hongguo Coal Mine Branch supplies all coalbed gas extracted from the Hongguo Coal Mine to Panzhou Hongda at a price of RMB0.18/m^3 (tax inclusive) and the coalbed gas is then used by Panzhou Hongda to generate electricity to supply to Hongguo Coal Mine Branch at a price of RMB0.5117 for each kWh (tax inclusive). Details of these transactions are set out in the announcement and the supplemental announcement of the Company dated 16 December 2020 and 21 December 2020 respectively.

* *For identification purpose only*

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 2020, 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" of this report for further details.

Environmental Policies and Performance

The Group recognises the importance of environmental affairs and considers business development and environment affairs are highly related. During the year ended 31 December 2020, 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 70 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 70 of this annual report.

Compliance with Laws and Regulations

The Group is subject to various laws and regulations including the Companies Act 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 People's Republic of 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 2020 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 2021 AGM.

By order of the Board
Yu Bangping
Chairman and Chief Executive Officer
Hong Kong, 25 March 2021

CORPORATE GOVERNANCE REPORT

Corporate Governance Code

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 2020, 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 2020.

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 2020, 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. 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 2020, 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 10 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

The Company provides regular updates on the business performance of the Group to the Directors. The Directors are continually updated by the management of the Company 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 2020, 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 2020 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 an executive director service agreement with the Company for a term of three years until terminated by either party by giving to the other not less than one month's notice. 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 until terminated by either party by giving to the other not less than three months' notice. 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 by rotation.

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 Directors 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 regular 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.

In addition to Board meetings, the Chairman of the Board met with independent non-executive Directors once without the presence of other executive Directors in 2020.

During the year ended 31 December 2020, seven 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.

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) monitoring the integrity of the Group's financial statements including but not limited to the Group's interim and annual results; (ii) overseeing the relationship between the Company and its external auditor; (iii) reviewing the financial reporting system and the risk management and internal control systems of the Group; and (iv) performing the corporate governance functions set out in code provision D.3.1 of the CG Code.

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.

Board Committees (continued)

Audit Committee (continued)

During the year ended 31 December 2020, 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 2020, the Audit Committee held two meetings and performed the following duties:

(a) reviewed, with the management and the external auditor of the Company, the 2019 annual results and the 2020 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 approving 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 auditor.

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

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 the Company’s 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. Depending on the needs of the Group’s growing business and the availability of competent candidates to fulfill those needs, suitably qualified individuals will be considered in the future for membership.

Board Committees (continued)

Nomination Committee (continued)

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.

During the year ended 31 December 2020, the Nomination Committee held one meeting and performed the following duties:

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

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

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

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 2020, the Remuneration Committee held one meeting and passed written resolutions to review the remuneration of Directors and senior management of the Group and recommend the Board to approve their remuneration.

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 2020 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 2020 are set out in note 6 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 annual general meeting of the Company held during the year ended 31 December 2020:

	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)*	7/7	N/A	N/A	1/1	0/1
Mr. Sun Dawei	7/7	N/A	N/A	N/A	0/1
Mr. Wang Shize	7/7	N/A	N/A	N/A	0/1
Mr. Li Xuezhong	7/7	N/A	N/A	N/A	0/1
Mr. Lam Chik Shun, Marcus	7/7	N/A	1/1	N/A	1/1
Mr. Yu Zhilong	7/7	N/A	N/A	N/A	0/1
Mr. Yu Xiao	7/7	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. Fong Wai Ho	7/7	2/2	1/1	1/1	1/1
Mr. Punnya Niraan De Silva	7/7	2/2	1/1	N/A	0/1
Ms. Cheung Suet Ting, Samantha	7/7	2/2	N/A	1/1	0/1
Mr. Wang Xiufeng	7/7	N/A	N/A	N/A	0/1

Under code provision E.1.2 of the CG Code, the chairman of the board shall attend the annual general meeting. Due to the outbreak of COVID-19, Mr. Yu Bangping, the Chairman of the Board, could not attend the annual general meeting of the Company held in June 2020 ("**2020 AGM**") in person. Mr. Yu instead participated in the 2020 AGM by telephone to ensure that he was also available to answer questions from the shareholders when needed. The 2020 AGM was chaired by the Executive Director, Mr. Lam Chik Shun, Marcus.

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 2020 is as follows:

	2020 RMB'000	2019 RMB'000
Audit services	2,170	1,761
Non-audit services		
Other services (Note 1)	1,342	1,951
Total	3,512	3,712

Note 1: During the year ended 31 December 2020, other services mainly represented the services provided by the Company's auditor in relation to a potential acquisition of a mining business but the potential acquisition has not been completed. During the year ended 31 December 2019, other services mainly represented 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. 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 2021 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 73 to 75 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.

Internal Control System

The Company has put 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.

Risk Management and Internal Control (continued)

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

Internal Control System **(continued)**

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 2021. The review covered the financial, operational and procedural compliance functions during the year ended 31 December 2020. 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 the internal control and risk management systems 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 ensuring 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 under review, the AGM was held on 10 June 2020.

Dividend Policy

Under the 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 had not adopted any dividend policy during the year ended 31 December 2020. However, on 29 January 2021, the Company has adopted a dividend policy ("**Dividend Policy**"). According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board takes into account the following:

(a) The financial results of the Group;

(b) The working capital requirements, capital expenditure requirements and future expansion plans of the Group;

(c) The retained earnings and distributable reserves of the Company;

(d) The general economic condition, industry cycles of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group;

(e) Any banking or other funding covenants by which the Company is bound from time to time;

(f) Any restrictions on payment of dividends that may be imposed by the Group's contracting parties;

(g) The shareholders' and investors' expectation; and

(h) Any other factors that the Board considers relevant.

The payment of dividends is also subject to compliance with applicable laws and regulations including the laws of the Cayman Islands and the Articles. The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

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 2020.

Shareholders' Rights

The general meetings of the Company provide a forum for the shareholders to exchange views directly with the Board. Subject to provisions of the applicable laws in the Cayman Islands and rules and regulations of the Stock Exchange, an annual general meeting of the Company is held each year and at the venue as determined by the Board. Each general meeting, other than an annual general meeting, is called an extraordinary general meeting ("**EGM**").

Shareholders to Convene an Extraordinary General Meeting

Pursuant to Article 12.3 of the Articles, an 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 Forward 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 2020.

By order of the Board
Yu Bangping
Chairman and Chief Executive Officer

Hong Kong, 25 March 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Reporting Principles and Scopes

This environmental, social and governance ("**ESG**") report (the "**ESG Report**") sets out the Group's principal business and operation from 1 January 2020 to 31 December 2020, 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.

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. This ESG Report mainly covers the information related to the Group's major operation, including Hongguo Coal Mine, Baogushan Coal Mine, Xiejiahegou Coal Mine, and Songshan Coal Preparation Plant in Guizhou, and the offices in Guizhou and Hong Kong as well.

Stakeholders Communication

In being committed to its core value of "responsible enterprise", the Group recognises the importance of communication with various stakeholders to understand their requirements and aspirations. Therefore, the Group has developed various channels that allow stakeholders to share their demands and concerns on its business operation and performances regarding environmental, social and governance aspects. The Group's major stakeholders comprise its shareholders and investors, government and regulatory bodies, customers, employees, communities, and media. The table below identifies the major stakeholders and outlines our communication channels with each stakeholder, respectively.

Major stakeholders	Demands and expectations	Communication channels
Shareholders and investors	– Sustainable profitability – A good corporate governance system – Production safety – Prevention of operational risks	– Company announcements – General meetings – Annual report and interim report – Roadshow
Government and regulatory bodies	– Compliance and operation – Energy reduction – Resources conservation	– Supervision and evaluation – ESG Report – Inspection – Filings
Customers	– High-quality products and services – Information security – Established communication channels – Quality Control	– Business communication – Customer feedback

Major stakeholders	Demands and expectations	Communication channels
Employees	– Good corporate governance on employee rights and interests – Improvement on employee remuneration and welfare – Career development	– Staff meetings and activities – Staff trainings – Workers' congress – Recruitment
Communities	– Supporting public welfare activities – Higher community involvement – Promoting recruitment	– Communication with communities and local government – Charity activities
Media	– Transparent information – Sustainable business maintenance	– Company's website – Company's advertisements – Business interviews – News

The Group welcomes feedbacks on the approach to environmental, social and governance work system and performances. Should you have any questions or recommendations on its environmental, social and governance approach and performance, please feel free to make an enquiry to the Group, to help the Group continue to improve its efforts in ESG.

Materiality Assessment

For the year ended 31 December 2020, the Company conducted a comprehensive internal materiality assessment to identify and assess ESG-related concerns and priorities that were shared by the Group and its stakeholders.

Since the Group's principal business engaged in the extraction of natural resources, emissions and use of resources are considered as the most important to the stakeholders and the Group. Meanwhile, employment and development and training are also considered important according to the materiality assessment results.

Environment

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 Hongguo Coal Mine, Baogushan Coal Mine, Xiejiahegou Coal Mine and the Songshan Coal Preparation Plant. 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. The Group has adopted an advanced wastewater treatment solution in order to minimise the impact from the discharge of mining water.

- Solid waste treatment – our coal wastes generated from coal washing and processing 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. Since coal washing services has not been implemented at Xiejiahegou Coal Mine, no gangue generation was recorded at Xiejiahegou Coal Mine.

- 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.

Pollution Control and Emission Reduction

The Group acknowledges its responsibility for environmental protection and believes that it is the fundamental obligation in our business operation. Since the nature of the coal mining is interlaced with the natural environment, the Group aims to achieve a balance between resource extraction and the environmental preservation in its business practices. Every step of coal production has direct and indirect impact on the environment. The Group has thus kept a close monitor on potential negative impacts of its coal extraction and pollution control with statistics recorded. Through site examination, assessment, and planning from time to time, the Company fully implements all major decisions and deployment in accordance with its sustainable performance, and updates the existing procedures if needed.

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. During the year ended 31 December 2020, the overall ecological and environmental risks are controllable and there are no environmental emergencies nor significant climate-related issues directly created by the Group so far.

Air Pollution Control and Greenhouse Gas Emission Reduction

During the Group's production and operating activities, greenhouse gas (GHG) and key air pollutants of Nitrogen Oxide (NO_x), Sulphur Oxide (SO_x) and Particulate Matters (PM) were, directly and indirectly, generated in each mining production process of the Group. Our mining operation mainly involves the following key steps:

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

While fuel consumption in the Group's mining production and vehicle exhausts from the its coal transportation and waste treatment procedures directly generate GHGs, 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 Mainland China and Hong Kong offices.

For the abovementioned reasons, the Group is highly aware of its corporate social responsibilities as its business engaged in the extraction of natural resources. Hence, an internal audit department assesses and audits the effectiveness of its environmental protection measures. For the year ended 31 December 2020, the Group is not aware of any non-compliance incident in relation to air pollutants and greenhouse gas emissions.

The Group's GHG emissions in carbon dioxide (CO_2) equivalent:

	For the year ended 31 December			
	2020		2019	
	Total emissions of CO_2 equivalent (kg)	**Key emissions intensity (kg of CO_2 equivalent emissions per tonne of coal products sold)**	Total emissions of CO_2 equivalent (kg)	Key emissions intensity (kg of CO_2 equivalent emissions per tonne of coal products sold)
Greenhouse gas emissions (kilogram in CO_2 equivalent)				
Direct (Scope 1)	**2,483,630.71**	**1.80**	2,505,611.08	2.98
Indirect (Scope 2)	**83,633,150.20**	**60.55**	51,604,243.28	61.40
Total	**86,116,780.91**	**62.35**	54,109,854.36	64.38

During the year ended 31 December 2020, the Group's direct carbon emissions are mainly generated from its fuel consumption in the production activities, while the indirect emissions come from water, power, paper consumptions as well as vehicles for business trips. The Group is well aware of the environmental impacts of carbon dioxide, and highly attentive to carbon emissions during its production.

The Group recorded an increase in the total CO_2 equivalent emissions for the year ended 31 December 2020, which was attributable to the enhanced production capacity of both Hongguo Coal Mine and Baogushan Coal Mine, the addition of production at Xiejiahegou Coal Mine, as well as the Group's trading business segment which was newly started in 2020. As aimed at the beginning of the year, the Group recorded a slight decrease in direct GHG emissions and attained a lower direct GHG emission intensity of 1.80 in kg of CO_2 equivalent emissions per tonne of coal products sold for the year ended 31 December 2020. Such decrease in direct GHG emissions was attributable to the reduced consumption of non-renewable fuels from stationary and mobile combustion sources during the year ended 31 December 2020.

The Group's emissions of key air pollutants:

	For the year ended 31 December			
	2020		2019	
	Total emissions	Key emissions intensity (g of key air pollutants per tonne of coal products sold)	Total emissions	Key emissions intensity (g of key air pollutants per tonne of coal products sold)
Key Air Pollutants (gram)				
NO_X	**114,181.64**	**0.08**	241,162.07	0.29
PM	**10,940.79**	**0.01**	23,107.96	0.03
SO_X	**189.66**	**0.000137**	317.56	0.000378

During the year ended 31 December 2020, the Group's air pollutants emissions were produced by light vehicles used in the Group's operation. The Group recorded a notable decrease in air pollutants emissions, which was attributable to the reduction in car usage during the year ended 31 December 2020.

Measures to Reduce the Emission of Greenhouse Gas and Exhaust

In order to reduce GHG 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.

Since methane emissions from coal mining is one of the sources of GHG emissions causing global warming, the Group aims to achieve low-emission target by improving its production plants. As such, the Group has built low-concentration methane gas power plants at each of Hongguo Coal Mine, Baogushan Coal Mine and Xiejiahegou Coal Mine, which have greatly reduced the emission of methane as a greenhouse gas. Upholding "low carbon emissions" in the Group's business practice, the internal audit department of the Group assesses and audits the effectiveness of our environmental protection measures. The Group will stay committed to monitoring its resource consumption in the future and minimising carbon emissions.

In terms of key air pollutant emissions, the Group understands that an efficient transportation plan help reduce the use of private vehicles. The Group will formulate transportation plans and integrate them into its operations to achieve pollution reduction.

Hazardous Wastes and Treatment

Gangue is an inevitable by-product in the coal washing process. The Group mainly generates gangue as a hazardous waste. In its production process, 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. Thus, the Company targets to improve its coal preparation and coal processing technology and purchase advanced technology equipment, so as to improve the recovery rate of clean coal, reduce waste generation and raise the Group's production efficiency.

A breakdown for gangue generation and intensity by mines:

	For the year ended 31 December			
	2020		2019	
	Gangue generation (tonne)	Hazardous waste intensity (tonne of hazardous waste per tonne of coal products sold)	Gangue generation (tonne)	Hazardous waste intensity (tonne of hazardous waste per tonne of coal products sold)
Hongguo Coal Mine	575,163.85	0.42	450,340.02	0.54
Baogushan Coal Mine	430,569.54	0.31	400,733.51	0.48
Total	1,005,733.39	0.73	851,073.53	1.02

Since coal washing services has not been implemented at Xiejiahegou Coal Mine, gangue was primarily generated from Hongguo Coal Mine and Baogushan Coal Mine for the year ended 31 December 2020. The Group has assessed the potential impact of its expanded production capacities of Hongguo Coal Mine and Baogushan Coal Mine on generating gangue. Hence, the increase in production of hazardous waste is expected. During the production process, although the Group recorded a total increase of 154,659.86 tonnes of gangue generated from 851,073.53 tonnes in 2019 to 1,005,733.39 tonnes in 2020, the hazardous waste intensity of Hongguo Coal Mine and Baogushan Coal Mine decreased. The Group will continue its efforts in recovering the maximum potential amount of usable coal.

The Group engaged qualified local village cooperatives to deal with the gangue generated for the purpose of controlling or eliminating hazards 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 and Treatment

The non-hazardous wastes generated by the Group consist of general production waste and domestic waste such as waste paper, which are treated by the local government. Hence, there was no record of the non-hazardous wastes amount produced by the Group for the year ended 31 December 2020. The Group will continue to encourage its staff to recycle at work, so as to minimise general waste for a green production.

Energy Consumption

During the year ended 31 December 2020, the Group's energy consumption was mainly composed of diesel, unleaded petrol and electricity. The total energy consumption for the year ended 31 December 2020 was 108,294,769.59 kilo-Watt-hour (kWh), and the total energy consumption intensity per every tonne of coal products sold was 78.40.

Diesel and unleaded petrol consumptions and the intensity:

	For the year ended 31 December			
	2020		2019	
	Energy consumption	Energy consumption intensity (litre of energy consumption per tonne of coal products sold)	Energy consumption	Energy consumption intensity (litre of energy consumption per tonne of coal products sold)
Diesel (litres)	935,760.48	0.68	935,156.89	1.11
Unleaded petrol (litres)	12,901.88	0.01	21,602.41	0.03

Diesel consumption comes from coal washing facilities and equipment. During the year ended 31 December 2020, the decrease in diesel consumption intensity was attributable to the effort in controlling the energy consumption during coal preparation process.

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 year ended 31 December 2020, there was a decrease in the total consumption of unleaded petrol.

A breakdown of electricity consumption by region:

	For the year ended 31 December			
	2020		2019	
	Electricity consumption (kWh)	Electricity consumption intensity (kWh of electricity consumption per tonne of coal products sold)	Electricity consumption (kWh)	Electricity consumption intensity (kWh of electricity consumption per tonne of coal products sold)
Mainland China	98,716,842	71.47	64,034,306	76.19
Hong Kong	23,959	0.02	30,701	0.04
Total	98,740,801	71.49	64,065,007	76.23

For the year ended 31 December 2020, the Group recorded an increase of approximately 54.1% in its total electricity consumption in Mainland China and Hong Kong. The increase was mainly attributable to the general increase in coal production and higher energy usage in Mainland China in view of the enhanced production capacities of Hongguo Coal Mine, Baogushan Coal Mine, as well as the newly acquired Xiejiahegou Coal Mine. 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, printers and fax machines when staff were off duty or on vacation, thereby reducing unnecessary power consumption. Positive effects are shown on the electricity consumption in Hong Kong office, where the consumption decreased by 22.0% from 30,701 kWh to 23,959 kWh for the year ended 31 December 2020.

Water Consumption

A breakdown of water consumption by workshop:

	For the year ended 31 December			
	2020		2019	
	Water consumption (m^3)*	**Water consumption intensity (m^3 of water consumption per tonne of coal products sold)**	Water consumption (m^3)*	Water consumption intensity (m^3 of water consumption per tonne of coal products sold)
Hongguo Coal Mine	**732,000**	**0.53**	682,737	0.81
Baogushan Coal Mine	**735,700**	**0.53**	690,822	0.82
Xiejiahegou Coal Mine	**391,400**	**0.28**	–	–
Songshan Coal Preparation Plant	**117,500**	**0.09**	187,200	0.22
Total	**1,976,600**	**1.43**	1,560,759	1.85

* Water consumption data were estimated based on operational practises.

The Group requires stable water supply for its mining operations, especially for coal preparation. Three of the mines have their production and domestic water supply from surface and underground water. From 2019 to 2020, the Group's total water consumption increased by approximately 415,841 m^3, mainly due to the enhanced production capacities of Hongguo Coal Mine and Baogushan Coal Mine and newly acquired Xiejiahegou 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. The purified water will then be reused and supplied for mining operations and coal preparation. The remaining unused purified water is then discharged to the Songshan River or for agricultural irrigation in the local areas.

Paper Consumption and Packaging Materials

Among the Group's workplaces, papers are consumed in Hongguo Coal Mine, Baogushan Coal Mine, Xiejiahegou Coal Mine, Songshan Coal Preparation Plant, as well as offices in Mainland China and Hong Kong, for packaging and administrative work. To reduce its total consumption of paper, the Group encourages all departments to process information via computer to minimise the waste of printing paper. Yet, the Group's total paper consumption for the year ended 31 December 2020 increased 50.0% due to the enhanced production capacities of Hongguo Coal Mine, Baogushan Coal Mine and Xiejiahegou Coal Mine.

Paper consumption and the intensity:

	For the year ended 31 December	
	2020	2019
Paper consumption (kg)	4,804	3,150
Paper consumption intensity (kg of paper consumption per tonne of coal products sold)	0.003	0.004

Caring Workplace

Since our business is labour intensive, human resources are valuable assets to the Group. As at 31 December 2020, we had 2,993 employees in total, 2,982 of whom were based in Guizhou while the remaining 11 employees were located in Hong Kong. In 2020, the Group had a total of 1,563 new employees and 647 staff departures.

The table below shows detailed employee statistics of the Group catagorised by contract, job function, gender, age group, and employment location:

	Number of employees As at 31 December	
	2020	2019
By Employment type		
Long-term Service Contract	2,993	2,077
Short-term Service Contract	0	0
By Job Function		
Directors of the Company	11	11
Administration and management	294	179
Accounting and finance	30	27
Sales and marketing	5	4
Production scheduling	26	20
Production safety	297	137
Mine production	2,118	1,483
Coal preparation	207	211
Supply and procurement	5	5
By Gender		
Male	2,644	1,802
Female	349	275

	Number of employees As at 31 December	
	2020	2019
By Age Group		
≤ 30	**580**	434
31–40	**978**	606
41–50	**929**	671
51–60	**488**	363
> 60	**18**	3
By Employment Location		
Guizhou	**2,982**	2,066
Hong Kong	**11**	11
Total	**2,993**	2,077

Labour Practice and Employment

As the Group highly values and protects our employees' human rights and benefits, the Group strictly compiles with all legal regulations and has executed a series of internal policies set out by our human resource department. In line with the employment laws in China and Hong Kong, all employees of the Group in China are covered by 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》), General Principles of the Civil Law of the People's Republic of China (《中華人民共和國民法通則》); while all the employees in Hong Kong are covered by the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong). Forced work and remuneration less than the minimum wage are prohibited according to the relevant local and national laws and regulations. To ensure a safe working environment for all employees, employee's duties and obligations are clearly stated in our employment contracts.

Labour Standards

Employment of illegal labour and underaged individuals (below the age of 16) is forbidden. The Group strictly follows the Employment Ordinance of Hong Kong and Labour Contract Law of the PRC. 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.

Equal Opportunities

In emphasis of the employee well-being and development, the Group treats all employees on an equal ground. The Group firmly promotes equal employment to protect job applicants from discrimination of gender, age, family status, ethnicity, or religion, where none of these factors are considered before personal merit and competence in neither our evaluation for employment, promotion opportunities, nor remuneration. For the year ended 31 December 2020, the Group has adopted fair practices in hiring to attain employee diversity. As a result of this indiscriminative hiring process, the Group has maintained a relatively diverse employee proportion of different age groups ranging from below 30 to above 60 as at 31 December 2020 and 2019. During the year ended 31 December 2020, the Group did not receive any complaints in relation to unequal employment nor treatment. The Group endorses a fair and open competing environment, in which equal opportunities are provided to our employees. Relevant training schemes are also arranged to cater to different needs of our employees in various roles. More about development and training will be explained further in the below section.

Remuneration and Benefits

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 and applicable laws and regulations in China, the Group contributes to all employees' mandatory provident fund and various benefit scheme. The Group has also been improving its human resources system on selection, training, and employee retention to create an open occupational environment.

The Group began the year 2020 with 2,077 employees, and concluded it with 2,993 as at 31 December 2020. For the year ended 31 December 2020, the Group's employee turnover rate was approximately 21.62%, whereas most of the members who left the Group were in the age group of below 30 and 31 to 40 and located in China.

Dividing employees in the specified category leaving employment by the total number of employees in the specified category, the table below sets out the employee turnover rate by gender, age group and geographical region for the year ended 31 December 2020 and 2019, respectively:

	Employee turnover rate (%) For the year ended 31 December	
	2020	2019
By gender		
Male	**22.54%**	29.19%
Female	**14.61%**	15.64%
By age group		
≤ 30	**41.03%**	40.32%
31–40	**23.72%**	31.68%
41–50	**14.10%**	22.35%
51–60	**8.81%**	14.05%
> 60	**16.67%**	33.33%
By geographical region		
Guizhou	**21.70%**	27.54%
Hong Kong	**0.0%**	0.0%

Occupational Health and Safety

In recognition of the relatively high risk poses on our frontline workers' safety and health, the Group places great importance on optimising safety standards of our workplace. During the year ended 31 December 2020, the Group has compiled in all material respects with all applicable laws and regulations in relation to health and safety at our coal mines in China, including Law of the People's Republic of China on Work Safety (《中華人民共和國安全生產法》), the Prevention and Control of Occupational Diseases Law of the People's Republic of China (《中華人民共和國職業病防治法》), the Regulations on the Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》) and the Provisions on Fire Control Safety Education and Training (《社會消防安全教育培訓規定》). No fatal accidents occurred at our coal mines for the three years ended 31 December 2018, 2019, and 2020. As for the year ended 31 December 2020, there was a total of 150 cases of injuries from occupational accidents, resulting in 18,659 lost working days. Below summarises the Group's safety data recorded during the year ended 31 December 2020 and 2019, respectively:

	For the year ended 31 December			
	2020		2019	
	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	56	7,102	75	6,335
Baogushan Coal Mine	38	4,849	45	4,616
Songshan Coal Preparation Plant (Including Phase I, Phase II and Phase III)	9	1,575	5	315
Xiejiahegou Coal Mine	47	5,133	–	–
Total	150	18,659	125	11,266

The Group upholds the principle of "safety before production". In accordance with the latest safety regulations and industry guidelines, the Group has established a range of standard policies and measures implemented in its production workshops as follows:

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, responsible for 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

All employees of the Group should have the opportunity to discover their full potential. The Group strictly complies with the requirements of Law of the People's Republic of China on Work Safety to provide induction training for new recruits. 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. For the year ended 31 December 2019, the number of attendances at the training was 3,637 and our training hours totalled 137,383 hours. For the year ended 31 December 2020, the number of attendances at the training increased to 4,670 and the total training hours raised to 228,203 hours. The percentage of attendances trained is calculated by dividing the total number of attendance into the attendances trained in the specified category.

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

	For the year ended 31 December					
	2020			2019		
By categories	Total number of attendances trained	Average training hours completed per employee (hours)	The percentage of attendances trained	Total number of attendances trained	Average training hours completed per employee (hours)	The percentage of attendances trained
Employees trained, by gender						
Male	4,657	48.9	99.72%	3,631	37.8	99.84%
Female	13	35.5	0.28%	6	5.00	0.16%
Employees trained, by job categories						
Administration and management	23	5.0	0.49%	17	5.00	0.47%
Accounting and finance	12	5.0	0.26%	10	5.00	0.27%
Sales and marketing	5	5.0	0.11%	4	5.00	0.11%
Mine production	4,625	49.0	99.04%	3,606	38.1	99.15%
Supply and procurement	5	5.0	0.11%	–	–	–

Following the acquisition of Xiejiahegou Coal Mine in 2020, relevant employees were required to be briefed and familiarised with the mining practices and use of machines. As a result, there was an increase in the number of attendances at the training and training hours in 2020.

The Group provides fair training opportunities for all employees. Due to the job nature, the majority of mine workers in Guizhou are male, 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 role such as coal mining, supply and procurement, administration, and accounting, so that employees can improve their skills in terms of their specialties 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 249 for the year ended 31 December 2019 to 298 for the year ended 31 December 2020. 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 including environmental and social standards. The Group has established policies of procurement method, applying to different natures and situations. As for important orders, relevant departments shall first compare at least three suppliers based on quality, price, delivery timetable and quality of service and wait for the approval before the order proceeds.

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.

The Group will plan for a green procurement that fits with other procurement requirements in the future.

Product Responsibility

As one of the largest producers of 1/3 coking coal in the 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 year ended 31 December 2020, the Group did not violate or breach any laws and regulations relating to product responsibility and did not receive 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 year ended 31 December 2020, the Group did not receive any reports or any customer complaints on violation of the laws and regulations relating to service responsibility.

The Group's 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

To maintain fairness in our business and market integrity, the Group is in compliance with all applicable anti-bribery and corruption laws including the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong) in Hong Kong as well as all the relevant anti-corruption laws in China. The Group has also applied the Code of Corporate Governance Practices set out in Appendix 14 to the Listing Rules as the basis in formulating the internal rules and regulations for integrity discipline and clean administration.

The Group adheres to the anti-corruption principle. Any improper behaviour that undermines the Group's interest shall not be tolerated. This includes bribery, extortion, fraud, and money laundering. During the year ended 31 December 2020, the Group was not involved in any corruption litigation and has not received any report on suspected corruption activities.

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. The Group also 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 anti-corruption training provided by the Group during the year ended 31 December 2020 and 2019, respectively:

	For the year ended 31 December	
	2020	2019
Number of anti-corruption training held	**5**	5
Number of attendances receiving anti-corruption training	**1,670**	1,075

Community Investment

The Group was named the 50th top-100 private enterprises in Guizhou. The Company firmly believes in giving back to the local community it has roots in. During the year ended 31 December 2020, the Group received the "Caring Award" the from Red Cross Society of China Guizhou Branch, in recognition of the Group's corporate citizenship in giving back to society. The Group focuses on contributing to areas of health and education during the year ended 31 December 2020.

In 2020, the COVID-19 outbreak has caused hundreds of millions of infection cases and deaths globally. Considering the significant impacts it has brought to the community, the Group hopes to respond to the COVID-19 pandemic by higher community involvement. All community contributions made by the Group were as follows:

– Donation of approximately RMB2,000,000 towards Wuhan Jinyintan Hospital for fighting against the COVID-19 pandemic;

– Donation of approximately RMB3,000,000 towards Wuhan, Hubei Province in China as COVID-19 aid;

– Tuition and living subsidies of approximately RMB182,000 towards 16 local impoverished college students in Songshan Village, Hongguo Street, Panzhou City;

– Donation of approximately RMB566,000 to Songshan Village, Hongguo Street, Panzhou City for medical expenses; and

– Donation of approximately RMB40,000 to the People's Government of Yangchang Township as special funds for combating crime syndicates.

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 76 to 149, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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.

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 4 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 from a revision to the estimates of coal reserves. As set out in notes 15 and 13 to the consolidated financial statements, the amortisation of mining rights and depreciation of mining structures for the year ended 31 December 2020 amounted to RMB38,238,000 (2019: RMB5,577,000) and RMB15,071,000 (2019: RMB7,676,000), 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.

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.

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.

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, actions taken to eliminate threats or safeguards applied.

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 Ng Kin Fai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Revenue	5	1,402,604	812,145
Cost of sales		(686,600)	(389,302)
Gross profit		716,004	422,843
Other income	7	35,290	24,943
Fair value change of contingent consideration payables		(16,072)	–
Other gains and losses	7	(2,475)	5,445
Distribution and selling expenses		(105,626)	(36,164)
Administrative expenses		(121,230)	(101,663)
Other expenses		(283)	(1,829)
Finance costs	8	(21,223)	(3,781)
Profit before taxation	9	484,385	309,794
Taxation charge	10	(138,905)	(91,773)
Profit and total comprehensive income for the year		345,480	218,021
Earnings per share (RMB cents)			
Basic	12	21.59	13.63

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	13	**1,167,790**	876,336
Investment properties	14	**52,700**	52,730
Mining rights	15	**902,103**	115,400
Restricted bank deposits	17	**20,254**	11,292
Rental deposits	21	**509**	542
Deposits for purchase of property, plant and equipment	21	**9,564**	8,428
Deposit for acquisition of mining right and related assets	21	**–**	110,000
Deposit for acquisition of mining rights	21	**61,200**	–
		2,214,120	1,174,728
Current assets			
Inventories	19	**29,379**	17,268
Trade and bills receivables	20	**275,061**	220,216
Deposits, prepayments and other receivables	21	**17,245**	21,817
Bank balances and cash	22	**139,603**	243,312
		461,288	502,613
Current liabilities			
Trade payables	23	**65,518**	51,095
Other payables and accrued charges	24	**100,765**	118,144
Contract liabilities	25	**190**	1,747
Lease liabilities	26	**1,824**	3,204
Amounts due to related parties	27	**–**	4,346
Tax payable		**27,018**	1,052
Bank and other borrowings	28	**125,864**	211,426
Contingent consideration payables	29	**185,061**	–
		506,240	391,014
Net current (liabilities) assets		**(44,952)**	111,599
Total assets less current liabilities		**2,169,168**	1,286,327

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Lease liabilities	26	–	1,824
Provision for restoration costs	30	43,028	38,912
Deferred tax liabilities	18	30,001	35,347
Contingent consideration payables	29	326,011	–
Bank and other borrowings	28	251,000	–
		650,040	76,083
Net assets		1,519,128	1,210,244
Capital and reserves			
Share capital	31	14,136	14,136
Reserves		1,504,992	1,196,108
Total equity		1,519,128	1,210,244

The consolidated financial statements on pages 76 to 149 were approved and authorised for issue by the Board of Directors on 25 March 2021 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 2020

	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 2019	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
Profit and total comprehensive income for the year	–	–	–	–	345,480	345,480	–	345,480
Dividend recognised as distribution (note 11)	–	(36,596)	–	–	–	(36,596)	–	(36,596)
Transfer to statutory surplus reserve	–	–	–	38,049	(38,049)	–	–	–
At 31 December 2020	14,136	443,759	212,664	84,075	764,494	1,519,128	–	1,519,128

Notes:

(i) Other reserve as at 31 December 2020 and 2019 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 to the consolidated financial statements of the annual report for year ended 31 December 2019) carried out by Old Operating Entities (as defined in note 2 to the consolidated financial statements of the annual report for year ended 31 December 2019) prior to the Assets Transfer (as defined in note 2 to the consolidated financial statements of the annual report for year ended 31 December 2019) 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 to the consolidated financial statements of the annual report for year ended 31 December 2019); (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 Hong Kong Resources (as defined in note 2 of consolidated financial statements for year ended 31 December 2019)) 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 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Profit before taxation	484,385	309,794
Adjustments for:		
Finance costs	21,223	3,781
Depreciation of property, plant and equipment	80,451	55,344
Fair value change of investment properties	30	(10)
Fair value change of contingent consideration payables	16,072	–
Amortisation of mining rights	38,238	5,577
Loss (gain) on disposal/written off of property, plant and equipment	2,383	(6,108)
Interest income	(4,946)	(4,340)
Operating cash flows before movements in working capital	637,836	364,038
(Increase) decrease in inventories	(12,111)	3,635
Increase in trade and bills receivables	(109,845)	(134,938)
Decrease (increase) decrease in deposits, prepayments and other receivables	73,948	(47)
Increase (decrease) in trade payables	14,423	(4,709)
Decrease in other payables and accrued charges	12,204	9,340
(Decrease) increase in contract liabilities	(1,557)	1,747
Decrease in amounts due to related parties	(4,346)	(7,444)
Cash generated from operations	610,552	231,622
Income tax paid	(118,285)	(81,276)
NET CASH FROM OPERATING ACTIVITIES	492,267	150,346

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(232,767)	(353,102)
Purchase of mining right and related assets	(450,000)	–
Proceeds from disposal of property, plant and equipment	849	4,471
Interest received	4,946	4,340
Deposits paid for purchase of property, plant and equipment	(9,564)	(8,428)
Deposit paid for acquisition of mining right and related assets	–	(110,000)
Deposit paid for acquisition of mining rights	(61,200)	–
Addition to restricted bank deposits	(8,962)	(44)
NET CASH USED IN INVESTING ACTIVITIES	(756,698)	(462,763)
FINANCING ACTIVITIES		
Dividend paid	(36,596)	–
Interest paid on bank and other borrowings and lease liabilities	(19,362)	(946)
Repayment of lease liabilities	(3,204)	(4,128)
New borrowings raised	376,649	209,621
Repayment of borrowings	(156,765)	–
NET CASH FROM FINANCING ACTIVITIES	160,722	204,547
NET DECREASE IN CASH AND CASH EQUIVALENTS	(103,709)	(107,870)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	243,312	351,182
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	139,603	243,312

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

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, 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. The principal activities of its subsidiaries are set out in note 40.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the 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.

2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2. Adoption of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

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

2.2 Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. 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.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

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 and the related Amendments[1]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

2. Adoption of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

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 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and (Note)

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

2. Adoption of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (continued)

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020 and the related terms and conditions stipulated in the agreements between the Group and the relevant lenders, the application of the amendments will not result in reclassification of the Group's liabilities.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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.

As at 31 December 2020, the Group has net current liabilities of RMB44,952,000. The directors of the Company have given careful consideration to the future liquidity of the Group when preparing the consolidated financial statements. Taking into account the ongoing availability of finance to the Group, including the unutilised credit facility granted from a bank to the Group of RMB304,000,000 as at 31 December 2020, which can be utilised if necessary subsequent to the reporting period, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly these consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and contingent consideration payables that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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, 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*".

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Basis of preparation of consolidated financial statements (continued)

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

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

Significant accounting policies

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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Business combinations or asset acquisitions

Asset acquisitions

When the Group acquires a group of assets that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Revenue from contracts with customers

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.

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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Revenue from contracts with customers (continued)

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.

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

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application or arising from business combination, 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

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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Leases (continued)

The Group as a lessee **(continued)**

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.

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Leases (continued)

The Group as a lessee **(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 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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Leases (continued)

The Group as a lessor **(continued)**

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

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

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 other property assets, commences when the assets are ready for their intended use.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Property, plant and equipment (continued)

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" 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.

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.

3. Basis of Preparation of Consolidated Financial Statements and 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 testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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.

3. Basis of Preparation of Consolidated Financial Statements and 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 (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Financial instruments (continued)

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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.

3. Basis of Preparation of Consolidated Financial Statements and 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 assessment 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, in which case 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.

3. Basis of Preparation of Consolidated Financial Statements and 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.

3. Basis of Preparation of Consolidated Financial Statements and 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.

3. Basis of Preparation of Consolidated Financial Statements and 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 and 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.

Derecognition of financial assets

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 recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

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

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.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity **(continued)**

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liabilities is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

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 of financial liabilities

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.

3. Basis of Preparation of Consolidated Financial Statements and 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.

3. Basis of Preparation of Consolidated Financial Statements and 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of 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, except for freehold land, which is always presumed to be recovered entirely through sale.

3. Basis of Preparation of Consolidated Financial Statements and 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.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. 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.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, 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.

Deferred taxation on undistributed profits of subsidiaries

At 31 December 2020, the Group provided for deferred tax liabilities of approximately RMB9,477,000 (2019: RMB9,477,000) in relation to the earnings expected to be distributed from the certain subsidiaries. Deferred tax liabilities have not been provided on the distributable profits of subsidiaries that the Group plans to retain in the respective entities for their daily operations and future developments. In case where the actual distribution of profits are larger than expected, material tax liabilities will arise, which will be recognised in the profit or loss for the period in which such profits are distributed or the future development plan of the Group changed, whichever is earlier. The detail of undistributed profits are set our in note 18.

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 3, 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.

4. 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 (2019: 20 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 from 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 RMB902,103,000 (2019: RMB115,400,000) and the carrying amount of mining structures included in the property, plant and equipment was RMB476,651,000 (2019: RMB362,856,000) as at 31 December 2020. The amortisation of mining rights and depreciation of mining structures for the year ended 31 December 2020 amounted to RMB38,238,000 (2019: RMB5,577,000) and RMB15,071,000 (2019: 7,676,000), 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 RMB430,663,000 (2019: RMB349,303,000).

Useful lives of mining rights

The Group's management determines the estimated useful lives of 23 to 45 years (2019: 34 to 46 years) for its mining rights based on the proven and probable reserves. However, the mining rights were granted for terms of 20 years (2019: 20 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.

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

Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in note 14.

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. In light of the negative impact of the COVID-19 pandemic, the independent valuers included uncertainty clauses in the valuation reports in respect of investment properties amounted to RMB52,700,000 as at 31 December 2020. Whilst the Group considers valuations of the Group's investment properties are the best estimates, the ongoing COVID-19 pandemic has resulted in greater market volatility depending on how the COVID-19 pandemic may progress and evolve, which have led to higher degree of uncertainties in respect of the valuations in the current year. Changes to these assumptions, including the potential risk of any market violation, policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment, travel restrictions implemented by many countries, increased complexity in international trade tensions geopolitics, changes in policy direction and/or mortgage requirements, or other unexpected incidents would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2020, the carrying amount of the Group's investment properties is RMB52,700,000 (2019: HK$52,730,000).

Fair value measurement of contingent consideration payables

As at 31 December 2020, contingent consideration payables amounting to RMB511,072,000 (2019: nil) are measured at fair value which is determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Whilst the Group considers these valuations are the best estimates, the ongoing COVID-19 pandemic has resulted in greater market volatility and may cause further disruptions to the investees businesses, which have led to higher degree of uncertainties in respect of the valuations in the current year. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See notes 29 and 37 for further disclosures.

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 RMB43,028,000 (2019: RMB38,912,000).

5. 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:

	2020 RMB'000	2019 RMB'000
Types of goods and services		
Recognised at a point in time:		
Sales of coal products:		
– Raw coal	1,447	–
– Clean coal	1,307,935	723,367
– Middling coal	90,198	83,434
– Sludge coal	471	2,820
	1,400,051	809,621
Sales of coalbed methane gas	2,553	2,524
	1,402,604	812,145
Geographical market		
The PRC	1,402,604	812,145

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.

5. 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 3. 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 RMB2,190,621,000 (2019: RMB1,156,018,000) are located in the PRC and of RMB2,736,000 (2019: RMB6,876,000) 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:

	2020 RMB'000	2019 RMB'000
Customer A	**N/A#**	191,814
Customer B	**169,952**	106,850
Customer C	**214,898**	285,682
Customer D	**375,719**	N/A#
Customer E	**301,365**	N/A*

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

* No revenue attributed from the relevant customer.

6. 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)	Mr. Sun Dawei RMB'000	Mr. Wang Shize RMB'000	Mr. Li Xuezhong RMB'000	Mr. Lam Chik Shun, Marcus RMB'000	Mr. Yu Zhilong RMB'000 (note ii)	Mr. Yu Xiao RMB'000 (note ii)	Mr. Fong Wai Ho RMB'000	Mr. Punnya Niraan De Silva RMB'000	Ms. Cheung Suet Ting, Samantha RMB'000	Mr. Wang Xiufeng RMB'000 (note iv)	Total RMB'000
Year ended 31 December 2020												
Fees	188	188	188	188	188	188	188	322	322	322	200	2,482
Other emoluments:												
Salaries and other benefits	812	812	812	1,491	2,655	312	312	–	–	–	–	7,206
Retirement benefits schemes contributions	14	–	13	22	22	13	11	–	–	–	–	95
Total emoluments	1,014	1,000	1,013	1,701	2,865	513	511	322	322	322	200	9,783

	Mr. Yu RMB'000 (note i)	Mr. Sun Dawei RMB'000	Mr. Wang Shize RMB'000	Mr. Li Xuezhong RMB'000	Mr. Lam Chik Shun, Marcus RMB'000	Mr. Yu Zhilong RMB'000 (note ii)	Mr. Yu Xiao RMB'000 (note ii)	Mr. Fong Wai Ho RMB'000	Mr. Punnya Niraan De Silva RMB'000	Ms. Cheung Suet Ting, Samantha RMB'000	Mr. Wang Hongchuan RMB'000 (note iii)	Mr. Wang Xiufeng RMB'000 (note iv)	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

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

(iii) Mr. Wang Hongchuen resigned as independent non-executive director of the Company on 6 June 2019.

(iv) 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.

6. Directors' and Employees' Emoluments (continued)

(b) Employees' emoluments

The five highest paid employees of the Group during the year included four directors (2019: four directors), details of whose emoluments are set out in note 6(a) above. Details of the remuneration for the year of the remaining one (2019: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other benefits	**1,435**	1,043
Retirement benefits schemes contributions	**16**	15
	1,451	1,058

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:

	2020 Number of employees	2019 Number of employees
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	–

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

7. Other Income/Other Gains and Losses

	2020 RMB'000	2019 RMB'000
Other income		
Bank interest income	4,946	4,340
Government grant (Note i)	24,289	17,321
Rental income from Guizhou Bangda Energy Development Co., Ltd. ("Bangda") (Note ii)	1,101	1,101
Rental income from subleasing (Note ii)	2,457	1,399
Insurance claim	1,239	–
Others	1,258	782
	35,290	24,943
Other gains and losses		
Fair value change of investment properties (note 14)	(30)	10
(Loss) gain on disposal/written-off of property, plant and equipment	(2,383)	6,108
Net exchange loss	(62)	(673)
	(2,475)	5,445

Notes:

(i) During the year ended 31 December 2020, government grant mainly represents grants received by the Group upon meeting production volume target of coal products and coalbed methane gas and safety requirement set by the local government. Government grant of RMB448,024 was recognised in respect of COVID-19-related subsidies, of which RMB388,024 relates to Employment Support Scheme provided by the Hong Kong government. 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 coalbed methane gas and safety requirement set by the local government.

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

8. Finance Costs

	2020 RMB'000	2019 RMB'000
Unwinding of discount on restoration costs	1,861	609
Interest on discounted bills	554	3,688
Interest on bank borrowings	5,675	–
Interest on other borrowings	13,577	712
Interest on lease liabilities	110	234
	21,777	5,243
Less: Interest capitalised in construction in progress	(554)	(1,462)
	21,223	3,781

During the year ended 31 December 2020, borrowing costs capitalised on the general borrowing pool and are calculated by applying a capitalisation rate of 1% (2019: 3%) per annum to expenditure on qualifying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

9. Profit before Taxation

	2020 RMB'000	2019 RMB'000
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	2,170	1,761
Directors' emoluments (note 6)	9,783	9,886
Other staff costs:		
Salaries and other allowances	206,357	158,563
Retirement benefits schemes contributions	20,437	22,806
Less: Capitalised in construction in progress	(20,840)	(30,113)
Less: Capitalised in inventories	(146,801)	(113,857)
Total staff costs	68,936	47,285
Depreciation of property, plant and equipment	80,451	55,344
Less: Capitalised in inventories	(69,931)	(46,544)
Total depreciation of property, plant and equipment included in administrative expenses	10,520	8,800
Amortisation of mining rights	38,238	5,577
Less: Capitalised in inventories	(38,238)	(5,577)
Total amortisation of mining rights included in administrative expenses	–	–
Inventories recognised as an expense	686,600	389,302
Gross rental income from investment properties	(3,558)	(2,500)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	2,723	1,665
	(835)	(835)

10. Taxation Charge

	2020 RMB'000	2019 RMB'000
PRC Enterprise Income Tax ("EIT"):		
– current year	144,251	34,473
Deferred tax (credit) charge (note 18)	(5,346)	57,300
Taxation charge	138,905	91,773

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:

	2020 RMB'000	2019 RMB'000
Profit before taxation	484,385	309,794
Taxation at PRC EIT rate of 25%	121,096	77,449
Tax effect of expenses not deductible for tax purposes	21,401	10,417
Tax effect of income not taxable for tax purposes	(3,592)	(3,291)
Tax effect on deferred tax liabilities resulting from withholding tax on undistributed profits of a subsidiary	–	7,479
Utilisation of tax losses previously not recognised	–	(281)
Taxation charge for the year	138,905	91,773

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

11. Dividends

	2020 RMB'000	2019 RMB'000
Proposed final dividend of HK3.75 cents (2019: HK2.5 cents) per share	**53,154**	36,596

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of HK3.75 cents (2019: HK2.5 cents) per ordinary share, in an aggregate amount of HK$60,000,000 (2019: HK$40,000,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting. The final dividend in respect of the year ended 31 December 2019 has been paid during the year.

12. 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:

	2020 RMB'000	2019 RMB'000
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**345,480**	218,021
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,600,000**	1,600,000

No diluted earnings per share was presented for both years as there were no potential ordinary shares in issue for both years.

13. 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 2019	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
Additions	140,212	26,578	52,125	117,258	7,488	2,698	28,778	–	375,137
Transfer	(114,881)	21,301	76,741	16,839	–	–	–	–	–
Disposal/written-off	–	(1,140)	–	(7,784)	–	(177)	–	–	(9,101)
At 31 December 2020	40,641	186,794	529,722	710,967	24,181	25,744	41,977	9,156	1,569,182
DEPRECIATION									
At 1 January 2019	–	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
Provided for the year	–	6,325	15,071	50,607	2,365	2,238	434	3,411	80,451
Eliminated on disposal/ written-off	–	(167)	–	(5,654)	–	(48)	–	–	(5,869)
At 31 December 2020	–	30,743	53,071	280,304	11,114	15,247	3,449	7,464	401,392
CARRYING AMOUNTS									
At 31 December 2020	40,641	156,051	476,651	430,663	13,067	10,497	38,528	1,692	1,167,790
At 31 December 2019	15,310	115,470	362,856	349,303	7,944	10,166	10,184	5,103	876,336

13. 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 23 to 45 years (2019: 34 to 46 years) based on the proven and probable reserves of the coal mine concerned.

The legal titles of the buildings, with aggregate carrying value of RMB155,177,000 (2019: RMB115,470,000) as at 31 December 2020, 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.

13. 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 31 December 2020			
Carrying amount	38,528	1,692	40,220
As at 31 December 2019			
Carrying amount	10,184	5,103	15,287
For the year ended 31 December 2020			
Depreciation charge	434	3,411	3,845
Capitalised in inventories	(434)	–	(434)
	–	3,411	3,411
For the year ended 31 December 2019			
Depreciation charge	242	4,053	4,295
Capitalised in inventories	(242)	–	(242)
	–	4,053	4,053

	2020 RMB'000	2019 RMB'000
Total cash outflow for leases	**3,654**	4,362
Additions to right-of-use assets	**–**	9,156

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of three years (2019: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

14. 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 (2019: 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 2019	52,720
Fair value changes recognised to profit or loss	10
At 31 December 2019	52,730
Fair value changes recognised to profit or loss	(30)
At 31 December 2020	52,700

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 2020 and 2019 have been arrived at on the basis of valuation carried out by Ravia Global Appraisal Advisory 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 2020.

14. Investment Properties (continued)

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.

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 2020	52,700	Level 3	Direct comparison approach	(i) Discounting factors on location and condition	Discounting factors ranging from 5% to 30%	The lower the discounting factor, the higher the fair value
				(ii) Adjusted transaction price	RMB3,269 – RMB6,446 per square meter	The higher the adjusted transaction price, the higher the 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

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.

15. Mining Rights

	RMB'000
COST	
At 1 January 2019	149,751
Addition	10,635
At 31 December 2019	160,386
Addition (note 16)	824,941
At 31 December 2020	985,327
ACCUMULATED AMORTISATION	
At 1 January 2019	39,409
Charge to profit or loss	5,577
At 31 December 2019	44,986
Charge to profit or loss	38,238
At 31 December 2020	83,224
CARRYING AMOUNTS	
At 31 December 2020	902,103
At 31 December 2019	115,400

The mining rights represent the rights for the mining of coal reserves located in Hongguo Town and Yanchang Village, Panzhou County, Guizhou Province, the PRC. The mining rights have average remaining legal lives of 19 years (2019: 20 years) but in the opinion of the management of the Group, the Group will be able to renew the mining rights and business licences 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.

The Group has pledged mining right with carrying amounts of RMB57,925,000 (2019: nil) to secure other bank borrowings granted to the Group.

16. Acquisition of Mining Right and Related Assets

On 4 November 2019, Guizhou Jiutai Bangda Energy Development Co., Ltd. 貴州久泰邦達能源開發有限公司 ("Jiutai Bangda"), an indirectly wholly-ownded subsidiary of the Company, entered into sale and purchase agreement 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") with a profit guarentee arrangement as set out in note 29. The Acquisition was completed on 1 January 2020.

In accordance with HKFRS 3 "Business Combinations", the Group determined that no integrated set under the Acquisition is capable of being conducted and managed as a business and concluded that the Acquisition is an acquisition of assets.

Assets recognised at the date of acquisition:

	RMB'000
Property, plant and equipment	160,716
Mining right	824,941
Other receivables	69,343
	1,055,000

The fair value of consideration as at 1 January 2020 consists of the below:

	RMB'000
Cash consideration paid	560,000
Contingent consideration payable (note 29)	495,000
	1,055,000

17. 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% (2019: 0.38%) per annum.

Details of impairment assessment for the year ended 31 December 2020 and 2019 are set out in note 37.

18. 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 and amortisation 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 2019	–	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)
Credit to profit or loss	**3,541**	**1,797**	**–**	**8**	**5,346**
At 31 December 2020	**(46,318)**	**27,996**	**(9,477)**	**(2,202)**	**(30,001)**

Note: The temporary difference from the fair value adjustment on property, plant and equipment, prepaid lease payments and mining rights are mainly 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.

18. 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:

	2020 RMB'000	2019 RMB'000
Deferred tax liabilities	(30,001)	(35,347)

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 RMB700,216,000 (2019: RMB319,725,000) as at 31 December 2020, 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 2020, a deferred tax liability of RMB9,477,000 (2019: RMB9,477,000) has been recognised in respect of undistributed profits of subsidiaries in the PRC amounting to RMB94,770,000 (2019: RMB94,770,000).

19. Inventories

	2020 RMB'000	2019 RMB'000
Coal products	3,414	3,211
Auxiliary materials and spare parts	25,965	14,057
	29,379	17,268

20. Trade and Bills Receivables

	2020 RMB'000	2019 RMB'000
Trade receivables	**105,961**	92,874
Bills receivables	**169,100**	127,342
Total	**275,061**	220,216

As at 1 January 2019, trade receivables from contracts with customers amounted to RMB82,628,000.

As at 31 December 2020, included in trade receivables are RMB73,000 (2019: nil) and RMB873,000 (2019: nil) due from Bangda and Guizhou Yue Bang Integrated Energy Co., Ltd. ("Yuebang"), respectively. Bangda is 90% owned by Mr. Yu, and Yuebang is an associate of Bangda.

The Group allows credit period of 0–30 days to its trade customers. All bills receivables are matured within one year (2019: 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.

	2020 RMB'000	2019 RMB'000
Trade receivables		
0–30 days	**76,385**	54,979
31–90 days	**22,971**	18,184
91–180 days	**6,545**	19,560
181–365 days	**60**	151
	105,961	92,874
Bills receivables		
0–30 days	**32,600**	32,342
31–60 days	**72,000**	18,000
61–90 days	**25,500**	36,000
91–120 days	**24,000**	15,000
121–180 days	**15,000**	26,000
	169,100	127,342
Total	**275,061**	220,216

20. 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% (2019 : 0.1%) on trade and bills receivables. Thus, the loss allowance provision of the trade and bills receivables as at 31 December 2020 and 2019 was insignificant. There were no credit-impaired trade and bills receivables as at 31 December 2020 and 2019. 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 2020 is RMB275,061,000 (2019: RMB220,216,000).

Details of impairment assessment for the year ended 31 December 2020 and 2019 are set out in note 37.

Transfers of financial assets

The followings were the bills receivables as at 31 December 2020 and 2019 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 28). These financial assets and financial liabilities are carried at amortised cost in consolidated statement of financial position.

	2020 RMB'000	2019 RMB'000
Carrying amount of transferred assets	81,500	55,000
Carrying amount of associated liabilities	(80,864)	(54,661)

21. Deposits, Prepayments and Other Receivables

	2020 RMB'000	2019 RMB'000
Deposits to suppliers of purchasing auxiliary materials and spare parts	10,198	3,169
Government grant receivables	1,470	1,470
Rental deposits	509	1,921
Other receivables from customers on recharged transportation costs	–	3,602
Other receivables from disposal of property, plant and equipment	–	6,038
Other receivables, prepayments and deposits	5,577	6,159
Deposit for purchase of property, plant and equipment	9,564	8,428
Deposit for acquisition of mining right and related assets (note (i))	–	110,000
Deposit for acquisition of mining rights (note (ii))	61,200	–
	88,518	140,787
Classified as:		
Non-current	71,273	118,970
Current	17,245	21,817
	88,518	140,787

Details of impairment assessment for the year ended 31 December 2020 and 2019 are set out in note 37.

Note:

(i) A deposit of RMB110,000,000 for the Acquisition has been paid to the Vendors during the year ended 31 December 2019. The Acquisition has been completed in January 2020 and is regarded as an acquisition of mining right and related assets as set out in note 16.

(ii) On 9 December 2020, Jiutai Bangda, an indirectly wholly-owned subsidiary of the Company, entered into a closure quota transfer agreement in respect of the production quota of Guizhou Chinalco Hengtaihe Mining Co., Ltd. Shuicheng County Panlong Township Panlong Coal Mine (貴州中鋁恒泰合礦業有限公司水城縣蟠龍鄉蟠龍煤礦) with Guizhou Ruomuzi Investment and Development Co., Ltd at a cash consideration of RMB72,000,000. The deposit (85% of consideration) for the acquisition of production quota of RMB61,200,000 has been paid during the year ended 31 December 2020. According to the closure quota transfer agreement, Jiutai Bangda is required to pay the remaining 15% of the consideration within 5 days upon obtaining the approval from the Energy Bureau of Guizhou Province (the "Energy Bureau") regarding the transfer, which has not been completed as at 31 December 2020.

22. 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 2020, the bank balances carried interest at prevailing market rate of 0.3% to 1.75% (2019: 0.3% to 1.48%) per annum.

Details of impairment assessment for the year ended 31 December 2020 and 2019 are set out in note 37.

23. Trade Payables

	2020 RMB'000	2019 RMB'000
Trade payables	**65,518**	51,095

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:

	2020 RMB'000	2019 RMB'000
0–30 days	**12,963**	6,362
31–60 days	**8,814**	6,360
61–180 days	**19,883**	13,145
181–365 days	**10,907**	24,128
Over 365 days	**12,951**	1,100
	65,518	51,095

24. Other Payables and Accrued Charges

	2020 RMB'000	2019 RMB'000
Staff costs payable	**29,993**	32,420
Transportation cost payable	**22,594**	97
Payables for acquisition of property, plant and equipment	**12,020**	41,603
Payables for acquisition of mining rights	**10,635**	10,635
Other tax payables	**4,949**	3,526
Government grants received in advance (note)	**5,940**	16,650
Accrued repair and maintenance fee	**4,269**	4,865
Other payables and accrued charges	**10,365**	8,348
	100,765	118,144

Note: As at 31 December 2020, government grants received in advance represent grants received with unfulfilled conditions on meeting production volume target of coal products.

As at 31 December 2019, government grants received in advance represent grants received with unfulfilled conditions on meeting production volume target of coal products and improvement of machinery set by the local government.

These balances were accounted in accordance with the accounting policy set out in note 4.

25. Contract Liabilities

	2020 RMB'000	2019 RMB'000
Contract liabilities – current		
Sales of coal products	**190**	1,747

As at 1 January 2019, there are no contract liabilities outstanding. For the contract liabilities as at 31 December 2019 of RMB1,747,000, the entire balances are recognised as revenue during the year ended 31 December 2020.

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.

26. Lease Liabilities

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Lease liabilities payable:		
Within one year	**1,824**	3,204
Within a period of more than one year but not more than two years	**–**	1,824
	1,824	5,028
Less: Amount due for settlement within 12 months shown under current liabilities	**(1,824)**	(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 2020	1,824
As at 31 December 2019	5,028

The weighted average incremental borrowing rates applied to lease liabilities is 3.15% (2019: 3.15%).

27. Amounts due to Related Parties

Details of amounts due to related parties are as follows:

	2020 RMB'000	2019 RMB'000
Trade nature		
Yuebang	–	4,346
Total	–	4,346

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.

	2020 RMB'000	2019 RMB'000
0–30 days	–	585
31–60 days	–	296
61–180 days	–	1,628
181–365 days	–	1,837
	–	4,346

28. Bank and Other Borrowings

	2020 RMB'000	2019 RMB'000
Bank borrowings from factoring of bills receivables with full recourse (note 20)	**80,864**	54,661
Other bank borrowings	**296,000**	–
Other loan	**–**	156,765
	376,864	211,426
Secured	**376,864**	54,661
Unsecured	**–**	156,765
	376,864	211,426

	2020 RMB'000	2019 RMB'000
The Carrying amounts of the above borrowings are repayable*:		
Within one year	**125,864**	211,426
Within a period more than one year but not exceeding two years	**45,000**	–
Within a period more than two years but not exceeding five years	**206,000**	–
	376,864	211,426
Less: amounts due within one year shown under current liabilities	**(125,864)**	(211,426)
Amount shown under non-current liabilities	**251,000**	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

28. Bank and Other Borrowings (continued)

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 2% to 3% per annum (2019: 3% to 4% per annum) during the year ended 31 December 2020.

Other bank borrowings of RMB296,000,000 (2019: nil) as at 31 December 2020 represented secured borrowings from Bank of Guiyang Co., Ltd. in the PRC carrying interest at 5.5% per annum with a pledge of certain mining rights, and repayable in three instalments (RMB45 million on 20 December 2021, RMB45 million on 20 December 2022 and RMB206 million on 15 August 2023).

As at 31 December 2019, unsecured other borrowings represented an amount of HK$175,000,000 (equivalent to RMB156,765,000) borrowed from a financial institution, which was an independent third party. It was interest bearing at 12% per annum. Amount has been fully repaid during the year ended 31 December 2020.

29. Contingent Consideration Payables

In respect of the Acquisition, cash considerations of RMB180,000,000 is expected to be paid in each of the three years ending 31 December 2021, 2022 and 2023, totaling RMB540,000,000 (the “Remaining Consideration”). In addition, Jiutai Bangda and the Vendors have entered into a profit guarantee arrangement, pursuant to which the Vendors guarantee to the Jiutai Bangda that each of the audited net profit of the year ended 31 December 2020, 2021 and 2022 generated by the Target Mine shall not be less than RMB150,000,000 (the “Benchmark Profit”). In the event where any of the audited net profit of the year ended 31 December 2020, 2021 or 2022 is less than the Benchmark Profit, the Vendors shall pay compensation(s) to Jiutai Bangda, subject to an overall cap of RMB300,000,000. Likewise, in the event where any of the audited profit of the year ended 31 December 2020, 2021 or 2022 generated by the Target Mine is greater than the Benchmark Profit, Jiutai Bangda shall pay bonus(es) to the Vendors, subject to an overall cap of RMB300,000,000.

The contingent consideration payable is measured at fair value at 1 January 2020 and 31 December 2020 by an independent qualified professional valuer based on the expected present value of the Remaining Consideration adjusted by any excess or shortfalls between the Benchmark Profit and the projected net profit generated by the Target Mine using discounted cash flow method.

	RMB’000
As at 1 January 2019 and 31 December 2019	–
Addition	495,000
Fair value change of contingent consideration payable recognised in profit or loss	16,072
As at 31 December 2020	511,072

29. Contingent Consideration Payables (continued)

	2020 RMB'000	2019 RMB'000
Non-current	326,011	–
Current	185,061	–
	511,072	–

30. Provision for Restoration Costs

	2020 RMB'000	2019 RMB'000
At the beginning of the year	38,912	2,099
Additional provisions in the year	2,255	36,204
Unwinding of discount	1,861	609
At the end of the year	43,028	38,912

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

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

	Number of shares	Amount HK$'000	Equivalent amount RMB'000
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 January 2019, 31 December 2019 and 2020	10,000,000,000	100,000	87,208
Issued and fully paid:			
At 1 January 2019, 31 December 2019 and 2020	1,600,000,000	16,000	14,136

32. Retirement Benefit Schemes

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 2020 and 2019 are disclosed in notes 6 and 9, 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	2020 RMB'000	2019 RMB'000
Bangda	Logistics service expense	3,291	1,762
	Rental income	1,101	1,101
	Coal washing processing expense	7,536	–
Yuebang	Sales of coalbed methane gas	2,553	2,524
	Purchase of electricity	5,474	5,196

The above transactions were transacted at prices agreed between the parties.

Compensation of key management personnel

The key management personnel of the Group included 7 executive directors of the Company (2019: 7 executive directors of the Company). Details of whose emoluments are set out in note 6(a). Other members of key management personnel included 7 employees (2019: 7 employees) for the year ended 31 December 2020. The remuneration of these 7 members (2019: 7 members) during the year is as follows:

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	3,268	3,123
Bonus	966	712
Post-employment benefits	51	70
	4,285	3,905

34. Operating Leasing Arrangement

The Group as lessor

Minimum lease payments receivable on leases are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	**1,101**	1,101

Leases are negotiated for lease term of three years.

35. Capital Commitments

	2020 RMB'000	2019 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment and mining rights contracted for but not provided in the consolidated financial statements	**10,800**	5,301
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 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.

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

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at amortised cost	439,157	491,055
Financial liabilities		
Financial liabilities at amortised cost	502,265	332,415
Financial liabilities at FVTPL	511,072	–

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, lease liabilities and contingent consideration payables. 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 26) and bank and other borrowings (note 28). The Group is also exposed to cash flow interest rate risk in relation to its restricted bank deposits and bank balances (notes 17 and 22).

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:

	2020 RMB'000	2019 RMB'000
Bank balances	8,125	47,454
Deposits and other receivables	509	1,379
Other payables	2,662	5,160
Lease liabilities	1,824	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 RMB156,000 (2019: a decrease in post-tax profit of RMB4,430,000) during the year ended 31 December 2020. 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 2020 and 2019. 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 2020, the Group had a concentration of credit risk as the top three trade debtors accounted for approximately 93% (2019: 85%) 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 2020 and 2019 was insignificant. There were no credit-impaired trade and bills receivables as at 31 December 2020 and 2019. 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 2020 is RMB275,061,000 (2019: RMB220,216,000).

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 2020 and 2019. 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 2020 and 2019 was insignificant. There were no credit-impaired deposits and other receivables as at 31 December 2020 and 2019. 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 2020 is RMB4,239,000 (2019: RMB16,235,000).

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 2020 are RMB20,254,000 (2019: RMB11,292,000) and RMB139,603,000 (2019: RMB243,312,000), respectively.

There were no significant increase in credit risk on these financial assets and credit-impaired financial assets as at 31 December 2020 and 2019.

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 2020						
Trade payables	N/A	65,518	–	–	65,518	65,518
Other payables and accrued charges	N/A	59,883	–	–	59,883	59,883
Bank and other borrowings	4.9	47,364	56,500	332,982	436,846	376,864
Lease liabilities	3.2	337	1,517	–	1,854	1,824
Contingent consideration payable	N/A	–	185,061	326,011	511,072	511,072
		173,102	243,078	658,993	1,075,173	1,015,161

	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

37. Financial Instruments (continued)

Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The management of the Company determines the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent qualified valuers to perform the valuation. The management of the Company works closely with the independent professional external valuers to establish the appropriate valuation techniques and inputs to the model.

(i) Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

Financial liabilities at FVTPL	Fair value as at 31 December		Fair value hierarchy	Valuation technique	Key input
	2020 RMB'000	2019 RMB'000			
Contingent consideration payable	511,072	–	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration payable, based on an appropriate discount rate.	Discount rate of 3.8% (Note). Projected revenues and profits (Note).

Note: An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the contingent consideration payable and vice versa; while an increase in the projected revenues and profits used in isolation would result in an increase in the fair value measurement of the contingent consideration payable, and vice versa.

Reconciliation of Level 3 fair value measurements is set out in note 29.

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

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

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 2020 and 2019 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	Lease liabilities	Bank and other borrowings	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	–	9,156	208,617	217,773
Financing cash flows (Note)	–	(4,362)	208,909	204,547
Transfer on discounted bills with recourse	–	–	(210,500)	(210,500)
Finance costs recognised	–	234	4,400	4,634
At 31 December 2019	–	5,028	211,426	216,454
Financing cash flows (Note)	(36,596)	(3,314)	200,632	160,722
Transfer on discounted bills with recourse	–	–	(55,000)	(55,000)
Finance costs recognised	–	110	19,806	19,916
Dividend declared	36,596	–	–	36,596
At 31 December 2020	–	1,824	376,864	378,688

Note: The financing cash flows represented the payment of dividend, repayment of lease liabilities, net of repayment of borrowings 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
			2020	2019	
Directly held:					
Coal & Mines International Resources Limited	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 Consultancy Services Co., Ltd	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. Statement of Financial Position and Reserves of the Company

	2020 RMB'000	2019 RMB'000
Non-current assets		
Investment in a subsidiary	388,330	388,330
Property, plant and equipment	396	560
Amount due from a subsidiary	3,987	219,204
	392,713	608,094
Current assets		
Prepayments and other receivables	209	1,196
Bank balances	7,523	8,891
	7,732	10,087
Current liabilities		
Accrued charges and other payables	2,416	3,105
Other borrowings	–	156,765
	2,416	159,870
Net current assets (liabilities)	5,316	(149,783)
Net assets	398,029	458,311
Capital and reserves		
Share capital	14,136	14,136
Reserves	383,893	444,175
Total equity	398,029	458,311

41. 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 2019	480,355	(28,464)	451,891
Loss and total comprehensive expenses for the year	–	(7,716)	(7,716)
At 31 December 2019	480,355	(36,180)	444,175
Loss and total comprehensive expenses for the year	–	(23,686)	(23,686)
Dividend recognised as distribution (note 11)	(36,596)	–	(36,596)
At 31 December 2020	443,759	(59,866)	383,893

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**1,402,604**	812,145	719,412	627,006	397,261
Profit before taxation	**484,385**	309,794	256,808	260,612	103,593
Taxation charge	**(138,905)**	(91,773)	(73,693)	(77,197)	(4,638)
Profit and total comprehensive income for the year	**345,480**	218,021	183,169	183,415	98,955
Profit and total comprehensive income for the year attributable to:					
– Owners of the Company	**345,480**	218,021	176,243	82,799	51,031
– Non-controlling interests	**–**	–	6,926	100,616	47,924
	345,480	218,021	183,169	183,415	98,955

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**2,675,408**	1,677,341	1,399,101	1,093,372	797,997
Total liabilities	**(1,156,280)**	(467,097)	(406,878)	(632,949)	(520,989)
Net assets	**1,519,128**	1,210,244	992,223	460,423	277,008
Non-controlling interests	**–**	–	–	(214,827)	(154,313)
Equity attributable to owners of the Company	**1,519,128**	1,210,244	992,223	245,596	122,695

SUMMARY OF MINE PROPERTIES

	Hongguo Coal Mine	Baogushan Coal Mine	Xiejiahegou Coal Mine
Location	Panzhou City	Panzhou City	Panzhou City
Equity interest held by the Group	100%	100%	100%
Mining area (sq.km.)	3.0225	2.4736	1.0135
Number of mineable coal seams	17	17	19
Permitted annual production capacity (tonnes)	600,000	600,000	450,000
Licence holder	Jiutai Bangda	Jiutai Bangda	Jiutai Bangda
Mining right licence validity period	January 2019 – January 2039	January 2019 – January 2039	January 2021 – September 2039
Coal reserve mine life	Approximately 33 years	Approximately 45 years	Approximately 23 years
Resource data under the JORC Code Summary (as at 31 December 2020)[1]			
Measured resources (kt)	18,105	11,101	–
Indicated resources (kt)	7,800	24,700	16,319
Inferred resources (kt)	13,000	7,000	10,350
Reserve data under the JORC Code Summary (as at 31 December 2020)[1]			
Proved reserves (kt)	13,635	8,271	–
Probable reserves (kt)	5,910	18,790	10,429

The table below sets out the typical quality of the clean coal and middling coal from Hongguo Coal Mine and Baogushan Coal Mine:

	Clean Coal[2]	Middling Coal[3]
Ash content on a dry basis (%)	9.4–14.3	N/A
Volatile content on a dry and ash free basis (%)	32.7–34.5	N/A
Total sulfur content on a dry basis (%)	≤0.5	0.9–1.3
Caking index	87.8	N/A
Total moisture (%)	9.2–12.2	10.9–13.2
Net calorific value on an as received basis (kcal/kg)	N/A	3,800–3,833

SUMMARY OF MINE PROPERTIES (Continued)

The table below sets out the typical quality of the clean coal and middling coal from Xiejiahegou Coal Mine:

	Clean Coal(2)	Middling Coal(3)
Ash content on a dry basis (%)	9.5–10.5	N/A
Volatile content on a dry and ash free basis (%)	20.1–22.2	12.9
Total sulfur content on a dry basis (%)	0.6–0.8	1.3–1.7
Caking index	≥80.4	N/A
Total moisture (%)	12.7–14.3	8.6–10.9
Net calorific value on an as received basis (kcal/kg)	N/A	3,800–4,249

Notes:

(1) The resource and reserve data of Hongguo Coal Mine and Baogushan Coal Mine are estimated based on the competent person's report prepared by Mr. Edmundo J. Laporte of Greater China Mineral & Energy Consultants Limited as of 31 December 2019 while esource and reserve data of Xiejiahegou Coal Mine are based on the competent person's report prepared Mr. Leung Karfai of BAW Mineral Partners Limited as of 30 September 2019. The resource and reserve data as of 31 December 2020 of Hongguo Coal Mine and Baogushan Coal Mine has been adjusted by the measured resource data and the proved reserve data as at 31 December 2019, after deducting the respective data extracted from the mining activities between 1 January 2020 and 31 December 2020 whereas the resource and the reserve data as of 31 December 2020 of Xiejiahegou Coal Mine has been adjusted by the indicated resource data and the proved reserve data as at 30 September 2019, after deducting the respective data extracted from the mining activities between 1 October 2019 and 31 December 2020.

(2) The clean coal produced from Hongguo Coal Mine and Baogushan Coal Mine are mostly 1/3 coking coal whereas the clean coal produced from Xiejiahegou Coal Mine are mostly coking coal. The above typical quality of clean coal is based on the data for most clean coal delivered to the customers in December 2020.

(3) The above typical quality of middling coal is based on the data for most middling coal delivered to the customer in December 2020.

There was no exploration activity for the Group during the year ended 31 December 2020, and that the Group has incurred approximately RMB686.6 million (2019: approximately RMB389.3 million), being the cost of sales, for the mining production activities for the year ended 31 December 2020.