



2020

ANNUAL REPORT



FEISHANG

Feishang Anthracite Resources Limited

飛尚無煙煤資源有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code : 1738





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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. HAN Weibing
(*Chairman and Chief Executive Officer*)
Mr. HU Lubao
Mr. TAM Cheuk Ho
Mr. WONG Wah On Edward
Mr. YUE Ming Wai Bonaventure

Independent Non-executive Directors

Mr. LO Kin Cheung
Mr. HUANG Zuye
Mr. WANG Xiufeng

AUTHORISED REPRESENTATIVES

Mr. WONG Wah On Edward
Mr. YUE Ming Wai Bonaventure

COMPANY SECRETARY

Mr. YUE Ming Wai Bonaventure

AUDIT COMMITTEE

Mr. LO Kin Cheung (*Chairman*)
Mr. HUANG Zuye
Mr. WANG Xiufeng

NOMINATION COMMITTEE

Mr. HUANG Zuye (*Chairman*)
Mr. LO Kin Cheung
Mr. WANG Xiufeng
Mr. TAM Cheuk Ho

REMUNERATION COMMITTEE

Mr. WANG Xiufeng (*Chairman*)
Mr. HUANG Zuye
Mr. LO Kin Cheung
Mr. HAN Weibing

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. WANG Xiufeng (*Chairman*)
Mr. HU Lubao
Mr. HAN Weibing

AUDITOR

Ernst & Young
Registered Public Interest Entity Auditor
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

REGISTERED OFFICE

Maples Corporate Services (BVI) Limited
Kingston Chambers, P.O. Box 173
Road Town, Tortola
British Virgin Islands

HONG KONG OFFICE AND PRINCIPAL PLACE OF BUSINESS

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COMPANY'S WEBSITE

<http://www.fsanthracite.com>

STOCK CODE

1738.HK

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cricket Square
Grand Cayman KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISERS

(As to Hong Kong Law)
Lau, Horton & Wise LLP

(As to PRC Law)
Commerce & Finance Law Offices

(As to British Virgin Islands Law)
Maples and Calder

PRINCIPAL BANKERS

Bank of Guizhou Co., Ltd.
China Minsheng Banking Corp., Ltd.
Industrial and Commercial Bank of China Limited
Bank of Chongqing
Bank of Guiyang
China Everbright Bank Co., Ltd.



WE ARE COMMITTED TO
BECOMING ONE OF THE
**MOST COMPETITIVE
ANTHRACITE RESOURCE
ENTERPRISES**
IN SOUTHWEST CHINA



CHAIRMAN'S STATEMENT



Chairman and Chief Executive Officer
HAN Weibing

On behalf of the board (the “Board”) of directors (the “Directors”) of Feishang Anthracite Resources Limited (“Feishang Anthracite” or the “Company”), I present the results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2020 to the shareholders of the Company (the “Shareholders”).

REVIEW

During 2020, the world was hit hard by the global outbreak of the novel coronavirus (“COVID-19”) amidst a series of other existing or emerging tensions and challenges. The pandemic and the efforts to contain it have caused significant economic and financial disruptions around the world, including disruptions to industrial production and global logistical and supply chains, and extreme volatility in the global financial markets. While other countries were yet to recover from the pandemic, China, under clear policy guidance and highly-coordinated efforts nationwide, was the first country in the world to bring COVID-19 under control, and economic activities steadily recovered. The Chinese government also pursued a proactive fiscal policy and a prudent monetary policy to mitigate the risk of economic contraction. As a result, in 2020, China became the only major economy in the world to achieve positive economic growth, with a year-on-year gross domestic product (“GDP”) growth rate of 2.3%.

CHAIRMAN'S STATEMENT

The outbreak of COVID-19 and its related economic consequences were clearly reflected in the coal industry in the first half of 2020, but the effects faded away in the second half. The price of coal went through a deep V-shape in the first half of the year and rose to a relatively high level in the second half. Since the outbreak of COVID-19 in late January, the Chinese government imposed strict control policies to contain its spread, which inevitably had material impacts on the economy. Coal supply was temporarily restricted. In order to secure crucial energy supply during the pandemic, the coal industry was among the first to resume production, whereas downstream industries were yet to recover from large-scale quarantines. Coal import also increased, which led to increase in supply. This then resulted in a serious mismatch between supply and demand, leading to a continuous drop in the price of coal until late April. The price of coal dropped below CNY500 per ton for the first time since 2017. Since May, the coal industry was encouraged to restrict output in order to restore balance to the market and protect coal price. The government also imposed strict restrictions on coal import. Meanwhile, economic activities steadily recovered, with most downstream industries resuming operations, and this boosted electricity consumption, investment and coal demand. The price of coal soon rebounded to pre-COVID-19 levels. Since July, coal demand and coal price slightly weakened due to strong competition from hydropower generation. In the fourth quarter of the year, due to winter peak season and strict import restrictions and safety supervision, the price of coal exhibited a strong trend and exceeded the corresponding prior-year period, but the overall average price of coal in 2020 was still lower than that in the prior year. In 2020, the average price of thermal coal in ports was approximately CNY571 per ton, representing a year-on-year decline of approximately 2.7%. Coal industry earnings continued to follow a steady declining trend.

During 2020, production capacity in the coal industry continued to increasingly concentrate in the northern and north-western part of China. High-quality products from northern China joined the local market competition in Guizhou province where the Group's operations situated, providing local customers with increasingly diversified choices. During the year, the Group recorded a decrease in its gross profit. Apart from the impact of intensified market competition and volatile demand and prices in the coal market caused by the outbreak of COVID-19, this decrease in gross profit was mainly attributable to a temporary decline in the quantity and quality of the Group's coal products due to geological complexities of current mining faces. The Group's operations were also disrupted by the pandemic, which resulted in under-capacity operation and a decrease in the Group's production output and sales volume in 2020, especially in the first half of 2020. Meanwhile, in 2020, the Group incurred increased financial burden due to a substantial increase in interest-bearing loans and an impairment of mining rights and mining assets, which further undermined the Group's profitability. Facing such intensifying competition and difficult operating conditions, the Group strictly adhered to its business strategy by focusing on coal quality management and capacity expansion, optimising product mix and marketing strategy, promoting refined management and cost control, and enhancing production mechanisation and intelligence and production safety management.

CHAIRMAN'S STATEMENT

OUTLOOK

Following the completion of massive overall capacity reduction in the coal industry, the focus of supply-side reform since 2020 has shifted to further encouraging steady and orderly release of high-quality production capacity to ensure energy security, consolidate the achievements of supply-side reform, and improve the safety level of coal mines. Nevertheless, investment in fixed assets in the coal industry has been weak, so the release of newly constructed production capacity has notably slowed down. Also, under tight environmental policies and safety supervision, more backward production facilities will be eliminated. The expansion of coal supply in the future should be mild and steady. Under the policy guidance to further promote mergers and restructurings of coal enterprises, coal industry concentration is expected to increase further. One obvious achievement of the supply-side reform in the coal industry is a marked increase in concentration and elasticity of supply, which will facilitate production management and control. The result is higher quality and more reliable domestic supply. Coal import is not expected to increase under strict import regulations. The above is in line with China's pursuit of economic self-reliance by promoting the domestic economic circulation model in the midst of the pandemic.

On the demand side, as COVID-19 in China has generally been kept under control, economic activities in China have rapidly recovered. The targeted and highly supportive fiscal and monetary stabilising policies implemented by the Chinese government are expected to further boost China's GDP growth by building a strong domestic market and supporting the domestic and international "dual circulation" strategy, which will lend steady support to overall electricity consumption as well as coal demand. Investment in fixed assets, real estate and infrastructure construction is expected to maintain solid growth, which will then support coal demand from downstream industries including the production of iron and steel and building materials. The chemical industry will recover following the pickup in international oil price, further boosting coal demand. The average price of coal in the near future is expected to slightly increase. Overall, supply and demand relationship in the coal market is expected to remain healthy in the future, and the fluctuations of coal price will most likely be narrowed and remain within a reasonable range. However, the extent to which the evolving COVID-19 pandemic will impact the global economy and the coal industry is highly uncertain. Any widespread resurgence of COVID-19 in China and around the world could prolong the deterioration in economic conditions, as control policies such as large-scale quarantines and travel restrictions, if escalate, could cause significant disruptions to industrial production and logistical and supply chains. The above could cause further delays in and even suspensions of production and further declines in market demand and prices, which will negatively impact the Group's results of operations.

CHAIRMAN'S STATEMENT

In the future, the degree of coal industry concentration is expected to further increase, giving large coal enterprises more bargaining power. Market competition in Guizhou province, especially among high-quality products, will further intensify. Nevertheless, the economic development in south-western China is relatively fast, and Guizhou province is an important base of China's west-to-east electricity transmission project and also a target province of China's transportation infrastructure development strategy, so coal demand in Guizhou province should be well supported in the long term. In order to succeed in future competition, the Group intends to actively focus on coal quality management and product mix adjustment to improve the competitiveness and average selling price of its coal products. The Group will also continue to expand production output in pursuit of economies of scale and opportunities for better product diversification. Meanwhile, the Group will, during the current period of a weak market and temporary deterioration in coal quality caused by geological complexities of current mining faces, continue to make strategic preparations for concentrated mining of high-quality coal in the coming years, in order to place itself in an advantageous position for competing in the high-quality coal market in the future. The Group is committed to its business strategy through vigorously (i) promoting the expansion of production capacity, coal washing facilities and transportation system; (ii) realising comprehensive mining mechanisation and intelligent production management; (iii) strengthening production safety management and environmental protection efforts and, most importantly; (iv) supplying customers with diversified and customised coal products to retain high-quality customers and penetrate the surrounding coal market.

For a considerable period of time, the status of coal as the primary source of energy in China has remained unchanged. It is widely used in thermal power generation, iron and steel production, building materials production, and the chemical industry. Clean energy is currently developing fast and taking up a bigger proportion of overall power generation, but there are limits to this growth due to reliability, economic efficiency and availability of economically viable resources. However, China's ambitious target to achieve carbon neutrality by 2060 is expected to gradually reduce coal consumption and production in the long term, but it calls for an urgent need for breakthroughs in climate-friendly technologies, large-scale green investments, and the implementation of national climate policies and financial supports. Therefore the Company is cautiously positive about the coal industry in the middle to long term. The Company will also consider other potential business projects that can provide its shareholders with promising returns and benefit the Group as a whole when suitable opportunities arise.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the staff and management team of the Group for their hard work and dedication during the year. I would also like to express my sincere gratitude to the Shareholders for their continuous support.

HAN Weibing

Chairman and Chief Executive Officer

Hong Kong, 31 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During 2020, the coal market was highly volatile due to impacts of the COVID-19 pandemic. The price of coal dropped sharply until late April before a V-shape rebound occurred in May. This was mainly because the recovery of coal demand lagged behind coal supply, which led to temporary excess supply, but demand gradually returned in May as the Chinese economy recovered from the pandemic. The price of coal dropped slightly from July, as demand for coal weakened due to strong competition from hydropower generation. As the winter peak season approached in September, the price of coal rose and soon exceeded the price level in the corresponding period in the prior year. The average price of coal in the second half of 2020 was relatively high compared to the first half, but the overall average price in 2020 was still lower compared to the prior year.

The relatively high market price of coal in the second half of the year contributed to a slight increase in the average selling price of the Group's coal products in 2020 compared to the prior year. Due to disruptions and production delays caused by the pandemic in the first half of 2020, the Group produced and sold more of its coal products in the second half of the year, but the average selling price of the Group's coal products was still adversely affected by the temporary deterioration in coal quality as a result of geological complexities of current mining faces as well as intensified competition from both expanded and upgraded local producers and high-quality products from northern China. The Group's overall production output and sales volume for the whole year of 2020 decreased compared to the prior year. All of the above resulted in a decrease in the Group's gross profit for the year ended 31 December 2020 as compared to the prior year.

In 2020, the Group also incurred an increase in financial costs due to a substantial increase in interest-bearing loans of the Group. In addition, the Group incurred an impairment of mining rights and mining assets, including the impairment of the relevant mining assets resulting from the mining area adjustment of Liujiaba Coal Mine as disclosed in the Business Update Announcement of the Company dated 8 December 2020 and the higher production cost. The above further undermined the Group's profitability for the year ended 31 December 2020.

The Group's operations were impacted by the COVID-19 outbreak and governmental control measures imposed to contain its spread because the movement of its employees was restricted and which led to delays in production and under-capacity operation in the first half of 2020. Demand for coal was similarly negatively impacted by COVID-19 as a result of the sharp decrease in manufacturing and other activity due to the widespread closure of businesses in China and worldwide, with a commensurate impact on the price of coal. In order to actively respond to the government's policy guidance of securing crucial energy supply during the pandemic, the Group formulated a detailed resumption of production and COVID-19 prevention and control work plan. The work plan set out in details how to safely prepare for quick resumption of production, including recording the travel history and monitoring the temperature and health of returning employees, preparing sufficient epidemic prevention supplies and appropriate site for quarantine, carrying out regular disinfection and sterilization in office, production and living areas, conducting safety inspection of all surface and underground facilities and systems, and carrying out potential hazard prevention and control. The Group strictly implemented the work plan, and resumed operations satisfactorily after the outbreak of COVID-19 in the first half of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Due to frequent coal mine safety incidents outside as well as within Guizhou province where the Group's operations situated, safety policies and supervision in 2020 became increasingly tight nation-wide. The Group has as usual remained highly vigilant on mine safety and has taken various precautions to ensure production safety at its coal mines. That included strengthening the safety management system by formulating and updating various production safety policies and gas control policies, further increasing the frequency of safety inspections, employing professional gas control teams, upgrading relevant production facilities, and enhancing safety-related trainings.

The Group, having regard to the importance of product quality in creating sustainable advantage in future competition, has continued to enhance production capacity and coal quality management. In May and October 2020, two newly constructed large coal washing plants each with annual production capacity of 0.6 million tonnes were completed, and this greatly improved the Group's coal washing capacity and ability to control product quality and optimise product mix. Quality control and safety management is core to production management and is embraced throughout the entire production process. With these measures in place, the Group believes that when the geological conditions improve, it will be able to better utilize its production capacity resulting in improved product quality. The high sieving systems and coal washing plants will allow the Group to perform coal screening, coal washing and efficient coal blending and supply customers with customised coal products of controllable quality. The Group will continue to strengthen the brand name of Feishang Anthracite and retain and further penetrate the high-end market.

Facing the difficult operating environment caused by the pandemic, the Group continued to explore and optimise coal mine design and actively apply new technologies and equipment in mine construction to improve operational efficiency, enhance production safety and intelligence, and reduce capital commitment and production cost. The Group made especial effort in actively promoting refined management, data management and cost control to ensure that all investments and expenses were appropriate and just in time, reusable materials were recycled, and all mining, production and marketing activities were cost-effective.

As a result of the above internal and external complications, the Group recorded consolidated loss attributable to owners of the parent from continuing operations of approximately CNY345.9 million for the year ended 31 December 2020, representing an increase of approximately 256.4% from approximately CNY97.1 million in the prior year.

Snapshot of major developments of the Group throughout the year:

- In May 2020, the construction of a coal washing plant with annual production capacity of 0.6 million tonnes at Yongsheng Coal Mine was completed.
- In October 2020, the construction of a coal washing plant with annual production capacity of 0.6 million tonnes at Dayun Coal Mine was completed.

MANAGEMENT DISCUSSION AND ANALYSIS

Compliance

The Group and its activities are subject to requirements under various laws. These include, among others, the laws of the People's Republic of China (the "PRC") relating to the coal industry, environmental protection, safety production, mining resource consolidation, taxation, and labour and the applicable rules, regulations, guidelines, notices and policies issued or promulgated under or in connection with these statutes. On the listed company level, the Group is also subject to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), the Codes on Takeovers and Mergers and Share Buy-backs, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and/or the laws, rules and regulations of the jurisdictions where the Group companies are incorporated. The Company seeks to ensure compliance with these requirements through various measures such as internal controls, trainings and oversight of various business units at different levels of the Group. The Group highly values the importance of ensuring compliance with applicable legal and regulatory requirements.

During the year, as far as the Company is aware, there was no material breach of and/or non-compliance with applicable laws and regulations by the Group that had a significant impact on the business and operations of the Group.

Customer and Supplier Relationship

In 2019 and 2020, sales to the Group's largest customer accounted for approximately 44.6% and 37.4% of the Group's total sales, respectively and sales to the Group's five largest customers accounted for approximately 66.2% and 70.2% of the Group's total sales, respectively.

The major suppliers for the Group's mining operations include third party contractors, suppliers of machinery and equipment and suppliers of ancillary materials used in the mining operations. In 2019 and 2020, purchases from the largest supplier accounted for approximately 16.2% and 17.1% of the total purchases, respectively, and the total purchases (including those from coal mine construction contractors) from the five largest suppliers accounted for approximately 49.3% and 42.4% of the total purchases, respectively.

None of the Directors, their close associates or any Shareholders, which to the knowledge of the Directors, owned more than 5% of the Company's issued share capital, had an interest in any of the Group's five largest customers and suppliers.

In 2019 and 2020, the Group's top five customers were primarily coal trading companies (for onward sales to cement plants, chemical plants and steel manufacturers) and one or two power plants. The trading terms with the major customers mainly included payment in advance or payment with a credit period of one month. For most of new non-power plant customers, the Group adhered to the term of "advance payment before delivery" to minimise potential credit risk. The Group has established relationship with its major customers for 2 to 4 years. As of the date of this report, the Group has maintained sound business relationships with its major customers.

MANAGEMENT DISCUSSION AND ANALYSIS

The payment terms offered by the major suppliers (other than construction related contractors) are usually deposit and cash on delivery followed by a balance payment with credit term up to one year. The Group is not dependent on any single supplier. The Group typically selects suppliers based on various factors, including the quality and safety standard of the products, the ability to reliably meet the product requirements, the credit terms and the after-sales service. The Group has established relationship with its major suppliers for 2 to 7 years.

The average accounts payable turnover days (which is calculated by dividing the arithmetic mean of opening and ending balance of accounts payable (excluding amounts due to construction related contractors) for the year by cost of sales in the year and then multiplying by 360 days) in year 2020 was approximately 171 days, compared to approximately 121 days in 2019. As of the date of this report, the Group did not have any major outstanding disputes in relation to accounts payable and the Group's business relationships with its major suppliers were fair.

Employees and Remuneration Policy

The Group recognises the importance of retaining high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme. Employees of the Group are encouraged to attend training and development courses to acquire the right knowledge and skills, and the training expenses are charged to the Group. The emolument policy of the employees of the Group is based on their merit, qualifications and competence. The emoluments of the Directors are determined by taking into account the Group's operating results, individual performance and comparable market statistics. No Director, or any of his associates, and executive is involved in determining his own remuneration.

As at 31 December 2020, the Group had employed 1,218 full time employees (not including 1,337 workers provided by third party labour agencies) for its principal activities. Employees' costs (including Directors' emoluments) from continuing operations amounted to approximately CNY350.2 million (including payment to workers provided by third party labour agencies) for the year ended 31 December 2020 (2019: CNY331.2 million).

The Company has adopted a share option scheme as an incentive to Directors and eligible employees of the Group, details of which are set out in note 32 to the consolidated financial statements and under the paragraph headed "Share Option Scheme of the Company" in the section headed "Report of the Directors" of this report.

As at 31 December 2020 and the date of this report, the Group has maintained good working relationship with its employees. The Group has assembled a management team consisting of key employees with many years of experience in various aspects of the coal mining industry, particularly in coal mine operations management, coal safety production, mining-related engineering and technologies, and coal sales and marketing. All of the key employees have served the Group for over 5 years. The management team and employees have remained stable.

For more information about the employee relations, please refer to the environmental, social and governance ("ESG") report for the year of 2020 to be published by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Community Relationship

The Group understands the importance of relationships with its surrounding communities. The Group has made community donations in Jinsha county from time to time. The Group did not run into any material disputes or conflicts with its surrounding communities for the year ended 31 December 2020.

Environmental Policy and Measure

The Group believes that the establishment of corporate social responsibility is essential for improving environmental and occupational health and safety, building up a good corporate and social relationship and motivating staff and creating a sustainable return to the Group.

The Group is also committed to environmental protection in its operations and has made financial commitments towards the construction of environmental protection facilities and the establishment of an environmental protection management and monitoring system. In 2020, the cost of compliance with environmental obligations was approximately CNY6.5 million, of which approximately CNY0.4 million was related to the construction of environmental protection facilities. The Group has set aside restricted cash and placed cash with the relevant government authorities for the purpose of future environmental rehabilitation obligations as well as the settlement of asset retirement obligations. As at 31 December 2020, the rehabilitation fund was approximately CNY9.4 million.

For details of the Group's performance on environmental, social and governance, please refer to the Group's separate ESG report for the year of 2020 to be published by the Company.

Safety Measure

The Group is committed to maintaining high safety standards at the coal mines, such as providing a safe working environment at coal mines, conducting regular safety training sessions for employees, including mine managers, methane inspectors, blasters, electricians, coal miners and other workers, to improve their safety awareness and knowledge, and arranging periodic health checks for employees. The Group has implemented a six-part safety system at operating coal mines which consists of the following components: an electronic safety monitoring system; a wireless tracking system that tracks the location of underground workers; emergency exits; emergency water supplies; emergency underground communication equipment; and compressed air stations that provide emergency underground oxygen supplies.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Key Performance

Items	For the year ended 31 December	For the year ended 31 December	Change (%)
	2020 CNY'000	2019 CNY'000	
<i>Continuing Operations</i>			
Revenue	1,013,074	1,149,726	(11.9%)
Cost of sales	(715,638)	(832,580)	(14.0%)
Gross profit	297,436	317,146	(6.2%)
Selling and distribution expenses	(106,535)	(116,417)	(8.5%)
Administrative expenses	(139,882)	(135,332)	3.4%
Impairment of financial assets, net	(7,406)	(618)	1,098.4%
Impairment losses on property, plant and equipment	(246,184)	–	–
Other operating expenses, net	(22,474)	(33,651)	(33.2%)
Operating (loss)/profit	(225,045)	31,128	(823.0%)
Finance costs	(164,832)	(92,074)	79.0%
Income tax	40,918	(17,536)	(333.3%)
Loss for the year	(346,933)	(75,835)	357.5%
Loss attributable to owners of the parent	(345,887)	(97,054)	256.4%
<i>Discontinued Operations</i>			
Loss for the year	(10,221)	(6,596)	55.0%
Loss attributable to owners of the parent	(10,213)	(6,588)	55.0%

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUING OPERATIONS

Revenue

The Group's revenue from continuing operations decreased by approximately 11.9% from approximately CNY1,149.7 million in 2019 to approximately CNY1,013.1 million in 2020, of which a decrease of approximately 8.3% contributed to COVID-19. The approximately CNY136.6 million decline in revenue in 2020 was mainly caused by the decrease in sales volume of self-produced anthracite coal, notwithstanding a rise in average selling price of self-produced anthracite coal. The sales volume of self-produced anthracite coal decreased from approximately 3.66 million tonnes in 2019 to approximately 2.81 million tonnes in 2020, representing a decline of approximately 23.2%. This decrease in sales volume was mainly due to (i) the outbreak of COVID-19 and governmental control measures imposed to contain it, which in turn led to decline in production output and weak market demand and resulted in a decrease of approximately 11.0% in sales volume; as well as (ii) the geological complexities of current mine faces at Baiping Coal Mine and Yongsheng Coal Mine. The average selling price net of value-added tax of self-produced anthracite coal rose from CNY314.1 per tonne in 2019 to CNY360.8 per tonne in 2020, representing a rise of approximately 14.9%, mainly as a result of the rise in overall price of coal market in the second half of the year, and the increase in sales volume of self-produced anthracite coal in the second half of 2020 as compared to that in the first half of 2020 due to COVID-19.

The Group's revenue from sales of processed coal (including coal screening and/or coal washing and coal blending), amounting to approximately 48.6% and 51.6% of total revenue in 2019 and 2020, respectively, decreased from approximately CNY558.7 million (approximately 1.11 million tonnes sales volume) in 2019 to approximately CNY522.4 million (approximately 1.11 million tonnes sales volume) in 2020. The decrease in revenue from sales of processed coal was due to the drop in average selling price, resulting from the lower coal quality of the current mine face at Yongsheng Coal Mine which provided most of self-produced anthracite coal for processing.

In 2019 and 2020, the Group derived approximately 66.2% and 70.2% of its revenue from anthracite coal sales to its five largest customers, respectively, out of which, one customer and two customers were the power producers in Guizhou province who purchased thermal coal from the Group, respectively. The management of the Group believes that by further expanding the product mix through coal washing and coal blending, the dependency on a limited number of large customers will decrease gradually and the Group's profit margin will increase.

Cost of Sales

The Group's cost of sales from continuing operations decreased by approximately 14.0% from approximately CNY832.6 million in 2019 to approximately CNY715.6 million in 2020. The drop was mainly due to the decrease of approximately 23.2% in sales volume of self-produced anthracite coal, which was partially offset by the increase in labour cost per tonne.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales for Coal Mining

Labour costs in 2020 were approximately CNY223.3 million, representing a decrease of approximately CNY1.6 million, or approximately 0.7%, as compared with approximately CNY224.9 million in 2019. The decrease in labour costs was proportionally lower than the decline in sales volume of self-produced anthracite coal in 2020, because of the rise in labour cost per tonne of coal mining caused by the geological complexities of current mine faces of the Group.

Material, fuel and energy costs in 2020 were approximately CNY120.0 million, a decrease of approximately CNY39.1 million or approximately 24.6%, as compared with approximately CNY159.1 million in 2019. The decreases in material, fuel and energy costs were generally in line with the decrease in sales volume of self-produced anthracite coal.

Depreciation and amortisation in 2020 were approximately CNY242.7 million, representing a decrease of approximately CNY68.6 million, or approximately 22.0%, as compared with approximately CNY311.3 million in 2019. The decrease in depreciation and amortisation in 2020 was caused by the decrease in production volume.

Taxes and levies in 2020 were approximately CNY54.6 million, a decrease of approximately CNY7.1 million or approximately 11.5% as compared with approximately CNY61.7 million in 2019. The decrease in the sales tax and levies, which mainly consisted of ad valorem resource tax, was mainly due to the drop in the revenue in 2020, while the increase in the unit sales tax and levies was mainly due to the rise in the average selling price of anthracite coal.

Cost of Sales for Coal Processing

Coal processing costs, which included coal screening costs and/or coal washing costs and coal blending costs, increased from approximately CNY60.0 million in 2019 to approximately CNY62.8 million in 2020. This was mainly due to the increase in transportation fee from Dayun Coal Mine and Baiping Coal Mine to the coal beneficiation plant for coal processing, which was partially offset by the decrease in material, fuel and energy costs resulting from the decrease in repair and maintenance of equipment and transport belts.

MANAGEMENT DISCUSSION AND ANALYSIS

Breakdown of the Group's Unit Cost of Sales

Cost Items for Coal Mining Activities	2020 CNY/tonne	2019 CNY/tonne
Labour costs	79.5	61.5
Raw materials, fuel and energy	42.8	43.5
Depreciation and amortisation	86.5	85.1
Taxes & levies payable to governments	19.4	16.9
Other production-related costs	4.4	4.2
Total unit cost of sales for coal mining	232.6	211.2

Cost Items for Coal Processing Activities	2020 CNY/tonne	2019 CNY/tonne
Labour costs	9.9	11.6
Materials, fuel and energy	20.2	27.5
Depreciation	7.0	6.7
Taxes & levies payable to governments	2.3	2.7
Transportation fee	15.0	5.3
Other coal processing related costs	2.2	0.4
Total unit cost of sales for coal processing	56.6	54.2

Gross Profit and Gross Margin

As a result of the foregoing, the overall gross profit from continuing operations decreased by approximately 6.2% from approximately CNY317.1 million in 2019 to approximately CNY297.4 million in 2020, mainly due to the decrease in sales volume of self-produced anthracite coal. The overall gross margin from continuing operations, which is equal to gross profit divided by revenue, slightly increased from approximately 27.6% in 2019 to approximately 29.4% in 2020, primarily because of the rise in the average selling price of anthracite coal as discussed above.

Selling and Distribution Expenses

The selling and distribution expenses from continuing operations decreased by approximately 8.5% from approximately CNY116.4 million in 2019 to approximately CNY106.5 million in 2020, which was primarily attributable to the decrease in transportation fee arising from the decrease in sales volume of thermal coal, which the Group was responsible for delivery cost which has been included in the selling price of thermal coal.

Administrative Expenses

The administrative expenses from continuing operations increased by approximately 3.4% from approximately CNY135.3 million in 2019 to approximately CNY139.9 million in 2020. The increase was mainly due to the increase in loss arising from temporary suspension production of Dayun Coal Mine.

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment of Financial Assets

The Group made the provision for impairment of trade receivables from continuing operations of approximately CNY7.4 million in 2020 compared to approximately CNY0.6 million in 2019. The increase in impairment of trade receivables was mainly due to the increase in the expected credit losses.

Impairment Losses on Property, Plant and Equipment

The Group had impairment losses on property, plant and equipment from continuing operations of approximately CNY246.2 million in 2020, resulting from the mining area adjustment of Liujiaba Coal Mine by the relevant authority in order to facilitate better urban and regional planning as disclosed in the Business Update Announcement of the Company dated 8 December 2020 and the higher production cost incurred by Liujiaba Coal Mine. No impairment loss on property, plant and equipment incurred in 2019.

Other Operating Expenses

Other operating expenses from continuing operations decreased to approximately CNY22.5 million in 2020 from approximately CNY33.7 million in 2019 which was primarily due to the decrease in the compensation paid to local residents for repairing the damaged houses and/or relocation affected by the mines' operations of the Group in 2020 and Liujiaba Coal Mine receipt the price subsidy of thermal coal from municipal government for supply of thermal coal to the power plant.

Operating Loss/Profit

As a result of the foregoing, the Group recorded the operating loss from continuing operations of approximately CNY225.0 million in 2020, as compared to the operating profit of approximately CNY31.1 million in 2019.

Finance Costs

The finance costs from continuing operations increased by approximately 79.0% from approximately CNY92.1 million in 2019 to approximately CNY164.8 million in 2020, which was principally due to an increase in interest expenses on interest-bearing bank and other borrowings arising from the increase in interest-bearing bank and other borrowings.

Income Tax

The Group had an income tax credit from continuing operations of approximately CNY40.9 million in 2020, as compared to an income tax expense of approximately CNY17.5 million in 2019. The decrease in income tax expense was mainly due to the decrease in current profit before income tax and the additional reversal of deferred tax liabilities resulting from the increased impairment loss on property, plant and equipment of Liujiaba Coal Mine.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss for the year from Continuing Operations

The loss from continuing operations increased to approximately CNY346.9 million in 2020 from approximately CNY75.8 million in 2019. The increase in loss from continuing operations in 2020 was mainly caused by (i) the decrease of approximately CNY19.7 million in gross profit resulting from the decrease in sales volume of self-produced anthracite coal; (ii) the increase of approximately CNY246.2 million in impairment losses on property, plant and equipment resulting from the mining area adjustment of Liujiaba Coal Mine and the higher production cost incurred by Liujiaba Coal Mine; (iii) the increase of approximately CNY72.7 million in finance costs mainly due to the increase in interest-bearing bank and other borrowings; (iv) the increase of approximately CNY6.8 million in impairment of trade receivables; and (v) the increase of approximately CNY4.6 million in administrative expenses mainly due to the increase in loss arising from temporary suspension production of Dayun Coal Mine. The increase in loss was partially offset by (i) the decrease of approximately CNY58.4 million in income tax expense mainly due to the decrease in current profit before income tax and the additional reversal of deferred tax liabilities; (ii) the decrease of approximately CNY9.9 million in selling expenses mainly due to the decrease in transportation fee; and (iii) the decrease of approximately CNY11.2 million in other operating expenses mainly due to the decrease in the compensation paid to local residents for repairing the damaged houses and/or relocation affected by the mines' operations of the Group and Liujiaba Coal Mine receipt the price subsidy of thermal coal from municipal government.

Loss Attributable to Owners of the Parent from Continuing Operations

The loss attributable to owners of the parent from continuing operations increased to approximately CNY345.9 million in 2020 from approximately CNY97.1 million in 2019. The reasons for the increase in the loss attributable to owners of the parent from continuing operations in 2020 have been discussed above.

DISCONTINUED OPERATIONS

(a) Discontinued operation of Gouchang Coal Mine

Since March 2013, the operations of Gouchang Coal Mine had been suspended pending the acquisition of a nearby coal mine and achieving certain production targets in accordance with Guizhou Province's coal mine consolidation policy. The Group closed down Gouchang Coal Mine in accordance with the second batch of the restructuring proposal approved by the Energy Bureau of Guizhou Province and the Leading Group Office of Guizhou Province on Coal Enterprises Consolidation on 5 January 2016.

In 2020, works at Gouchang Coal Mine had substantially ceased, therefore the operating results have been reclassified as a discontinued operation.

(b) Discontinued operation of Guizhou Nayong Dayuan Coal Mining Co., Ltd. ("Guizhou Dayuan")

On 24 May 2019, Guizhou Puxin Energy Co., Ltd. ("Guizhou Puxin"), a wholly-owned subsidiary of the Group, entered into an equity transfer agreement with Guiyang Baoshun Energy Co., Ltd. ("Baoshun"), an independent third party, to dispose its entire equity interest in Guizhou Dayuan, a wholly-owned subsidiary of Guizhou Puxin, at an aggregate consideration of CNY55.0 million. Guizhou Dayuan is mainly engaged in the extraction and sale of anthracite coal in Nayong County, Guizhou Province, the PRC. The consideration shall be payable by Baoshun in various tranches upon the satisfactions of the subsequent conditions. During the year of 2019, Guizhou Puxin received tranches of CNY50.0 million from Baoshun. Up to 31 December 2020, the transaction was not yet completed, and Guizhou Dayuan was classified as a disposal group held for sale and as a discontinued operation.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESOURCES REVIEW

Liquidity, Financial Resources and Capital Structure

As at 31 December 2019 and 31 December 2020, the Group had net current liabilities of approximately CNY1,629.1 million and approximately CNY1,337.4 million, respectively. All the borrowings are denominated in CNY. The Group has not engaged any foreign currency contract to hedge the potential foreign currency exchange exposure. The Group intends to fund the cash requirements with additional bank and other borrowings, and/or possible equity financing.

No equity fund raising activity was conducted by the Company during the year ended 31 December 2020. As at 31 December 2020, the Group had cash and cash equivalents of approximately CNY29.6 million.

The Group's interest-bearing loans consist of short-term and long-term bank and other borrowings. As at 31 December 2020, the total outstanding amount of the Group's short-term bank and other borrowings and the current portion of the Group's outstanding long-term bank borrowings were approximately CNY271.5 million. As at 31 December 2020, the Group had total outstanding long-term bank borrowings (excluding the current portion) of approximately CNY1,632.8 million. Some of the outstanding bank and other borrowings are guaranteed by Mr. LI Feilie and/or companies controlled by him, and some of the Group's bank borrowings are secured by pledges of the mining rights, certain buildings, bank deposit and trade receivables in Guizhou Puxin and equity interests in Guizhou Puxin and Guizhou Dayuan and trade receivables and certain machinery and equipment in Guizhou Yongfu Mining Co., Limited ("Guizhou Yongfu"). As at 31 December 2020, the Group had loans amounting to approximately CNY762.5 million with fixed interest rates ranging from 4.98% to 7.00% per annum. The remaining loans held by the Group as at 31 December 2020 had floating interest rates ranging from 4.05% to 7.35% per annum.

Pledge of Assets of the Group

As at 31 December 2019 and 31 December 2020, the amount of outstanding bank borrowings that were guaranteed by Mr. LI Feilie were approximately CNY1,776.5 million and approximately CNY1,804.3 million, respectively, and the amount of outstanding bank borrowings that were guaranteed by certain associates of Mr. LI Feilie were approximately CNY1,846.5 million and approximately CNY1,804.3 million, respectively.

As at 31 December 2019 and 31 December 2020, certain mining rights of the Group with carrying amounts of approximately CNY722.6 million and approximately CNY545.6 million, respectively, were pledged to secure bank loans with carrying amounts of approximately CNY1,729.5 million and approximately CNY1,734.3 million, respectively.

As at 31 December 2019 and 31 December 2020, the Company's equity interest in Guizhou Puxin and Guizhou Dayuan were pledged to secure bank loans with carrying amounts of CNY737.5 million and CNY697.5 million, respectively.

As at 31 December 2020, certain buildings, machinery and equipment owned by the Group with carrying amounts of approximately CNY44.1 million were pledged to secure the loan with a carrying amount of CNY20.0 million, and as at 31 December 2019, no buildings, machinery and equipment owned by the Group were pledged to secure loans.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2020, certain trade receivables owned by the Group with carrying amounts of approximately CNY123.7 million were pledged to secure loans with carrying amounts of CNY100.0 million, and as at 31 December 2019, no trade receivables owned by the Group were pledged to secure loans.

As at 31 December 2020, a bank deposit owned by the Group with a carrying amount of CNY51.0 million were pledged to secure the loan with a carrying amount of CNY50.0 million, and as at 31 December 2019, no bank deposit owned by the Group were pledged to secure loans.

Capital Commitments and Expected Source of Funding

As at 31 December 2020, the Group had contractual capital commitments mainly in respect of machinery and equipment and materials purchased by coal mines for operations amounting to approximately CNY119.3 million. The Group plans to finance the capital commitments by internal resources, additional short-term and long-term bank and other borrowings, and/or possible equity financing.

Gearing Ratio

As at 31 December 2019 and 31 December 2020, the gearing ratio (which is calculated by dividing total interest-bearing debt by total capital at the end of the year and multiplying by 100%) was approximately 110.9% and 136.1%, respectively. The gearing ratio increased in 2020 as the Group recorded a significant loss for the year.

Contingent Liabilities

As at 31 December 2020, except for bank borrowings and finance lease arrangements disclosed above, the Group did not have any loan capital or debt securities issued or agreed to be issued, outstanding bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits, finance leases or hire purchase commitments or guarantees or material contingent liabilities.

Subsequent Events

On 19 January 2021, Jinsha Juli Energy Co., Ltd. received the remaining loan facility amounting to CNY40.0 million out of the total CNY100.0 million long-term bank loan from Bank of Guiyang, to be repaid on 18 January 2022. The purpose of the loan is to pay the purchase of coal. The loan bears a fixed interest rate of 6.96% per annum.

On 8 February 2021, Guizhou Puxin and Guizhou Dayun Mining Co., Ltd. (“Guizhou Dayun”), and CCTEG Financial Leasing Co., Ltd. (“CCTEG”) entered into the sale agreement for the sale of the relevant machinery and equipment to CCTEG for an aggregate consideration of CNY50.0 million and the leaseback agreement for the lease of the relevant machinery and equipment from CCTEG for an aggregate consideration of CNY57.5 million. On 8 February 2021 and 26 March 2021, Guizhou Dayun received CNY30.0 million and CNY20.0 million, respectively.

Currency Exposure and Management

Since the majority of the Group’s business activities are transacted in CNY, the Directors consider that the Group’s risk in foreign exchange is insignificant.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. HAN Weibing (韓衛兵), aged 49, was appointed as an executive Director in December 2013. He is also a member of the corporate social responsibility committee and the remuneration committee of the Company. He has been chief executive officer of the Company since 29 March 2016, and the chairman of the Board since 26 July 2016. From December 2013 and up to 28 March 2016, he was the chief operating officer of the Company. Mr. Han is primarily responsible for overseeing the day-to-day management and operations of the Group. Mr. Han served as a director of Jinsha Juli Energy Co., Ltd. ("Jinsha Juli"), a subsidiary of the Company from November 2012 to May 2020, and he was a director and the chairman of the board of directors of Guizhou Puxin and Guizhou Yongfu, subsidiaries of the Company, from January 2012 to October 2019. Mr. Han served as the vice president of the coal division of China Natural Resources, Inc. ("CHNR"), from January 2012 to January 2014, taking charge of the development and management of its coal mining related business. He was the general manager and the vice president of the human resources department of Feishang Enterprise Group Co., Ltd. ("Feishang Enterprise") from March 2009 to March 2012, and he also served as the assistant president of Feishang Enterprise from February 2010 to February 2011. Save as disclosed above, Mr. Han does not hold any other position with the Company or any member of the Group. From August 1995 to March 2007, Mr. Han served as the deputy manager of the human resources department of a multinational logistics equipment manufacturing company listed on the Shenzhen Stock Exchange. He graduated from Sun Yat-Sen University (中山大學) with an executive master of business administration degree in June 2007 and from Wright State University in the United States with a master of business administration degree in November 2008. Save as disclosed above, Mr. Han did not hold any directorship in other listed public companies in the past three years.

Mr. HU Lubao (胡陸保), aged 58, was appointed as an executive Director in August 2018. He is also a member of the corporate social responsibility committee of the Company. He served as a director of Jinsha Juli from March 2017 to May 2020. He was the chief engineer and deputy general manager of Guizhou Puxin from January 2014 to April 2019. He worked as the deputy chief engineer of Guizhou Puxin from June 2012 to January 2014. Save as disclosed above, Mr. Hu does not hold any other position with the Company or any member of the Group. Mr. Hu has more than 30 years of experience in the coal mining industry. Prior to joining the Group, Mr. Hu worked as the head of the production technology department and a senior engineer at Anyuan Coal Industry Group Co., Ltd. (安源煤業集團股份有限公司) (formerly known as Anyuan Industrial Co., Ltd. (安源實業股份有限公司)) from March 2010 to May 2012. He was primarily responsible for the review, supervision and implementation of the technology-related plans as well as the standardization of safety and quality requirements. He served as the general manager and a senior engineer of Anyuan Qujiang Coal Development Co., Ltd (安源股份曲江煤炭開發有限責任公司), a subsidiary of Anyuan Coal Industry Co., Ltd., from December 2008 to March 2010. During this period, he was in charge of the overall management of the coal mine, including aspects related to safety, production, operation and public relations. He was the deputy general manager and a senior engineer of Qujiang Coal Development Co., Ltd. of Fengcheng Mining Bureau (豐城礦務局曲江煤炭開發有限公司) from May 2003 to December 2008, during which he mainly focused on coal production, coal extraction and coal mine maintenance. In particular, under his leadership, the comprehensive mechanical coal mining working face was successfully put into operation, and the capacity of the coal beneficiation plant was significantly enhanced upon the implementation of the relevant modifications and expansions. He was the deputy division chief, manager engineer and an engineer of the production and technology division of Fengcheng Mining Bureau (豐城礦務局) from November 1999 to May 2003, focusing on production technology-related affairs. He also held a number of positions at the Industry Corporation of Fengcheng Mining Bureau (豐城礦務局工業總公司) from July 1986 to October 1999, with his last position as the deputy chief engineer and deputy general manager.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

During this period, he was primarily responsible for the production, technology, and project quality and safety supervision management. In particular, he successfully established small coal beneficiation plants after conducting the relevant research and design work. He was a teacher at Fengcheng Mining Bureau Technician School (豐城礦務局技工學校) from September 1985 to July 1986. He worked as a technician at Jianxin coal mine (建新煤礦) of Fengcheng Mining Bureau (豐城礦務局) from August 1982 to August 1985 and was responsible for establishing the internal coal mining-related operational policies and involved in the design and construction of a coal beneficiation plant. Mr. Hu graduated, as a correspondence student, from Huainan Mining College (淮南礦業學院) with a bachelor's degree in engineering in May 1989 and obtained, also as a correspondence student (函授生), a diploma in mining engineering in November 1988. He was accredited as a senior engineer by the Professional Titles Reform Work Leading Group of Jiangxi Province (江西省職稱改革領導小組) in November 2000. Save as disclosed above, Mr. Hu did not hold any directorship in other listed public companies in the past three years.

Mr. TAM Cheuk Ho (譚卓豪), aged 58, was appointed as an executive Director in February 2013. He is also a member of the nomination committee of the Company. Mr. Tam had been with the CHNR group for more than 20 years. He resigned from position of executive vice president and executive director of CHNR in January 2014. Mr. Tam was re-appointed as a director of CHNR in April 2015. Save as disclosed above, Mr. Tam does not hold any other position with the Company or any member of the Group. During the period from May 2002 to April 2003, Mr. Tam was an executive director and the deputy chairman of a Hong Kong listed company engaged in property development and securities investment operations. He has been a partner of a certified public accountant firm in Hong Kong since July 1995. Mr. Tam was the finance director of a private investment company from October 1992 to December 1994. He was the financial controller of a Hong Kong listed company operating Chinese restaurants chain and engaging in property investments from February 1992 to September 2012, and was its company secretary from February 1992 to December 1992. From July 1984 to December 1991, Mr. Tam worked at an international certified public accountant firm and his last position at such firm was an audit manager. Mr. Tam graduated from the Chinese University of Hong Kong with a bachelor of business administration degree in 1984. Mr. Tam is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He was accredited as a certified public accountant (practising) by the Hong Kong Institute of Certified Public Accountants in July 1992. Save as disclosed above, Mr. Tam did not hold any directorship in other listed public companies in the past three years.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WONG Wah On Edward (黃華安), aged 57, was appointed as an executive Director in February 2013. Mr. Wong had been with the CHNR group for more than 20 years. He resigned from the positions of chief financial officer, executive director and company secretary of CHNR in January 2014. He was appointed as a director of CHNR in April 2015. Mr. Wong was appointed as an independent non-executive director of Quali-Smart Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 1348) in September 2015. He has been the chairman and the chief executive officer of CHNR since August 2016. He has served as a director of Hong Kong Smartact Limited, a subsidiary of the Company, since January 2010. From December 2000 to December 2006, Mr. Wong was an independent non-executive director of a Hong Kong listed company engaged in the trading of construction materials. He has been a partner of a certified public accountant firm in Hong Kong since July 1995. From October 1992 to December 1994, Mr. Wong was the deputy finance director of a private investment company. From July 1988 to October 1992, Mr. Wong worked at the audit department of an international certified public accountant firm, providing professional auditing services to clients in a variety of business sectors, and he left the firm as a senior auditor. Save as disclosed above, Mr. WONG does not hold any other position with the Company or any member of the Group. Mr. WONG graduated from the Hong Kong Polytechnic University with a professional diploma in company secretaryship and administration in 1988. Mr. Wong is admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He was accredited as a certified public accountant (practising) by the Hong Kong Institute of Certified Public Accountants in September 1993. Mr. Wong is also an associate member of the Hong Kong Institute of Chartered Secretaries. Save as disclosed above, Mr. Wong did not hold any directorship in other listed public companies in the past three years.

Mr. YUE Ming Wai Bonaventure (余銘維), aged 53, was appointed as an executive Director in May 2015. He is also the chief financial officer and the company secretary of the Company. Mr. Yue was the financial controller of CHNR from 2008 to 2014 and was appointed as the chief financial officer and the corporate secretary of CHNR from April 2015 to July 2020. He was appointed as an executive director of CHNR from August 2016 to July 2020. He has been an independent non-executive director of A.Plus Group Holdings Limited (a company listed on the Main Board of the Stock Exchange) (stock code: 1841) since March 2016. He was also an independent non-executive director of Palace Banquet Holdings Limited (a company listed on the Main Board of the Stock Exchange) (stock code: 1703) from January 2019 to March 2021. Save as disclosed above, Mr. Yue does not hold any other position with the Company or any member of the Group as at 31 December 2020. Mr. Yue has over 26 years of experience in accounting, finance and compliance for various industries gained in an international certified public accountant firm, an investment advisory firm, and listed companies in both Hong Kong and New York State. Mr. Yue graduated from Hong Kong Baptist University with a bachelor of business administration degree in 1990 and was awarded a master of science degree in accounting and finance from the University of Manchester in 1994. He is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Hong Kong Institute of Certified Public Accountants, and the Institute of Chartered Accountants in England & Wales. Mr. Yue is also a member of Chartered Accountants Australia & New Zealand and a member certified in entity and intangible valuations of the American Institute of Certified Public Accountants. Save as disclosed above, he did not hold any directorship in other listed public companies in the past three years.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LO Kin Cheung (盧建章), aged 56, was appointed as an independent non-executive Director in December 2013. He is also the chairman of audit committee of the Company and a member of the remuneration committee and nomination committee of the Company. He acted as an independent non-executive director of CHNR from December 2004 to June 2006 and an independent non-executive director of China Resources Development, Inc., a member of the predecessor group of CHNR, from May 2000 to December 2004. Save as disclosed above, Mr. Lo does not hold any other position with the Company or any member of the Group. He also served as an independent non-executive director of a Hong Kong listed company operating Chinese restaurant chains and engaged in property investments during the period from August 2004 to August 2011. Mr. Lo has been the chief financial officer of a private company engaging in the printing business since September 2001. From March 1998 to July 2001, Mr. Lo was an executive director of a Hong Kong listed company then involved in the baby care product industry and the multimedia industry. From July 1986, Mr. Lo spent nearly 12 years with an international certified public accountant firm and his last position at such firm was as a principal. Over these years, Mr. Lo has gained extensive experience in finance and accounting. He graduated from the University of Hong Kong with a bachelor's degree in science in 1986 and completed the advanced management program at Harvard Business School in May 2004. Mr. Lo was admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in 2000 and 1994, respectively. He is also a fellow member of the Institute of Chartered Accountants in England and Wales. Save as disclosed above, Mr. Lo has not held any directorship in other listed public companies in the past three years.

Mr. HUANG Zuye (黃祖業), aged 76, was appointed as an independent non-executive Director in December 2013. He is also the chairman of the nomination committee of the Company and a member of the audit committee and remuneration committee of the Company. Save as disclosed above, Mr. Huang does not hold any other position with the Company or any member of the Group. Mr. Huang has over 35 years of experience in the coal mining industry. He retired from the Coal Mining Engineering Institute of Guizhou Province (貴州省煤礦設計研究院) in April 2005. Prior to that, he had worked at the institute for 30 years since May 1975, serving as its Communist Party of China secretary from December 1997 to March 2005, its head of institute from June 1994 to March 2003, its deputy head of institute from February 1988 to May 1994 and taking positions of assistant engineer and engineer from May 1975 to February 1988. During such period, Mr. Huang's responsibilities ranged from project construction design, coal mine design, research and development to the overall management of the institute. He worked as a technician at Laojing mine of Shuicheng Mining Bureau (水城礦務局老鷹山礦) from August 1967 to April 1975 and was primarily responsible for handling the general technological issues relating to coal mine extraction. Mr. Huang graduated from Guizhou Institute of Technology (貴州工學院) with a diploma in underground coal mining extraction in August 1967. He obtained his master's degree in project management from University of Quebec at Chicoutimi in Canada in March 2006. Mr. Huang was accredited a number of professional qualifications, such as a senior engineer by the Department of Personnel of Guizhou Province (貴州省人事廳) in August 1992, a consultant engineer and a cost engineer jointly by the Ministry of Personnel of the PRC (中華人民共和國人事部) and the Ministry of Construction of the PRC (中華人民共和國建設部) in March 1997 and October 2001, respectively, and a registered consulting engineer jointly by the Ministry of Personnel of the PRC (中華人民共和國人事部) and the State Development Planning Commission of the PRC (中華人民共和國國家發展計劃委員會) in March 2003. Save as disclosed above, Mr. Huang did not hold any directorship in other listed public companies in the past three years.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. WANG Xiufeng (王秀峰), aged 63, was appointed as an independent non-executive Director in March 2019. He is also a member of the audit committee and the nomination committee of the Company and a member and the chairman of the remuneration committee and the corporate social responsibility committee of the Company. Save as disclosed above, Mr. Wang does not hold any other position with the Company or any member of the Group. Mr. Wang has over 30 years' experience in the coal industry. He has been appointed as an independent non-executive director of Perennial Energy Holdings Limited (a company listed on the Main Board of the Stock Exchange) (stock code: 2798) since September 2019. He has been appointed as director of Yunan An Run Chuang Zhan Science and Technology Company (雲南安潤創展科技有限公司) since November 2015. He was the chairman of the board of directors of Guizhou Coal Mine Design and Geological Engineering Company (貴州煤設地質工程有限責任公司) from December 2013 to September 2018. From September 1986 to December 2017, he worked in Guizhou Coal Mine Design and Research Institute (貴州省煤礦設計研究院). He served in the coal mining department of that institute as its staff member and principal engineer from September 1986 to February 1997, as head of coal mining and processing department from February 1997 to March 2003 and as deputy head of institute primarily responsible for production management from March 2003 to December 2017 and was also in charge of discipline inspection and supervision from August 2009 to December 2017. From August 1982 to September 1986, he worked as a technician in the comprehensive mechanized mining team and mechanized driving team at Yaoqiao Mine (姚橋煤礦) and Zhangshuanglou Mine (張雙樓煤礦) of Jiangsu Datun Coal and Electricity Co., Ltd. (江蘇大屯煤電公司). Mr. Wang graduated from Chongqing University (重慶大學) with a bachelor's degree in mining engineering in 1982. He was accredited as a senior engineer by the Professional Titles Reform Work Leading Group of State Administration of Coal Industry (國家煤炭工業局職稱改革工作領導小組) and the Senior Professional Technical Service and Appraisal Committee for Engineering Technology of Coal Industry Administration Bureau of Guizhou Province (貴州省煤炭工業管理局工程技術高級專業技術服務評審委員會) in April 1997 and a Registered Mining/Mineral Exploration & Design Engineer by the Ministry of Personnel of the PRC (中華人民共和國人事部) and the Ministry of Construction of the PRC (中華人民共和國建設部) in April 2008. He has received a number of awards in recognition of his contribution to the coal mining industry over the years. Save as disclosed above, Mr. Wang did not hold any directorship in other listed public companies in the past three years.

REPORT OF THE DIRECTORS

The Directors present the annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2020.

CORPORATE REORGANISATION AND LISTING

The Company was incorporated in the British Virgin Islands (“BVI”) as a company with limited liability on 6 January 2010. Pursuant to the group reorganisation as set out in the listing document of the Company dated 31 December 2013 (the “Listing Document”), the Company became the holding company of the Group.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in notes 1 and 36 to the consolidated financial statements of this annual report. There were no significant changes in the nature of the Group’s principal activities during the year of 2020.

BUSINESS REVIEW

A fair review of the business of the Company as well as a discussion and analysis of the Group’s performance during the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group’s business, can be found in the sections headed “Chairman’s Statement”, “Management Discussion and Analysis” and “Corporate Governance Report – Risk management and internal control” of this report. These discussions form part of this report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 and the Group’s financial position as at that date are set out in the consolidated financial statements on page 65 to page 68 of the annual report.

No interim dividend was paid to the Shareholders during the year ended 31 December 2020 (2019: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 69 of this annual report.

The Company’s reserves available for distribution to Shareholders as at 31 December 2020 amounted to CNY132,080,000 (2019: CNY146,146,000).

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for each of the last five financial years as extracted from the audited financial statements and restated/reclassified as appropriate is set out on page 156 of this annual report. This summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 31 to the consolidated financial statements of this annual report.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:

HAN Weibing (*Chairman and Chief Executive Officer*)

HU Lubao

TAM Cheuk Ho

WANG Tao (*Resigned on 6 July 2020*)

WONG Wah On Edward

YUE Ming Wai Bonaventure

Independent Non-executive Directors:

LO Kin Cheung

HUANG Zuye

WANG Xiufeng

In accordance with Article 14.19 of the Articles of Association, Mr. HAN Weibing, Mr. WONG Wah On Edward and Mr. LO Kin Cheung shall retire by rotation from office at the Annual General Meeting and, being eligible, have offered themselves for re-election. Mr. HU Lubao who shall also retire by rotation from office at the Annual General Meeting, will not offer himself for re-election.

The Company has received from each of the independent non-executive Directors an annual confirmation that each of them and his immediate family members (as defined under Rule 14A.12(1)(a) of the Listing Rules) are independent from the Group as required under Rule 3.13 of the Listing Rules. The Company considers that each of the independent non-executive Directors is independent from the Company.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2020, so far as the Directors were aware, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Long/short position	Capacity	Number of shares	Notes	Percentage of the issued shares (%)
Mr. LI Feilie	Long position	Beneficial owner	15,000,000		
	Long position	Interest held by his controlled corporation	724,029,650	1	
			739,029,650		53.53
Laitan Investments Limited	Long position	Interest held by its controlled corporation	724,029,650	1	52.44
Feishang Group Limited	Long position	Beneficial owner	604,029,650	1	43.75
		Interest held by its controlled corporation	120,000,000	1	8.69
China Natural Resources, Inc.	Long position	Beneficial owner	120,000,000	1	8.69
Mr. LI Zongyang	Long position	Beneficial owner	125,000,000	2	9.05

Notes:

1. The 604,029,650 ordinary shares are directly held by Feishang Group Limited, which is wholly owned by Laitan Investments Limited, which is in turn wholly owned by Mr. LI Feilie. The remaining 120,000,000 ordinary shares are directly held by China Natural Resources, Inc., a controlled corporation of which 62.87% is held by Feishang Group Limited. According to the SFO, both Mr. LI Feilie and Laitan Investments Limited are deemed to have interests in the 724,029,650 ordinary shares held by Feishang Group Limited and China Natural Resources, Inc.
2. Mr. LI Zongyang is Mr. LI Feilie's son.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

REPORT OF THE DIRECTORS

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

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 of the Company or any of its associated corporations (within the meaning of 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 any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were set out below:

(I) The Company

Name of Director	Long/short position	Capacity	Number of shares	Percentage of the issued shares (%)
Mr. WONG Wah On Edward	Long position	Beneficial owner	20,000,000	1.45
Mr. TAM Cheuk Ho	Long position	Beneficial owner	14,096,300	1.02

(II) Associated Corporations (within the meaning of the SFO)

China Natural Resources, Inc.

Name of Director	Long/short position	Capacity	Number of shares	Percentage of the issued shares (%)
Mr. WONG Wah On Edward	Long position	Beneficial owner	400,000	1.18
Mr. TAM Cheuk Ho	Long position	Beneficial owner	281,926	0.83

Save as disclosed above, as at 31 December 2020, 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 its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

DISCLOSURE OF CHANGE OF DIRECTORS' INFORMATION

Mr. WANG Tao resigned as an executive Director on 6 July 2020.

Mr. YUE Ming Wai resigned as an independent non-executive director of Palace Banquet Holdings Limited (a company listed on the Main Board of the Stock Exchange) (stock code: 1703) on 31 March 2021.

Save as disclosed above, the Directors are not aware of any change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the publication of the interim report of the Company for the six months ended 30 June 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY AND OTHER CORPORATION

Other than the share option as disclosed under the paragraph headed "Share Option Scheme of the Company" below, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SHARE OPTION SCHEME OF THE COMPANY

A share option scheme was adopted by the Shareholders on 23 December 2013 (the "Date of Adoption") (the "Share Option Scheme"), under which the Board may, at its discretion, offer any Eligible Persons (as hereinafter defined) options to subscribe for shares in the Company (the "Shares") subject to the terms and conditions stipulated therein. The Share Option Scheme is valid and effective for a period of 10 years from the Date of Adoption. The Share Option Scheme is an incentive scheme and is established to enable the Group to recognise the contribution that certain individuals have made to the Company, to attract and retain the best available personnel and to promote the success of the Company's business and that of its subsidiaries. The Eligible Persons include (a) any employee, director or consultant of the Company or any subsidiary; or (b) any other person who has contributed to the success of the listing of the Company on the Stock Exchange, in each case, as determined by the Board. The eligibility of an Eligible Person will be determined by the Board with reference to his or her past and expected commitment and contribution to the Company and/or the subsidiaries.

The share options are exercisable at any time for a period to be determined by the Directors, which shall not be more than 10 years from the offer date. The minimum period for which a share option must be held before it can be exercised would be determined by the Board.

REPORT OF THE DIRECTORS

The total number of Shares in respect of which options may be granted under the Share Option Scheme as refreshed was 138,054,580 Shares (the “Refreshed Scheme Mandate Limit”), representing 10% of the Shares in issue as at the date of approval of the Refreshed Scheme Mandate Limit. The Refreshed Scheme Mandate Limit was approved by Shareholders on 31 May 2017 by ordinary resolution. The listing approval in respect of the Shares which may be issued on exercise of the options under the Share Option Scheme was granted by the Listing Committee of the Stock Exchange on 2 June 2017. The number of Shares in respect of which options may be granted to any Eligible Person in any 12-month period is not permitted to exceed 1% of the Shares in issue at any point in time, unless approved by the Shareholders. In addition, the number of Shares in respect of which options may be granted to any Eligible Person (who is a substantial shareholder or an independent non-executive Director or any of their respective associates (within the meaning under the Listing Rules)) in any 12-month period is not permitted to exceed 0.1% of the total number of Shares in issue and HK\$5,000,000 in an aggregate value, based on the closing price of the Shares at the date of each grant, unless approved by the Shareholders.

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Eligible Persons (subject to any adjustments made pursuant to the terms and conditions of the Share Option Scheme) and shall be the higher of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the offer date, (ii) the average closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the offer date, and (iii) the nominal value of a Share.

Consideration of HK\$1 is payable by each Eligible Person for the grant of option.

As at 31 December 2020, no options were granted or agreed to be granted since the Date of Adoption. The Company had a total of 138,054,580 Shares available for issue under the Share Option Scheme (representing 10% of the existing issued Shares of the Company as at the date of this report) and the remaining life of the Share Option Scheme was approximately 2 years and 9 months.

Additional information in relation to the Share Option Scheme is set out in note 32 to the consolidated financial statements of this report.

DIRECTORS’ SERVICE CONTRACT

There is no unexpired directors’ service contract which is not terminable by the Company within one year without payment of compensation, other than statutory compensation, of any Director proposed for re-election at the forthcoming annual general meeting (“AGM”).

DIRECTORS’ REMUNERATION

The Directors’ fees and other emoluments are determined by the Board with reference to Directors’ duties, responsibilities and subject to review from time to time.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this 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.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the connected transactions/continuing connected transactions of the Company during the year are as follows:

(a) Connected transactions

During the year, the Group did not enter into any transactions which need to be disclosed as connected transactions pursuant to Chapter 14A of the Listing Rules.

(b) Continuing connected transactions

During the year, the Group did not enter into any transactions which need to be disclosed as continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

Details of the related party transactions are set out in note 35 to the consolidated financial statements of this report. These related party transactions, except for the transactions relating to share of office rental with Anka Consultants Limited and Feishang Enterprise, respectively, did not constitute any connected transactions/continuing connected transactions under the Listing Rules.

CONSOLIDATION OF COAL MINES IN GUIZHOU AND RESTRUCTURING PROPOSAL

With the view to facilitating the consolidation of the coal mining industry, the Guizhou Government has implemented a number of measures to encourage the consolidation of the coal mine industry and to eliminate small-scaled coal mines in Guizhou province with an annual production capacity of below 300,000 tonnes for each single mine, to reduce the total number of coal mining enterprise groups in Guizhou province to below 100, and to reduce the total number of coal mines in Guizhou to approximately 1,000.

Under the Guizhou Government's coal mine consolidation policy, Guizhou Feishang Energy Co., Ltd. ("Feishang Energy") (an associate of Mr. LI Feilie, the controlling shareholder of the Company) and the Company were designated as a coal mine consolidator in Guizhou province on 6 June 2014.

REPORT OF THE DIRECTORS

Feishang Energy (as agreed by the Company) has adopted and implemented the following restructuring proposal (“Restructuring Proposal”):

- Feishang Energy closed down Sanjiazhai Coal Mine (三家寨煤礦);
- Feishang Energy acquired and operated three coal mines, namely Pingqiao Coal Mine (平橋煤礦), Xingwang Coal Mine (興旺煤礦), and Aohe Coal Mine (凹河煤礦); and
- Feishang Energy acquired five coal mines, namely, Guojiawuji Coal Mine (國家屋基煤礦), Qiwen Coal Mine (啟文煤礦), Hengfeng Coal Mine (恒豐煤礦), Xinhe Coal Mine (新禾煤礦), and Shangmaying Coal Mine (上馬營煤礦) and has submitted the mining right permits of these coal mines in stage to the relevant authority for cancellation. All of the mining right permits of the five coal mines have been cancelled.

On 26 January 2015, the first batch of the Restructuring Proposal of Feishang Energy together with Guizhou Puxin has been approved by the Energy Bureau of Guizhou Province and the Leading Group Office of Guizhou Province on Coal Enterprises Consolidation. Under the first batch of the Restructuring Proposal, the Group will integrate Zhulinzhai Coal Mine and Liujiaba Coal Mine, both located in Xinhua, Liuzhi Special District, Zhina Coal District, Guizhou province, into a single coal mine under the name of Liujiaba Coal Mine; and retain Dayun Coal Mine and Baiping Coal Mine, both located in Jinsha county, Guizhou province. On 5 January 2016, the second batch of the Restructuring Proposal of Feishang Energy together with Guizhou Puxin has been approved by the Energy Bureau of Guizhou Province and the Leading Group Office of Guizhou Province on Coal Enterprises Consolidation. Under the second batch of the Restructuring Proposal, the Group has closed down Gouchang Coal Mine and retained Yongsheng Coal Mine. On 24 May 2019, Guizhou Puxin entered into an equity transfer agreement with Baoshun, to dispose of its entire equity interest in Guizhou Dayuan. Up to 31 December 2020, the transaction was not yet completed. On 4 December 2020, Guizhou Puxin received an amended new mining right permit of Liujiaba Coal Mine. According to the new mining right permit, the mining area of Liujiaba Coal Mine has been adjusted to facilitate better urban and regional planning as disclosed in the Business Update Announcement of the Company dated 8 December 2020.

Upon the full completion of the implementation of the Restructuring Proposal, the Group will own and operate four coal mines in Guizhou province, namely, Baiping Coal Mine, Yongsheng Coal Mine, Dayun Coal Mine and Liujiaba Coal Mine.

REPORT OF THE DIRECTORS

DEED OF NON-COMPETITION

Feishang Group Limited, Laitan Investments Limited and Mr. LI Feilie (collectively, the “Controlling Shareholders”), Feishang Energy and Feishang Enterprise executed the Deed of Non-Competition in favour of the Company, details of which are set out in the Listing Document, principally to the effect that so long as the Deed of Non-Competition remains in force, each of the Controlling Shareholders, Feishang Energy and Feishang Enterprise has undertaken to, among other things:

- (a) not, and procure that their respective subsidiaries or parties controlled by them either solely or jointly with another Controlling Shareholders or any other party will not be interested or engaged in any business which directly or indirectly competes or may so compete with the Core Businesses;
- (b) notify the Company of any business opportunity which directly or indirectly competes or may so compete with the Core Businesses (“New Business Opportunity”), if any of them becomes aware of such business opportunity; and
- (c) use its best endeavours to procure that the New Business Opportunity is first offered to the Company on terms and conditions that are fair and reasonable.

For the purpose of the Deed of Non-Competition, “Core Businesses” shall include the acquisition and exploitation of coal mining rights (including the exploration, construction, development and operation of coal mines) located in Guizhou province in the PRC.

The Company has been granted, under the Deed of Non-Competition, the Rights of First Refusal and First Offer if such New Business Opportunity arises.

Each of the Controlling Shareholders, Feishang Energy and Feishang Enterprise has reviewed its business and businesses of their respective subsidiaries and advised that there is generally insignificant competition between the operations of the Sanjiazhai Coal Mine and the Core Businesses. Save as disclosed above, each of the Controlling Shareholders, Feishang Energy and Feishang Enterprise has confirmed that during the year there was no New Business Opportunity made available to each of them. Each of the Controlling Shareholders, Feishang Energy and Feishang Enterprise has given a written confirmation to the Company that it had fully complied with the terms of the Deed of Non-Competition. The independent non-executive Directors have reviewed the confirmations and relevant information provided by the Controlling Shareholders, Feishang Energy and Feishang Enterprise and concluded that each of the Controlling Shareholders, Feishang Energy and Feishang Enterprise complied with the relevant terms of the Deed of Non-Competition for the year ended 31 December 2020.

REPORT OF THE DIRECTORS

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, none of the Directors or their close associates has any interest in a business that competes or may compete with the business of the Group.

DONATIONS

During the year, the Group has made donations of approximately CNY0.5 million.

PERMITTED INDEMNITY

The Articles of Association provides that every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

A directors' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract concerning the management and administration of the whole or any substantial part of any business of the Company during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued Shares as required under the Listing Rules during the year and up to the date of this report.

EQUITY-LINKED AGREEMENT

The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees of the Group, details of the Share Option Scheme are set out in note 32 to the consolidated financial statements and under the paragraph headed "Share Option Scheme of the Company" above. No share options were granted during the year ended 31 December 2020.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association although there are no restrictions against such rights under the laws of BVI.

PURCHASE, SALE OR REDEMPTION OF THE SHARES OF THE COMPANY

There was no purchase, sale or redemption of the Company's Shares by the Company or any of its subsidiaries for the year ended 31 December 2020.

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee meets regularly with the Company's senior management and the Company's auditor to discuss the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

During the year ended 31 December 2020, the Audit Committee was chaired by Mr. LO Kin Cheung and the members comprised Mr. LO Kin Cheung, Mr. HUANG Zuye and Mr. WANG Xiufeng. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the audited consolidated financial statements of the Company for the year ended 31 December 2020.

AUDITOR

Ernst & Young will retire and a resolution for its re-appointment as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Feishang Anthracite Resources Limited

HAN Weibing

Chairman and Chief Executive Officer

Hong Kong, 31 March 2021

CORPORATE GOVERNANCE REPORT

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, sustainable business growth and enhancing Shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Listing Rules as its own corporate governance code. Throughout the year ended 31 December 2020, the Company has complied with the code provisions as set out in the CG Code, save and except for code provision A.2.1, as set out below.

Chairman and Chief Executive

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Currently, Mr. HAN Weibing assumes the role of both the chairman and the chief executive officer of the Company. The Board considers that this arrangement is in the best interests of the Group as it allows for efficient discharge of the executive functions of the chief executive officer. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-calibre individuals including three independent non-executive Directors offering independent advice from different perspectives. In addition, major decisions are made after consultation with the Board and senior management as well as the relevant Board committees. The Board is therefore of the view that there are adequate measures in place to balance power and safeguard Shareholders' interests.

BOARD OF DIRECTORS

Composition

As at the date of this report, the Board comprises eight members, consisting of five executive Directors namely Mr. HAN Weibing (chairman of the Board and chief executive officer), Mr. HU Lubao, Mr. TAM Cheuk Ho, Mr. WONG Wah On Edward and Mr. YUE Ming Wai Bonaventure and three independent non-executive Directors, namely, Mr. HUANG Zuye, Mr. LO Kin Cheung and Mr. WANG Xiufeng.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed in the section headed "Profiles of Directors and Senior Management" of this report.

CORPORATE GOVERNANCE REPORT

Independent Non-executive Directors

The Board has at least one-third of its membership comprising independent non-executive Directors and is in compliance with Rule 3.10A of the Listing Rules. One of the three independent non-executive Directors possesses appropriate professional experience and related financial management expertise.

The Company has received from each of the independent non-executive Directors an annual confirmation that each of them and his immediate family members (as defined under Rule 14A.12(1)(a) of the Listing Rules) are independent from the Group as required under Rule 3.13 of the Listing Rules and the Company also considers that they are independent. The Board members have no financial, business, family or other material/relevant relationship with each other.

Directors' Re-election

Pursuant to the Articles of Association, the Directors shall hold office subject to retirement by rotation at the AGM of the Company at least once every three years. In addition, any Director appointed by the Board during a year, whether to fill a casual vacancy or as additional member to the Board, shall hold office only until the next following AGM of the Company and shall then be eligible for re-election in that meeting. Mr. HAN Weibing, Mr. WONG Wah On Edward and Mr. LO Kin Cheung are subject to retirement by rotation and are eligible for re-election at the forthcoming AGM of the Company in accordance with the Articles of Association. Mr. HU Lubao who shall also retire by rotation from office at the AGM, will not offer himself for re-election.

Term of Appointment of Independent Non-executive Directors

Each of the independent non-executive Director has entered into a service agreement with the Company for a term of three years and is subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Articles of Association.

Responsibilities of the Board and Management

The Board, headed by the chairman, is responsible for providing high-level guidance and overseeing the management of the Company, formulating and approving the Group's development, business strategies, policies, annual budgets and business plans, recommending any dividend in accordance with the dividend policy adopted in 2018 which requires the Board to take into account a variety of factors before making such recommendation, and ensuring compliance with relevant statutory requirements and other rules and regulations.

The chief executive officer and the other executive Directors are responsible for the day-to-day management and operations of the Group. The executive Directors conduct regular meetings with the management of the Group, at which operational issues and financial performance are evaluated and dealt with.

The Company considers that risk management and internal control systems are essential and that the Board is responsible for ensuring the Group establishes and maintains effective risk management and internal control.

CORPORATE GOVERNANCE REPORT

Responsibilities of Directors

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its Shareholders. Their responsibilities include the following:

- attending regular Board meetings and focusing on business strategy, operational issues and financial performance;
- active participation in the respective board of directors of the subsidiaries of the Company;
- approval of annual budgets covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of senior management, the Board and Shareholders;
- consideration of misuse of corporate assets and abuse of related party transactions; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to fulfil their obligations, an appropriate organisational structure is in place with clearly defined responsibilities and limits of authority.

Matters specifically decided by the Board and those reserved for the management, such as daily management, administration and operation of the Company, etc., are reviewed by the Board on a periodic basis. The management shall report back to the Board.

There are procedures in place to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expenses were established.

The Articles of Association state the responsibilities and operational procedures of the Board. The Board meets at least four times a year at regular intervals to consider operational reports and financial results of the Company and policies. Significant operational policies have to be discussed and passed by the Board.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2020, four Board meetings and one general meeting were held and the attendance record of each Director is set out below:

	Attendance/ No. of Board Meeting	Attendance/ No. of General Meeting
Executive Directors		
HAN Weibing (<i>Chairman and Chief Executive Officer</i>)	4/4	0/1
HU Lubao	4/4	0/1
TAM Cheuk Ho	4/4	1/1
WANG Tao (Resigned on 6 July 2020)	3/3	0/0
WONG Wah On Edward	4/4	1/1
YUE Ming Wai Bonaventure	4/4	1/1
Independent Non-executive Directors		
HUANG Zuye	4/4	0/1
LO Kin Cheung	4/4	1/1
WANG Xiufeng	4/4	0/1

Mr. HAN Weibing, Mr. HUANG Zuye and Mr. WANG Xiufeng did not attend the 2020 AGM due to COVID-19 travelling restriction.

Directors' Continuous Professional Development

The Company understands that the Directors should participate in appropriate continuous professional development programs to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses appropriate to their roles, functions and duties within the Company.

During the year ended 31 December 2020, all the Directors attended the e-training provided by the Stock Exchange. Topics of the e-training included the Exchange's new ESG requirements, aiming at providing the Directors with an understanding of the Exchange's new requirements in ESG reporting and the board's responsibilities under the new requirements. In addition, relevant training slides on compliance with the Listing Rules, recent amendments to the Listing Rules, and listed issuer regulation bulletins have been circulated to the Directors for reading.

CORPORATE GOVERNANCE REPORT

Corporate Governance Functions

The Board is responsible for performing the following corporate governance duties as required under the CG Code:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2020, the Board had performed the following corporate governance duties:

- approval of Ernst & Young as the auditor of the Group and the corresponding audit plan;
- review of the compliance with the CG Code; and
- review of the effectiveness of the risk management and internal control systems of the Company through the Audit Committee.

Board Committees

A number of committees of the Board, including the Audit Committee, Nomination Committee, Remuneration Committee and Corporate Social Responsibility Committee, were established by the Company on 23 December 2013, with specific terms of reference relating to authority and duties, to strengthen the Board's functions and enhance its expertise.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee comprises three independent non-executive Directors. During the year ended 31 December 2020, the Audit Committee was chaired by Mr. LO Kin Cheung, and its members comprised Mr. LO Kin Cheung, Mr. HUANG Zuye and Mr. WANG Xiufeng.

The Audit Committee reports directly to the Board and reviews financial statements, risk management and internal control in order to protect the interests of the Shareholders.

The Audit Committee meets at least twice a year with the Company's independent auditor to discuss accounting issues, and review effectiveness of internal controls and risk management. Written terms of reference, which describe the authority and duties of the Audit Committee, are regularly reviewed and updated by the Board. The terms of reference of the Audit Committee have complied with the CG Code and are posted on the designated website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.fsanthracite.com.

During the year ended 31 December 2020, the Audit Committee held two meetings, at which it:

- approved Ernst & Young as the auditor of the Group and the corresponding audit plan;
- reviewed the financial statements for the year ended 31 December 2019;
- reviewed the financial statements for the six months ended 30 June 2020;
- reviewed the effectiveness of the risk management and internal control systems;
- reviewed the effectiveness of the internal audit function of the Group;
- reviewed the external auditor's findings; and
- reviewed and approved remuneration of auditor and recommended the re-appointment of external auditor.

The attendance record of the meetings is set out below:

Members of Audit Committee	Attendance/ No. of meeting(s)
LO Kin Cheung (<i>Chairman</i>)	2/2
HUANG Zuye	2/2
WANG Xiufeng	2/2

CORPORATE GOVERNANCE REPORT

Nomination Committee

During the year ended 31 December 2020, the Nomination Committee was chaired by Mr. HUANG Zuye, an independent non-executive Director, and its members comprised Mr. HUANG Zuye, an executive Director Mr. TAM Cheuk Ho, and two independent non-executive Directors, namely, Mr. LO Kin Cheung and Mr. WANG Xiufeng.

The terms of reference of the Nomination Committee have complied with the CG Code which are posted on the designated website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.fsanthracite.com.

The Nomination Committee's responsibilities include reviewing and recommending the structure, size, composition and diversity of the Board and recommending any change thereon; assessing the independence of independent non-executive Directors and recommending the re-election of Directors, etc.

During the year ended 31 December 2020, the Nomination Committee held one meeting, at which it:

- reviewed the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board;
- recommended the appointment of directors;
- assessed the independence of the independent non-executive Directors; and
- reviewed and made recommendations to the Board on re-election of retiring Directors at the AGM.

The attendance record of the meetings is set out below:

Members of Nomination Committee	Attendance/ No. of meeting(s)
HUANG Zuye (<i>Chairman</i>)	1/1
LO Kin Cheung	1/1
TAM Cheuk Ho	1/1
WANG Xiufeng	1/1

The Board has adopted the board diversity policy ("Board Diversity Policy") in accordance with the requirement set out in the CG Code. Such policy aims to set out the approach towards achieving diversity on the Board.

In assessing the Board composition, the Nomination Committee would consider a number of perspectives as set out in the Board Diversity Policy, including but not limited to professional qualifications, regional and industry experience, educational and cultural background, skills, industry knowledge and reputation, gender, ethnicity, language skills and length of service, when making recommendations to the Board on the appointment and re-appointment of Directors and Directors' succession planning.

The Company considers that the current composition of the Board is well balanced and of a diverse mix appropriate for the business of the Company.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

During the year ended 31 December 2020, the Remuneration Committee was chaired by Mr. WANG Xiufeng, an independent non-executive Director, and its members comprised an executive Director Mr. HAN Weibing, and two independent non-executive Directors, namely, Mr. HUANG Zuye and Mr. LO Kin Cheung.

The Remuneration Committee's responsibilities include reviewing, considering and making recommendation to the Board on (i) the Company's remuneration policy for Directors and senior management, (ii) remuneration packages for individual executive Directors and senior management including benefits in kind, pension rights and compensation payments, and (iii) remuneration of independent non-executive Directors, etc.

The terms of reference of the Remuneration Committee have complied with the CG Code and are posted on the designated website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.fsanthracite.com.

During the year ended 31 December 2020, the Remuneration Committee held one meeting, at which it made recommendation to the Board on the forthcoming remuneration policy and the remuneration of the executive Directors and the independent non-executive Directors.

The attendance record of the meetings is set out below:

Members of Remuneration Committee	Attendance/ No. of meeting(s)
WANG Xiufeng (<i>Chairman</i>)	1/1
HAN Weibing	1/1
LO Kin Cheung	1/1
HUANG Zuye	1/1

The Group recognises the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group (including Directors) in accordance with the terms of the Share Option Scheme.

Pursuant to the code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2020 is set out below:

Remuneration bands (HK\$)	Number of person(s)
0 to 1,000,000	9

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 11 and 12 to the consolidated financial statements of this report.

CORPORATE GOVERNANCE REPORT

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

During the year ended 31 December 2020, the Corporate Social Responsibility Committee was chaired by Mr. WANG Xiufeng, an independent non-executive Director, and its members comprised Mr. WANG Xiufeng and two executive Directors, namely, Mr. HAN Weibing and Mr. HU Lubao.

The primary purpose of Corporate Social Responsibility Committee is to assist the Board in reviewing the policies and overseeing the issues with respect to corporate social responsibility, including workplace quality, occupational health and safety, environmental protection, operating practices and community involvement.

During the year ended 31 December 2020, the Corporate Social Responsibility Committee held one meeting, at which it discussed the policies and issues with respect to corporate social responsibility, including workplace quality, occupational health and safety, environmental protection, operating practices and community involvement.

The attendance record of the meeting is set out below:

Members of Corporate Social Responsibility Committee	Attendance/ No. of meeting(s)
WANG Xiufeng (<i>Chairman</i>)	1/1
HAN Weibing	1/1
HU Lubao	1/1

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2020 and up to the date of this report.

The Company also has written guidelines regarding securities transactions on terms no less exacting than the required standard set out in the Model Code for senior management and any individuals who may have access to inside information in relation to the securities of the Company.

CORPORATE GOVERNANCE REPORT

INSIDE INFORMATION

The Group acknowledges its responsibilities under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the “Guidelines on Disclosure of Inside Information” published by the Securities and Futures Commission of Hong Kong in June 2012;
- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;
- the Group has strictly prohibited unauthorised use of confidential or inside information; and
- the Group has established and implemented procedures for responding to external enquiries about the Group’s affairs, so that only the executive Directors and company secretary are authorised to communicate with parties outside the Group.

AUDITOR'S REMUNERATION

The services provided by Ernst & Young and the associated fees thereof for the year ended 31 December 2020 were as follows:

Description of services performed	Fee (CNY)
Audit	
– statutory and regulatory filings	3,400,000

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management Philosophy

Risk is inherent in the Group's business and the markets in which it operates. The goal of the Group is to identify and manage these risks so that the risks can be reduced, mitigated, transferred or avoided. To this end, the Group adopts a proactive risk management approach and implements an effective group-wide risk management framework.

The Board oversees the Group's overall risk management process through the Audit Committee, and it forms an important part of the corporate governance regime of the Group. The Group understands that risk management is the responsibility of everyone within the Group. Rather than being a separate and standalone process, risk management is integrated into business and decision-making processes including strategy formulation, business development, business planning, capital allocation, investment decisions, internal control and daily operations.

Group Risk Management and Internal Control Framework

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness, while management is responsible for designing and implementing an internal control system to manage risks.

The Audit Committee assists the Board in monitoring the risk exposures, the design and operating effectiveness of the relevant risk management and internal control systems. The Audit Committee oversees the following procedures on behalf of the Board:

- (i) Periodic assessment of key operational risks and control measures aimed at mitigating, reducing or transferring such risks; the strengths and weaknesses of the overall internal control system, and action programs to address the control weaknesses or improve the assessment process;
- (ii) Regularly review the business processes and operational reports, including the action plan to address the identified weaknesses in control, and the latest status and monitor results in the implementation of the recommendations; and
- (iii) The external auditor regularly report on the control issues identified in the course of their work and meet with the Audit Committee to discuss the scope and results of the review.

The Audit Committee will then report to the Board after properly reviewing the effectiveness of the Group's risk management and internal control systems. The Group does not maintain its own internal audit team due to cost-saving reason but the internal audit team of the Group's related party is shared with the Group to assist the Audit Committee to review the effectiveness of the Group's risk management and internal control systems.

CORPORATE GOVERNANCE REPORT

The Board considers the works and findings of the Audit Committee in forming its own view on the effectiveness of the systems.

“Top-down” Overseeing, identification, assessment and mitigation of risk at corporate level.	The Board of Directors			
	Responsible for the Group’s risk management and internal control systems.	Sets strategic objectives and reviews the effectiveness of the Group’s risk management and internal control systems.	Monitors the nature and extent of the Group’s major risks.	Provides guidance on the importance of risk management and risk management culture.
Management	Audit Committee		Internal Audit	
“Bottom-up” Identification, assessment and mitigation of risk at business unit level and across functional areas.	Designs, implements, and monitors risk management and internal control systems.	Assists the Board in monitoring risk exposure, design and operating effectiveness of the underlying risk management and internal control systems.		Assists the Audit Committee to review the effectiveness of the Group’s risk management and internal control systems.
	Operational level		Risk identification, assessment and mitigation performed across the business.	
	Risk management process and internal control practised across business operations and functional areas.			

Risk Management Procedures

This “top-down” approach is complemented by the “bottom-up” aspects, which require the head of the operating unit to participate in the identification of operational risks to determine the Group’s major risks.

The Group’s risk management and integrated internal control framework are closely intertwined, and major control measures are tested to assess performance.

CORPORATE GOVERNANCE REPORT

Major Risk Management and Internal Control Initiatives in 2020

- The Group has adopted a number of policies and procedures to assess and prudently improve the effectiveness of risk management and internal control systems, including requiring the management of the Group to assess the relevant matters every year on a regular basis. The Group believes that this will help enhancing the Group's future corporate governance and business operations.
- The Group has embraced its risk management system into its core business operations. The operating units of the Company will continue to review and assess the potential risks that may have an impact on the ability of operational units and/or the Company to reach their business objectives. The review process includes assessing whether the existing internal control system continues to meet business demand, whether it responds to potential risks sufficiently and/or whether it needs to be supplemented. The results of the relevant review are recorded in the risk register of each operating unit for control and loading into the Group's comprehensive risk register for analysis of potential policy implications and for regular reporting to senior management and Directors.
- The Audit Committee has developed and supervises a reporting policy and a comprehensive set of procedures. Employees, customers, suppliers and other interested parties are able to report any actual or suspected misconduct involving the Company so that the matter may be investigated and effectively dealt with in an appropriate and transparent manner.
- The Group regulates the handling and issuance of inside information contained in the corporate responsibility policy and the subsidiary procedures to ensure that inside information is kept confidential until properly approved for disclosure and to ensure the effective and consistent publication of the relevant information.
- Other initiatives include: increasing the number of training courses and risk workshops when necessary; further standardising risk reporting terms, categories and quantifications; making the assessment of internal controls more closely linked to their potential risks; and increasing the frequency and depth of interaction with designated Directors on the Company's risk management system design, operation and findings.
- During 2020, selective reviews of the effectiveness of the systems of risk management and internal control of the Group over financial, operational and compliance controls with emphasis on coal mining, procurement, sales and business continuity management have been conducted by the internal audit team of the Group's related party. In addition, the heads of major business and corporate functions of the Group were required to undertake self-assessments of their key controls. These results were assessed by the same internal audit team and reported to the Audit Committee and the Board.

Employees are expected to observe the highest standard of ethical, integrity and professional conduct. The Group has adopted a whistle-blowing policy. The Audit Committee meets regularly with the Company's senior management to consider the effectiveness of risk management and internal control of the Company. As far as the Group is aware, there were no fraudulent practices brought to the Group's attention during the year.

CORPORATE GOVERNANCE REPORT

Risk Profile

As a basis for the risk management approach, the Group's current risk profile is evaluated as to how these risks change over time. In 2020, the Group's significant risks were identified through the risk identification process as follows:

Introduction to risk	Risk changes in 2020	Major risk mitigation measures
<p><i>Market risk</i></p> <p>The Group's business continued to depend on the demand for anthracite from the downstream industries and the business growth of downstream customers, especially in the cement, chemical, construction and steel industries. A significant downturn in these industries or a significant decline in customer demand may have adverse effects on the Group's business, operating results and financial results. During 2020, the coal market was highly volatile due to impacts of the COVID-19 pandemic.</p>	Increase	<p>The Group has adopted and adhered to the market strategy of product differentiation and building a brand name of Feishang Anthracite. In May and October 2020, two newly constructed large coal washing plants each with annual production capacity of 0.6 million tonnes were completed, and this greatly improved the Group's coal washing capacity and ability to control product quality and optimise product mix. The Group made and will continue to make great efforts in coal quality management, including further investment in the expansion of coal washing capacity, setting up coal quality control teams and formulating coal quality control policies, in response to the temporary deterioration in the quality of its coal products due to geological complexities of current mining faces.</p>

CORPORATE GOVERNANCE REPORT

Introduction to risk	Risk changes in 2020	Major risk mitigation measures
<p><i>Going concern risk</i></p> <p>The Group's business is capital intensive and requires sufficient cash flows to construct and develop coal mines, to purchase machinery and equipment, and to meet daily working capital demands. As at 31 December 2020, the Group had net current liabilities of approximately CNY1,337.4 million and shareholders' deficit of approximately CNY551.8 million. If the Group failed to obtain funds in a timely manner, it would have an adverse impact on the Group's financial condition, operations and prospects.</p>	Increase	<p>The Group managed to obtain bank credit facilities from the banks and enter into loan renewal discussions with the existing banks and obtain continuous financial support from Feishang Enterprise, an entity controlled by the ultimate controlling shareholder Mr. LI Feilie. Additionally, the Group was in the process of implementing the following measures to improve the Group's cash flows, (i) focusing on coal quality management to improve the competitiveness and average selling price of its coal products; (ii) continuing to expand production output in pursuit of economies of scale and opportunities for better product diversification; and (iii) taking measures to tighten cost controls over various production costs and expenses. Considering the above measures, the Group will meet the working capital requirements in the next 12 months.</p>
<p><i>Production safety risk</i></p> <p>Safety risks are inherent in the Group's mining operation. Gas explosion, coal and gas outburst, caving, coal mine floods and secondary geological disasters might lead to injury, death or serious property loss, or disruption to or even suspension of the Group's mine operations.</p>	Unchanged	<p>To improve the safety of coal mines, the Group has implemented a variety of measures to strengthen safety standards, such as establishing safety management committees and safety supervision departments to check the safety of coal mines, installing new safety equipment and facilities, establishing additional operational safety guidelines, and implementing production safety system and strengthening training.</p> <p>In 2020, the Group did not have any major accidents leading to casualty.</p>

CORPORATE GOVERNANCE REPORT

Introduction to risk	Risk changes in 2020	Major risk mitigation measures
<p><i>Supervision risk</i></p> <p>Coal mining is a highly regulated industry in China. The Group's coal mining operations are subject to supervision under extensive Chinese laws, regulations, policies, and standards for production safety, environmental protection, taxation, and labour and foreign exchange control, and China's coal mine safety and environmental protection supervision are increasingly stringent.</p> <p>Any irregularities or non-compliance may lead to fines and administrative penalties, including suspension of operation or revocation of business licenses.</p>	Unchanged	The Group's Corporate Social Responsibility Committee and the management, with the support of external professional advisers, will review and supervise the compliance of the Group with relevant laws, regulations, codes and related policies and practices, and the Listing Rules on a regular basis.

2020 Annual Risk Management and Internal Control Effectiveness

The Board conducts review of the Group's risk management and internal control systems at least once a year.

For the year ended 31 December 2020, the Board has conducted a review on the risk management and internal control systems of the Group and considered the risk management and internal control systems effective and adequate. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group have been identified.

During the course of the review, the Board believed that the resources, qualification/experience of staff of the Group's accounting and financial reporting function, the internal audit function of the Group's related party, and their training and budget were adequate.

CORPORATE GOVERNANCE REPORT

GOING CONCERN

As at 31 December 2020, the Group had net current liabilities of approximately CNY1,337.4 million and shareholders' deficit of approximately CNY551.8 million. In view of these circumstances, the Directors have given consideration to the future liquidity, performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Feishang Enterprise, controlled by Mr. LI Feilie, has undertaken to provide continuous financial support to the Group to enable it to have sufficient liquidity to finance its operations. Besides, on 10 December 2020, the Group has secured an additional loan facility from Bank of Guiyang totalling CNY100.0 million, which will expire on 4 December 2023, and the Group has subsequently drawn from the remaining loan facility amounting to CNY40.0 million on 19 January 2021, which will be repaid on 18 January 2022.

In order to improve the Group's profitability, liquidity and cash flows to sustain the Group as a going concern, the Group is in the process of implementing the following measures, namely: (i) focusing on coal quality management to improve the competitiveness and average selling price of its coal products by expanding coal washing capacity, setting up coal quality control teams and formulating coal quality control policies; (ii) continuing to expand production output in pursuit of economies of scale and opportunities for better product diversification; (iii) taking measures to tighten cost controls over various production costs and expenses; and (iv) entering into loan renewal discussions with the banks.

After taking into account the above measures, the Directors consider that the Group will be able to realise its assets and discharge its liabilities and commitments in the normal course of business. Therefore, the consolidated financial statements of the Group have been prepared on a going concern basis.

COMPANY SECRETARY

The company secretary of the Company is Mr. YUE Ming Wai Bonaventure, who is also an executive Director of the Company.

The company secretary of the Company has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

There is no significant change in the Company's Memorandum and Articles of Association during the year ended 31 December 2020.

A copy of the Memorandum and Articles of Association of the Company is posted on the designated website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.fsanthracite.com.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

(a) Procedures for requisitioning an extraordinary general meeting

Shareholders may put forward proposals at general meetings by requisitioning an extraordinary general meeting. Pursuant to Article 10.3 of the Articles of Association, extraordinary general meetings may be convened by the Board on the written requisition of any two or more shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company or any one shareholder which is a recognised clearing house (or its nominee(s)) holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. The requisition shall be deposited at the principal office of the Company in Hong Kong (Room 2205, Shun Tak Centre, 200 Connaught Road Central, Sheung Wan, Hong Kong) or, in the event the Company ceases to have such a principal office, the registered office (Kingston Chambers, P.O. Box 173, Road Town, Tortola, BVI) specifying the objects of the meeting and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

(b) Communication with Shareholders and investors

Shareholders are provided with detailed information about the Company set out in the interim/annual report and/or the circular so that they can exercise their rights in an informed manner.

The Company uses a range of communication tools, such as the AGM, the annual report, interim report, various notices, announcements and circulars, to ensure its Shareholders are kept well informed of key business imperatives.

General meetings of the Company provide a direct forum of communication between its Shareholders and the Board. Shareholders are welcome to put forward enquiries to the Board or the management thereat and the chairman of the Board, or in his absence, an executive Director of the Company, as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee, or in their absence, other members of the respective committees, and where applicable, the independent board committee, will commonly be present and available to answer questions and Shareholders may also contact the company secretary of the Company to direct their written enquiries.

The Company is committed to enhancing communications and relationships with its investors. Designated management maintains an open dialogue with institutional investors and analysts to keep them abreast of the Company's developments.

The Company also maintains a website at www.fsanthracite.com, where updates on the Company's business developments and operations, financial information and news can be found.

CORPORATE GOVERNANCE REPORT

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows: -

Room 2205, Shun Tak Centre, 200 Connaught Road Central, Sheung Wan, Hong Kong
Fax: (852) 2810 6963
Email: bonyue@fsantracite.com

In addition, procedure for Shareholders to propose a person for election as a Director is available on the Company's website at www.fsantracite.com.

The above procedures are subject to the Articles of Association and applicable laws and regulations.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the financial statements which give a true and fair view of the financial position of the Group and of the financial performance and cash flows of the Group for the year and which are in compliance with International Financial Reporting Standards, statutory requirements and other regulatory requirements. As at 31 December 2020, the Group had net current liabilities of approximately CNY1,337.4 million and shareholders' deficit of approximately CNY551.8 million. However, the Board has given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Board endeavours to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting. The statement of the auditor regarding their reporting responsibility for the financial statements is set out in the Independent Auditor's Report on pages 58 to 64 of this report. Save as disclosed in the paragraph headed "Going Concern" above, there are no material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT



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To the shareholders of Feishang Anthracite Resources Limited

(Incorporated in the British Virgin Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Feishang Anthracite Resources Limited (the "Company") and its subsidiaries (the "Group") set out on pages 65 to 153, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") 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 Hong Kong Institute of Certified Public Accountants (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.

INDEPENDENT AUDITOR'S REPORT

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 to the consolidated financial statements which indicates that as at 31 December 2020, the Group had net current liabilities of CNY1,337.4 million and shareholders' deficit of CNY551.8 million. This condition indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment (“PPE”)	
<p>As at 31 December 2020, the Group had property, plant and equipment in the amount of CNY2,529.7 million. As described in Note 2.4(f), Note 2.5(i) in “Estimates and assumptions” and Note 16 to the consolidated financial statements, the Group is required to review PPE for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Management performed an impairment assessment on such PPE by determining the recoverable amounts of the cash generating units (“CGUs”) that the PPE are allocated to. As a result of the impairment assessment, impairment losses of CNY246.2 million were recognised during the year ended 31 December 2020.</p> <p>Auditing management's impairment assessment of PPE was complex due to the significant estimates and judgments involved in the projections of future cash flows, including the future sales volumes, sales prices, future operating costs and discount rates applied to these forecasted future cash flows. These estimates and judgments may be significantly affected by unexpected changes in future market or economic conditions.</p>	<p>Among audit procedures performed, we compared the methodology used by the Group, that is, recoverable amount calculations based on future discounted cash flows, to industry practice and tested the completeness and accuracy of the underlying data used in the projections. We also assessed the significant assumptions used in the calculations, which included, amongst others, the future sales volumes, coal prices and operating costs by comparing them with recent historical results and the market trend forecasted by the external industry analysts. In addition, we involved our internal valuation specialists to assist us in evaluating the methodology and discount rates used in the calculation of the recoverable amounts.</p> <p>We evaluated the sensitivity of the significant assumptions described above by assessing the changes to the recoverable amounts of the CGUs resulting from changes in these assumptions.</p> <p>We also assessed the adequacy of the Group's disclosures included in the consolidated financial statements regarding the impairment assessment.</p>

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax assets (“DTA”)	
<p>As at 31 December 2020, the Group recognised deferred tax assets amounting to CNY89.9 million, mainly resulting from temporary differences and tax losses carried forward. As described in Note 2.4(t), Note 2.5(vi) in “Estimates and assumptions” and Note 13 to the consolidated financial statements, the Group recognised these deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered.</p> <p>Auditing management’s recognition of deferred tax assets is complex because it requires significant estimation and judgment and involves significant assumptions, including future taxable profits, future tax rates, the reversal of deductible and taxable temporary differences, and the possible utilisation of tax losses carried forward that could be significantly affected by unexpected changes in tax law framework and future market or economic conditions.</p>	<p>Among audit procedures performed, we compared the future tax rates, nature of the deductible and taxable temporary differences, and the possible utilisation of tax losses carried forward, with the tax law framework. We recalculated the Group’s utilisation of tax losses carried forward and reversal of deductible temporary differences used in management’s calculation to determine whether the amounts exceeded the taxable profit and taxable temporary differences for the respective year.</p> <p>We evaluated management’s significant assumptions in determining the future available taxable profits, for example, the future sales volumes, coal prices and operating costs by comparing them with the market trend forecasted by the external industry analysts and historical results. We also tested the completeness and accuracy of the underlying data used in the taxable profit forecast.</p> <p>We also assessed the adequacy of the Group’s disclosures included in the consolidated financial statements regarding the deferred tax assets.</p>

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis on pages 10 to 11 and pages 16 to 22, which we obtained prior to the date of this audit report, and the other sections of the Annual Report not including the consolidated financial statements and the auditor's report thereon ("the Other Sections"), which are expected to be made available after that date.

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.

When we read the Other Sections of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate with the matter to the Group's Audit Committee.

RESPONSIBILITIES OF THE DIRECTORS 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 IFRSs issued by the IASB 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.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism 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.
- 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.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- 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 the Audit Committee 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.

We also provide the Audit Committee 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 the Audit Committee, 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 Tong Ka Yan Augustine.

Ernst & Young

Certified Public Accountants

Hong Kong

31 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 CNY'000	2019 CNY'000
CONTINUING OPERATIONS			
Revenue	5	1,013,074	1,149,726
Cost of sales	6	(715,638)	(832,580)
Gross profit		297,436	317,146
Selling and distribution expenses		(106,535)	(116,417)
Administrative expenses		(139,882)	(135,332)
Impairment of financial assets, net	9	(7,406)	(618)
Impairment losses on property, plant and equipment	9	(246,184)	–
Other operating expenses, net		(22,474)	(33,651)
OPERATING (LOSS)/PROFIT		(225,045)	31,128
Finance costs	7	(164,832)	(92,074)
Interest income	9	2,747	775
Share of profit and loss of an associate		(1,478)	(34)
Non-operating income, net	8	757	1,906
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS	9	(387,851)	(58,299)
Income tax	13	40,918	(17,536)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(346,933)	(75,835)
DISCONTINUED OPERATIONS			
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	4	(10,221)	(6,596)
LOSS FOR THE YEAR		(357,154)	(82,431)
ATTRIBUTABLE TO:			
Owners of the parent			
From continuing operations		(345,887)	(97,054)
From discontinued operations		(10,213)	(6,588)
		(356,100)	(103,642)
Non-controlling interests			
From continuing operations		(1,046)	21,219
From discontinued operations		(8)	(8)
		(1,054)	21,211
		(357,154)	(82,431)
LOSS PER SHARE ATTRIBUTABLE TO			
ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic (CNY per share)			
– For loss from continuing operations	14	(0.25)	(0.07)
– For loss from discontinued operations	14	(0.01)	*
– Net loss per share	14	(0.26)	(0.07)
Diluted (CNY per share)			
– For loss from continuing operations	14	(0.25)	(0.07)
– For loss from discontinued operations	14	(0.01)	*
– Net loss per share	14	(0.26)	(0.07)

* Insignificant

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 CNY'000	2019 CNY'000
LOSS FOR THE YEAR	(357,154)	(82,431)
Other comprehensive income/(loss):		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	8,298	(2,503)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(8,135)	2,576
Total other comprehensive income for the year, net of tax	163	73
TOTAL COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(356,991)	(82,358)
ATTRIBUTABLE TO:		
Owners of the parent		
From continuing operations	(345,724)	(96,981)
From discontinued operations	(10,213)	(6,588)
	(355,937)	(103,569)
Non-controlling interests		
From continuing operations	(1,046)	21,219
From discontinued operations	(8)	(8)
	(1,054)	21,211
	(356,991)	(82,358)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 CNY'000	2019 CNY'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	2,529,718	2,856,318
Right-of-use assets	17(a)	241,477	185,770
Rehabilitation fund	18	9,412	12,136
Prepayments and other receivables	22	59,243	64,494
Investment in an associate	19	1,036	2,514
Deferred tax assets	13	41,497	9,527
TOTAL NON-CURRENT ASSETS		2,882,383	3,130,759
CURRENT ASSETS			
Inventories	20	54,252	37,317
Trade and bills receivables	21	165,895	126,887
Prepayments and other receivables	22	99,826	106,839
Financial assets at fair value through profit or loss	23	6,412	5,019
Pledged deposits	24	92,450	116,000
Cash and cash equivalents	24	29,587	42,417
		448,422	434,479
Assets of a disposal group classified as held for sale	4(b)	76,197	57,875
TOTAL CURRENT ASSETS		524,619	492,354
TOTAL ASSETS		3,407,002	3,623,113
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and bills payables	25	829,122	881,993
Other payables and accruals	26	514,532	417,971
Interest-bearing bank and other borrowings	27	271,500	622,000
Lease liabilities	17(b)	69,366	47,930
Due to an associate	35(c)	1,392	1,727
Interest payable		33,427	32,955
Income tax payable		43,305	45,994
Mining right payables	28	43,780	43,780
Deferred income	29	2,452	2,202
		1,808,876	2,096,552
Liabilities directly associated with the assets classified as held for sale	4(b)	53,147	24,948
TOTAL CURRENT LIABILITIES		1,862,023	2,121,500

continued/...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 CNY'000	2019 CNY'000
NON-CURRENT LIABILITIES			
Due to a related company	35(c)	312,552	317,395
Interest-bearing bank and other borrowings	27	1,632,750	1,226,500
Lease liabilities	17(b)	61,120	36,199
Deferred tax liabilities	13	62,092	88,650
Deferred income	29	15,381	15,633
Asset retirement obligations	30	12,907	12,068
TOTAL NON-CURRENT LIABILITIES		2,096,802	1,696,445
TOTAL LIABILITIES		3,958,825	3,817,945
EQUITY			
Share capital	31	1,081	1,081
Reserves	33	(736,652)	(380,715)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		(735,571)	(379,634)
NON-CONTROLLING INTERESTS		183,748	184,802
TOTAL EQUITY		(551,823)	(194,832)
TOTAL LIABILITIES AND EQUITY		3,407,002	3,623,113

Han Weibing

Chairman and Executive Director

Yue Ming Wai Bonaventure

Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent								
	Safety fund and production								
	Share capital	premium account*	maintenance fund*	Special reserve*	Accumulated losses*	Exchange reserve*	Total	Non-controlling interests	Total equity
	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000
	Note 31		Note 33 (a)	Note 33 (b)					
At 1 January 2019	1,081	204,524	213,344	30,724	(730,806)	5,068	(276,065)	163,591	(112,474)
Loss for the year	-	-	-	-	(103,642)	-	(103,642)	21,211	(82,431)
Foreign currency translation adjustments	-	-	-	-	-	73	73	-	73
Total comprehensive loss for the year	-	-	-	-	(103,642)	73	(103,569)	21,211	(82,358)
Appropriation and utilisation of safety fund and production maintenance fund, net	-	-	63,463	-	(63,463)	-	-	-	-
At 31 December 2019 and at 1 January 2020	1,081	204,524	276,807	30,724	(897,911)	5,141	(379,634)	184,802	(194,832)
Loss for the year	-	-	-	-	(356,100)	-	(356,100)	(1,054)	(357,154)
Foreign currency translation adjustments	-	-	-	-	-	163	163	-	163
Total comprehensive loss for the year	-	-	-	-	(356,100)	163	(355,937)	(1,054)	(356,991)
Appropriation and utilisation of safety fund and production maintenance fund, net	-	-	52,025	-	(52,025)	-	-	-	-
At 31 December 2020	1,081	204,524	328,832	30,724	(1,306,036)	5,304	(735,571)	183,748	(551,823)

* These reserve accounts comprise the consolidated reserves of negative CNY736.7 million (2019: CNY380.7 million) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 CNY'000	2019 CNY'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax			
From continuing operations		(387,851)	(58,299)
From discontinued operations	4	(9,948)	(4,223)
Adjustments for:			
Interest income	9	(2,747)	(775)
Finance costs		157,190	79,448
Increase in restricted cash		(1,450)	–
(Gain)/loss on disposal of items of property, plant and equipment	9	(51)	589
Depreciation of property, plant and equipment	9	247,486	324,783
Depreciation of right-of-use assets	9	20,978	18,017
Impairment of prepayments	9	3,895	–
Impairment of financial assets, net	9	7,406	618
Impairment of right-of-use assets	9	1,080	–
Impairment losses on property, plant and equipment	9	246,184	–
Gains from financial assets at fair value through profit or loss	9	(575)	(19)
Share of profit and loss of an associate		1,478	34
Sub-total		283,075	360,173
Decrease/(increase) in rehabilitation fund		2,724	(26)
(Increase)/decrease in trade and bills receivables		(47,315)	39,288
(Increase)/decrease in inventories		(17,592)	7,838
Increase in prepayments and other receivables		(3,472)	(568)
(Decrease)/increase in trade and bills payables		(913)	86,541
Increase in other payables and accruals		145,865	74,457
Decrease in an amount due to an associate		(335)	–
Decrease in deferred income		(2,502)	(2,507)
Cash from operations		359,535	565,196
Receipt of government grants		2,870	–
Interest received		2,747	775
Interest paid		(155,765)	(77,664)
Income tax paid		(20,299)	(37,007)
Net cash flows from operating activities		189,088	451,300

continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 CNY'000	2019 CNY'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of government grants		2,500	8,261
Purchase of financial assets at fair value through profit or loss		(1,370)	–
Proceeds from financial assets at fair value through profit or loss		552	–
Purchases of items of property, plant and equipment		(224,344)	(277,936)
Proceeds from disposal of a subsidiary	4(b)	–	50,000
Net cash flows used in investing activities		(222,662)	(219,675)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from interest-bearing bank and other borrowings		716,000	2,298,000
Repayments of interest-bearing bank and other borrowings		(660,250)	(1,514,625)
Increase in pledged deposits	24	25,000	(46,000)
Advances from a related company		1,227,700	1,429,799
Principal portion of lease payments		(52,778)	(54,259)
Repayments to a related company		(1,232,543)	(2,356,522)
Net cash flows from/(used in) financing activities		23,129	(243,607)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(10,445)	(11,982)
NET FOREIGN EXCHANGE DIFFERENCE		163	73
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		42,417	54,468
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		32,135	42,559
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	24	29,587	42,417
Cash and bank balance attributed to a disposal group classified as held for sale		2,548	142
Cash and cash equivalents as stated in the consolidated statement of cash flows		32,135	42,559

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the British Virgin Islands (“BVI”) on 6 January 2010. The registered office address of the Company is Kingston Chambers, P.O. Box 173, Road Town, Tortola, BVI.

China Natural Resources, Inc. (“CHNR”) is a BVI holding company incorporated in 1993 with its shares listed on the NASDAQ Capital Market in the United States of America. The Company was a wholly-owned subsidiary of CHNR until CHNR completed the spin-off (the “Spin-off”) of its shareholding in the Company and the shares of the Company were listed by introduction on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 22 January 2014. After the Spin-off, CHNR’s shareholders hold the shares of the Company directly.

The Company’s principal shareholder is Feishang Group Limited (“Feishang” or the “controlling shareholder”), a company incorporated in the BVI. Mr. Li Feilie is the beneficial owner of Feishang. In the opinion of the directors of the Company (the “Directors”), the ultimate holding company of the Company is Laitan Investments Limited, a company incorporated in the BVI.

The Company is an investment holding company. During the year, the Company’s subsidiaries were engaged in the construction and development of anthracite coal mines, extraction and sale of anthracite coal, and trading of anthracite coal in the People’s Republic of China (the “PRC”).

As at 31 December 2020, the Group had net current liabilities of CNY1,337.4 million (31 December 2019: CNY1,629.1 million) and total assets less current liabilities of CNY1,545.0 million (31 December 2019: CNY1,501.6 million).

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Chinese Yuan (“CNY”) and all values are rounded to the nearest thousand except when otherwise indicated.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.1 BASIS OF PREPARATION (continued)

Going concern

As at 31 December 2020, the Group had net current liabilities of CNY1,337.4 million and shareholders' deficit of CNY551.8 million. In view of these circumstances, the Directors have given consideration to the future liquidity, performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Feishang Enterprise Group Co., Ltd. ("Feishang Enterprise"), controlled by Mr. Li Feilie, has undertaken to provide continuous financial support to the Group to enable it to have sufficient liquidity to finance its operations. Besides, on 10 December 2020, the Group has secured an additional loan facility from Bank of Guiyang totalling CNY100.0 million, which will expire on 4 December 2023, and the Group has subsequently drawn from the remaining loan facility amounting to CNY40.0 million on 19 January 2021, which will be repaid on 18 January 2022.

In order to improve the Group's profitability, liquidity and cash flows to sustain the Group as a going concern, the Group is in the process of implementing the following measures, namely: (i) focusing on coal quality management to improve the competitiveness and average selling price of its coal products by expanding coal washing capacity, setting up coal quality control teams and formulating coal quality control policies; (ii) continuing to expand production output in pursuit of economies of scale and opportunities for better product diversification; (iii) taking measures to tighten cost controls over various production costs and expenses; and (iv) entering into loan renewal discussions with banks.

After taking into account the above measures, the Directors consider that the Group will be able to realise its assets and discharge its liabilities and commitments in the normal course of business. Therefore, the consolidated financial statements of the Group have been prepared on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions (early adopted)</i>
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (a) *Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any impact on the financial position and performance of the Group.
- (e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that 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. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements:

Amendments to IFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
IFRS 17	<i>Insurance Contracts³</i>
Amendments to IFRS 17	<i>Insurance Contracts^{3,5}</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current³</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use²</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract²</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates³</i>
Amendments to IAS 1	<i>Disclosure of Accounting Policies³</i>
<i>Annual Improvements to IFRS Standards 2018-2020</i>	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41²</i>

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ No mandatory effective date yet determined but available for adoption

⁵ As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank and other borrowings denominated in CNY based on various Interbank Offered Rates or the Loan Prime Rate published by the People's Bank of China as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the financial position and performance of the Group.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IAS 8 introduce a new definition of accounting estimates. The amendments are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. An entity shall apply the amendments to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the first annual reporting period in which it applies the amendments. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 to require an entity to disclose its material accounting policy information rather than its significant accounting policies. To help entities to apply the amendments to IAS 1, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to illustrate how an entity can judge whether accounting policy information is material to its financial statements. The IASB added guidance and examples to IFRS Practice Statement 2 to help an entity apply the four-step materiality process to accounting policy information. An entity shall apply the amendments to IAS 1 for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. If an entity applies those amendments for an earlier period, it shall disclose that fact. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owner of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRSs. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in the consolidated statement of profit or loss as a gain on bargain purchase.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Business combinations (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(b) Related parties

A party is considered to be related to the Group if:

- (1) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Related parties (continued)

- (2) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (1);
 - (vii) a person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

(c) Property, plant and equipment

Property, plant and equipment comprise buildings, mining structures, mining rights, machinery and equipment, motor vehicles, exploration rights and construction in progress.

Exploration rights are capitalised and amortised over the term of the licence granted to the Group by the authorities.

When proved and probable coal reserves have been determined, costs incurred to develop coal mines are capitalised as part of the cost of the mining structures.

Buildings, mining structures, machinery and equipment, and motor vehicles are stated at cost less accumulated depreciation and any impairment losses. Expenditures for routine repairs and maintenance are expensed as incurred.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment (continued)

Mining rights are stated at cost less accumulated amortisation and any impairment losses. The costs of mining rights are initially capitalised when purchased. If proved and probable reserves are established for a property and it has been determined that a mineral property can be economically developed, costs are capitalised and are amortised upon production based on actual units of production over the estimated proved and probable reserves of the mines. For mining rights in which proved and probable reserves have not yet been established, the Group assesses the carrying value for impairment at the end of each reporting period. The Group's rights to extract minerals are contractually limited by time. However, the Group believes that it will be able to extend its licences.

Mining related buildings, mining structures and mining related machinery and equipment are stated at cost less accumulated depreciation and any impairment losses. Those mining related assets for which proved and probable reserves have been established are depreciated upon production based on actual units of production over the estimated proved and probable reserves of the mines.

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.

Depreciation for the following items is calculated on the straight-line basis over each asset's estimated useful life down to the estimated residual value of each asset.

Estimated useful lives are as follows:

Non-mining related buildings	15 – 35 years
Non-mining related machinery and equipment	5 – 15 years
Motor vehicles	5 – 8 years

Residual values, useful lives and the depreciation method are reviewed and, adjusted if appropriate, at each reporting date.

When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is recognised in the consolidated statement of profit or loss.

Construction in progress is carried at cost and is to be depreciated when placed into service over the estimated useful lives or units of production of those assets. Construction costs are capitalised as incurred. Interest is capitalised as incurred during the construction period.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment (continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

One or more items of property, plant and equipment may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The cost of such an item of property, plant and equipment is measured at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. The acquired item is measured in this way even if an entity cannot immediately derecognise the asset given up. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

The Group determines whether an exchange transaction has commercial substance by considering the extent to which its future cash flows are expected to change as a result of the transaction. An exchange transaction has commercial substance if: (a) the configuration (risk, timing and amount) of the cash flows of the asset received differs from the configuration of the cash flows of the asset transferred; or (b) the entity specific value of the portion of the entity's operations affected by the transaction changes as a result of the exchange; and (c) the difference in (a) or (b) is significant relative to the fair value of the assets exchanged.

The fair value of an asset is reliably measurable if (a) the variability in the range of reasonable fair value measurements is not significant for that asset or (b) the probabilities of the various estimates within the range can be reasonably assessed and used when measuring fair value. If an entity is able to measure reliably the fair value of either the asset received or the asset given up, then the fair value of the asset given up is used to measure the cost of the asset received unless the fair value of the asset received is more clearly evident.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Fair value measurement

The Group measures derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- | | |
|---------|---|
| Level 1 | – based on quoted prices (unadjusted) in active markets for identical assets or liabilities |
| Level 2 | – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly |
| Level 3 | – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable |

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Exploration and evaluation costs

Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing coal bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is expensed as incurred.

Once the exploration right to explore has been acquired, exploration and evaluation expenditure is charged to the consolidated statement of profit or loss as incurred, unless a future economic benefit is more likely than not to be realised. Exploration and evaluation assets acquired in a business combination are initially recognised at fair value. They are subsequently stated at cost less accumulated impairment.

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to tangible or intangible assets according to the nature of the exploration and evaluation assets. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

(f) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

(g) Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out in Note 2.4(q) "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investments and other financial assets (continued)

Initial recognition and measurement (continued)

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the consolidated statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the consolidated statement of profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in consolidated the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(h) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of financial assets (continued)

General approach (continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below:

- | | |
|---------|--|
| Stage 1 | – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs |
| Stage 2 | – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs |

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(j) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial liabilities (continued)

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in “Impairment of financial assets”; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

(k) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weight-average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. Major types of inventories include:

- Spare parts and consumables
- Coal

(m) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

(n) Employee benefits

Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans administered by the PRC government. The relevant government agencies undertake to assume the retirement benefit obligation payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Further information is set out in Note 10.

Housing funds

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Asset retirement obligations

The Group's legal or constructive obligations associated with the retirement of non-financial assets are recognised at fair value at the time the obligations are incurred and if it is probable that an outflow of resources will be required to settle the obligation, and a reasonable estimate of fair value can be made. Upon initial recognition of a liability, a corresponding amount is capitalised as part of the carrying amount of the related property, plant and equipment. Asset retirement obligations are regularly reviewed by management and are revised for changes in future estimated costs and regulatory requirements. Changes in the estimated timing of retirement or future estimated costs are dealt prospectively by recording an adjustment against the carrying value of the provision and a corresponding adjustment to property and equipment. Depreciation of the capitalised asset retirement cost is generally determined on a unit-of-production basis. Accretion of the asset retirement obligation is recognised over time and generally will escalate over the life of the production asset, typically as production declines. Accretion is included in the finance costs in the consolidated statement of profit or loss. Any difference between the recorded obligation and the actual costs of reclamation is recorded in the consolidated statement of profit or loss in the period the obligation is settled.

(p) Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly relating to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

(q) Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Revenue recognition (continued)

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(i) Sale of coal

Revenue from the sale of coal is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

The coal is sold on its own in separately identified contracts with customers.

(ii) Coal trading

The Group provides procurement services on coal with specified high calorific value as an agent. Revenue under agency arrangements is recognised on a net base, and at a point in time, upon receipt by the customer of the coal with specified high calorific value.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(r) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

(t) Income taxes

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or loss or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, by the reporting date, taking into consideration interpretations and practices prevailing in the countries where the Group operates and generates taxable income.

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax assets relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income taxes (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(u) Foreign currencies

The functional currency of substantially all the operations of the Group is the CNY, the national currency of the PRC. Transactions denominated in currencies other than the CNY recorded by the entities of the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in other currencies have been translated into CNY at the functional currency rates of exchange prevailing at the end of the reporting period. The resulting exchange gains or losses are credited or charged to the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions.

The financial statements of certain overseas subsidiaries with a functional currency other than the CNY have been translated into CNY. The assets and liabilities of these entities have been translated using the exchange rates prevailing at the reporting date and their consolidated statements of profit or loss have been translated using the weighted average exchange rate for the year. Resulting translation adjustments are reported as a separate component of other comprehensive income.

On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

(w) Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and a non-lease component, the Group adopts the practical expedient not to separate the non-lease component and to account for the lease component and the associated non-lease component (e.g., property management services for leases of properties) as a single lease component.

(1) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 5 years
Machinery and equipment	3 to 10 years
Leasehold land	15 to 30 years

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Leases (continued)

Group as a lessee (continued)

(1) Right-of-use assets (continued)

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(2) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(3) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Leases (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease.

(x) Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

(y) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

(i) *Principal versus agent consideration*

The Group has certain contracts with customers to acquire, on their behalf, coal with specified high calorific value provided by third-party suppliers. Under these contracts, the Group provides procurement services. The Group determined that it does not control the goods before they are transferred to customers, and it does not have the ability to direct the use of the coal or obtain benefits from the coal. The following factors indicate that the Group does not control the goods before they are being transferred to customers. Therefore, the Group determined that it is an agent in these contracts.

- The Group does not have inventory risk before or after the coal with specified high calorific value has been transferred to the customer as the coal is shipped by supplier directly to customer, and the third-party supplier bears all the consequences of price reduction, penalty or rejection if the quantity or quality of coal supplied does not meet the requirements.
- The Group has no discretion in establishing the price for the coal with specified high calorific value. The amount of Group's gross profit is pre-determined based on the fixed fee signed in the contract.

In addition, the Group concluded that it transfers control over its services, at a point in time, upon receipt by the customer of the coal with specified high calorific value, because this is when the customer benefits from the Group's agency service.

The Group recognised revenue under agency arrangements on a net base at an amount of CNY0.2 million for the year ended 31 December 2020 (2019: CNY0.7 million).

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates and assumptions

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

(i) *Impairment of property, plant and equipment*

Long-lived assets to be held and used, such as property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

(ii) *Unit-of-production depreciation for mining-related assets*

The Group determines the depreciation and/or amortisation of mining-related assets by the actual units of production over the estimated reserves of the mines. Further details about the reserve estimates are included in Note 2.5 (iv) below.

(iii) *Useful lives of non-mining related property, plant and equipment*

The Group's management determines the estimated useful lives and related depreciation charges for its non-mining related property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of non-mining related property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation and competitor's action in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates and assumptions (continued)

(iv) *Reserve estimates*

Proved and probable coal reserve estimates are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. In determining the estimates, recent production and technical information of each mine will be considered.

Fluctuations in factors including the price of coal, production costs and transportation costs of coal, a variation on recovery rates or unforeseen geological or geotechnical perils may render it necessary to revise the estimates of coal reserves.

Because the economic assumptions used to estimate reserve changes 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 and financial position in a number of ways, including the following:

- The carrying values of assets may be affected due to change in estimated future cash flows;
- Depreciation, depletion and amortisation charged to the consolidated statement of 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;
- Asset retirement obligations may change where changes in estimated reserves affect expectations about the timing or cost of these activities; and
- The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

(v) *Provision for expected credit losses on trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates and assumptions (continued)

(v) *Provision for expected credit losses on trade receivables (continued)*

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 21 to the financial statements.

(vi) *Deferred tax assets*

Deferred tax assets are recognised for unused tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be recovered. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 13 to the financial statements.

3. OPERATING SEGMENT INFORMATION

During the year ended 31 December 2020, the Group had only one operating segment: the construction and development of anthracite coal mines, extraction and sale of anthracite coal, and trading of anthracite coal.

For management purposes, the Group operates in one business unit based on its products, and has only one reportable segment. The Group conducts its principal operation in Mainland China. The Group's management monitors the operating results of its business unit for the purpose of making decisions about resource allocation and performance assessment.

Geographic information

The Group's revenue from external customers is derived solely from its operation in Mainland China, and no non-current assets of the Group are located outside Mainland China.

Information about major customers

During the year ended 31 December 2020, revenue derived from sales to two customers accounted for 37.4% and 15.3% of the consolidated revenue, respectively. During the year ended 31 December 2019, revenue derived from sales to two customers accounted for 44.6% and 11.4% of the consolidated revenue, respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

4. DISCONTINUED OPERATIONS

(a) Discontinued operation of Gouchang Coal Mine

Gouchang Coal Mine is a coal mine located in Guizhou Province, the PRC, which is wholly owned by Nayong Gouchang Coal Mining Co., Ltd., a subsidiary of the Company. The operation of Gouchang Coal Mine has been suspended since March 2013 pending the acquisition of a nearby coal mine and Gouchang Coal Mine achieving certain production targets in accordance with Guizhou Province's coal mine consolidation policy. The Group therefore planned to close down Gouchang Coal Mine in accordance with the second batch of the restructuring proposal approved by the Energy Bureau of Guizhou Province* (貴州省能源局) and the Leading Group Office of Guizhou Province on Coal Enterprises Consolidation* (貴州省煤礦企業兼併重組工作領導小組辦公室) on 5 January 2016. In the year of 2020, substantially all the work at Gouchang Coal Mine had ceased; and therefore, the operating results have been reclassified to a discontinued operation for the purpose of preparing the consolidated statement of profit or loss.

The results of Gouchang Coal Mine for the years ended 31 December 2020 and 2019 are presented below:

	2020 CNY'000	2019 CNY'000
Finance costs	(2)	(1)
Non-operating expenses, net	(785)	(827)
LOSS BEFORE INCOME TAX	(787)	(828)
Income tax expense	—	—
LOSS FOR THE YEAR FROM THE DISCONTINUED OPERATION	(787)	(828)
Attributable to:		
Owners of the parent	(779)	(820)
Non-controlling interest	(8)	(8)
	(787)	(828)

The net cash flows incurred by Gouchang Coal Mine are as follows:

	2020 CNY'000	2019 CNY'000
Operating activities	(974)	(401)
Financing activities	932	850
Net cash (outflow)/inflow	(42)	449

* For identification purposes only

NOTES TO FINANCIAL STATEMENTS

31 December 2020

4. DISCONTINUED OPERATIONS (continued)

(b) Discontinued operation of Guizhou Nayong Dayuan Coal Mining Co., Ltd. ("Guizhou Dayuan")

On 24 May 2019, Guizhou Puxin Energy Co., Ltd. ("Guizhou Puxin"), a wholly-owned subsidiary of the Group, entered into an agreement with Guiyang Baoshun Energy Co., Ltd. ("Baoshun"), an independent third party, to dispose of its entire equity interest in Guizhou Dayuan, a wholly-owned subsidiary of Guizhou Puxin for an aggregate cash consideration of CNY55.0 million. Guizhou Dayuan is mainly engaged in the extraction and sale of anthracite coal in Nayong County, Guizhou Province, the PRC. The consideration shall be paid by Baoshun in various tranches upon the satisfaction of the subsequent conditions. During the year of 2019, Guizhou Puxin received tranches of CNY50.0 million from Baoshun. Up to 31 December 2020, the transaction was not yet completed, and Guizhou Dayuan was classified as a disposal group held for sale and as a discontinued operation.

The results of Guizhou Dayuan for the years ended 31 December 2020 and 2019 are presented below:

	2020 CNY'000	2019 CNY'000
Revenue	4,556	–
Cost of sales	(2,259)	–
Gross profit	2,297	–
Administrative expenses	(11,173)	(2,824)
OPERATING LOSS	(8,876)	(2,824)
Finance costs	(131)	(134)
Interest income	3	–
Non-operating expenses, net	(157)	(437)
LOSS BEFORE INCOME TAX	(9,161)	(3,395)
Income tax expense	(273)	(2,373)
LOSS FOR THE YEAR FROM THE DISCONTINUED OPERATION	(9,434)	(5,768)
Attributable to:		
Owners of the parent	(9,434)	(5,768)
Non-controlling interests	–	–
	(9,434)	(5,768)

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4. DISCONTINUED OPERATIONS (continued)

- (b) Discontinued operation of Guizhou Nayong Dayuan Coal Mining Co., Ltd. ("Guizhou Dayuan") (continued)

The major classes of assets and liabilities of Guizhou Dayuan classified as held for sale as at 31 December 2020 and 2019 are as follows:

	31 December 2020 CNY'000	31 December 2019 CNY'000
Assets		
Property, plant and equipment	63,733	54,206
Inventories	657	–
Rehabilitation fund	1,500	1,500
Prepayments and other receivables	6,858	2,027
Trade and bills receivable	901	–
Cash and cash equivalents	2,548	142
Assets of a disposal group classified as held for sale	76,197	57,875
Liabilities		
Trade and bills payables	2,174	1,133
Other payables and accruals	28,579	2,088
Income tax payable	301	21
Deferred tax liabilities	20,363	20,090
Asset retirement obligations	1,730	1,616
Liabilities directly associated with the assets classified as held for sale	53,147	24,948
Net assets directly associated with the disposal group	23,050	32,927

The net cash flows incurred by Guizhou Dayuan are as follows:

	2020 CNY'000	2019 CNY'000
Operating activities	(9,488)	(2,766)
Investing activities	(11,646)	–
Financing activities	23,541	1,514
Net cash inflow/(outflow)	2,407	(1,252)

NOTES TO FINANCIAL STATEMENTS

31 December 2020

4. DISCONTINUED OPERATIONS (continued)

The calculations of basic and diluted loss per share from discontinued operations are based on:

	2020 CNY'000	2019 CNY'000
Loss attributable to ordinary equity holders of the parent from discontinued operations	(10,213)	(6,588)
Weighted average number of ordinary shares ('000 shares):		
Basic	1,380,546	1,380,546
Diluted	1,380,546	1,380,546
Loss per share attributable to ordinary equity holders of the parent (CNY per share):		
Basic, from discontinued operations	(0.01)	*
Diluted, from discontinued operations	(0.01)	*

* Insignificant

5. REVENUE FROM CONTINUING OPERATIONS

Revenue from continuing operations represents the following:

	2020 CNY'000	2019 CNY'000
Revenue from contracts with customers	1,013,074	1,149,726

(i) Disaggregated revenue information

	2020 CNY'000	2019 CNY'000
Types of goods or services		
Sale of coal	1,012,848	1,149,061
Coal trading	226	665
	1,013,074	1,149,726
Geographic market		
Mainland China	1,013,074	1,149,726
Timing of revenue recognition		
Goods transferred at a point of time	1,013,074	1,149,726

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

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5. REVENUE FROM CONTINUING OPERATIONS (continued)

(i) Disaggregated revenue information (continued)

	2020 CNY'000	2019 CNY'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of coal	115,814	46,049

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of coal

The performance obligation is satisfied upon delivery of the coal and payment is generally due within 30 days from delivery, except for new customers, where payment in advance is normally required.

Coal trading

The performance obligation is satisfied upon receipt of the coal and payment is generally due within 30 days from receipt.

6. COST OF SALES FROM CONTINUING OPERATIONS

Cost of sales from continuing operations represents the following:

	2020 CNY'000	2019 CNY'000
Sale of coal (Note 9)	715,638	832,580

7. FINANCE COSTS FROM CONTINUING OPERATIONS

	2020 CNY'000	2019 CNY'000
Interest on interest-bearing bank and other borrowings	141,028	70,900
Interest on lease liabilities (Note 17(c))	13,064	5,621
Interest on payables for mining rights	2,145	2,145
Total interest expense	156,237	78,666
Bank charges	825	512
Discount coupon	6,931	12,114
Accretion expenses	839	782
	164,832	92,074

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8. NON-OPERATING INCOME, NET FROM CONTINUING OPERATIONS

	2020 CNY'000	2019 CNY'000
Government grant	2,602	4,975
Surcharges for late tax payments	(657)	(2,184)
Safety security fines	(1,517)	(1,391)
Donation	(501)	(1,214)
Compensation income	—	1,854
Gain/(loss) on disposal of property, plant and equipment (Note 9)	51	(589)
Others	779	455
	757	1,906

9. LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS

The Group's loss before income tax from continuing operations is arrived at after crediting/charging:

	2020 CNY'000	2019 CNY'000
Crediting:		
Interest income on bank deposits	2,747	775
Government grant (a)	8,758	4,975
Charging:		
Cost of inventories sold (b)	583,304	656,747
Sales tax and surcharge	57,289	65,131
Utilisation of safety fund and production maintenance fund	75,045	110,702
Cost of sales (Note 6)	715,638	832,580
Employee benefit expenses (Note 10)	313,364	306,877
Depreciation, depletion and amortisation:		
– Property, plant and equipment (Note 16)	247,486	324,783
– Right-of-use assets (Note 17(c))	20,978	18,017
Lease payments not included in the measurement of lease liabilities (Note 17(c))	644	1,827
Auditors' remuneration:		
– Audit fee	3,400	3,400
Impairment losses on property, plant and equipment	246,184	–
Impairment of right-of-use assets	1,080	–
Impairment of financial assets, net	7,406	618
Impairment of prepayments	3,895	–
Gains from financial assets at fair value through profit or loss	575	19
Gain/(loss) on disposal of property, plant and equipment (Note 8)	51	(589)
Repairs and maintenance	44,808	39,604
Losses arising from temporary suspension of production	7,660	–

(a) Included in government grant is a total amount of CNY2.6 million in non-operating income and CNY6.2 million in other operating income.

(b) Included in the cost of inventories sold is a total amount of CNY536.9 million for the year ended 31 December 2020 (2019: CNY506.6 million) relating to employee benefit expenses and depreciation, depletion and amortisation, and these amounts are also included in the respective amounts disclosed separately above for each type of expenses.

NOTES TO FINANCIAL STATEMENTS

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10. EMPLOYEE BENEFITS FROM CONTINUING OPERATIONS

	2020 CNY'000	2019 CNY'000
Wages, salaries and allowances	318,749	294,803
Contribution to pension plans (a)	10,189	13,338
Housing funds (a)	2,714	3,422
Welfare and other expenses	18,537	19,617
Sub-total	350,189	331,180

- (a) According to the PRC state regulations, the employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government and government-sponsored housing funds. These subsidiaries are required to contribute certain percentages of their payroll costs for those qualified urban employees to the central pension scheme as well as the housing funds.

Employee benefits charged to loss from continuing operations are analysed as follows:

	2020 CNY'000	2019 CNY'000
Total employee benefits accrued for the year	350,189	331,180
Less:		
Amount included in inventories	(1,626)	(400)
Amount included in property, plant and equipment	(35,199)	(23,903)
Amount charged to loss from continuing operations (Note 9)	313,364	306,877

NOTES TO FINANCIAL STATEMENTS

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11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 CNY'000	2019 CNY'000
Fees	321	318
Other emoluments:		
Salaries, allowances and benefits in kind	947	827
Pension scheme contributions	54	79
	1,001	906
	1,322	1,224

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020 CNY'000	2019 CNY'000
Mr. Lo Kin Cheung (i)	107	106
Mr. Huang Zuye (i)	107	106
Mr. Hu Yongming (ii)	—	26
Mr. Wang Xiufeng (iii)	107	80
	321	318

There were payables of CNY0.32 million to the independent non-executive directors during the year (2019: CNY0.32 million).

- (i) Mr. Lo Kin Cheung and Mr. Huang Zuye were appointed as the Company's non-executive directors with effect from 23 December 2013.
- (ii) Mr. Hu Yongming was appointed as the Company's non-executive director with effect from 20 September 2016, and resigned on 29 March 2019.
- (iii) Mr. Wang Xiufeng was appointed as the Company's non-executive director with effect from 29 March 2019.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and the chief executive

	Fees CNY'000	Salaries, allowances and benefits in kind CNY'000	Pension scheme contributions CNY'000	Total remuneration CNY'000
2020				
Executive directors:				
Mr. Tam Cheuk Ho	—	—	—	—
Mr. Wong Wah On Edward	—	—	—	—
Mr. Han Weibing	—	276	47	323
Mr. Yu Mingwei Bonaventure	—	267	—	267
Mr. Hu Lubao	—	264	—	264
Mr. Wang Tao (i)	—	140	7	147
	—	947	54	1,001

(i) Mr. Wang Tao was appointed as an executive director with effect from 25 November 2019, and resigned on 6 July 2020.

	Fees CNY'000	Salaries, allowances and benefits in kind CNY'000	Pension scheme contributions CNY'000	Total remuneration CNY'000
2019				
Executive directors:				
Mr. Tam Cheuk Ho	—	—	—	—
Mr. Wong Wah On Edward	—	—	—	—
Mr. Han Weibing	—	276	76	352
Mr. Yu Mingwei Bonaventure	—	267	—	267
Mr. Hu Lubao	—	264	—	264
Mr. Wang Tao	—	20	3	23
	—	827	79	906

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year ended 31 December 2020 (2019: Nil).

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12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees for the year ended 31 December 2020 included one director (2019: three), details of whose remuneration are set out in Note 11 above. Details of the remuneration for the year ended 31 December 2020 of the remaining four (2019: two) highest paid employees who are neither a director nor chief executive officer of the Company are as follows:

	Number of employees	
	2020	2019
Directors	1	3
Non-director individuals	4	2
	5	5

Details of the remuneration paid to the highest paid employees who is neither a director nor chief executive officer are as follows:

	2020 CNY'000	2019 CNY'000
Wages, salaries and allowances	1,150	528
Contribution to pension plans	14	15
Housing funds	14	4
Welfare and other expenses	16	11
	1,194	558

The number of non-director and non-chief executive officer highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2020	2019
Nil to HK\$1,000,000	4	2
	4	2

NOTES TO FINANCIAL STATEMENTS

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13. INCOME TAX FROM CONTINUING OPERATIONS AND DEFERRED TAX

The Company is a limited liability company incorporated in the BVI and conducts its primary business through its subsidiaries in Mainland China. It also has an intermediate holding company in Hong Kong. Under the current laws of the BVI, the Company incorporated in the BVI is not subject to tax on income or capital gains. The Hong Kong profits tax rate was 16.5% during the year ended 31 December 2020 (2019: 16.5%). The Company's Hong Kong subsidiary has both Hong Kong sourced and non-Hong Kong sourced income. The latter is not subject to Hong Kong profits tax and the related expenses are non-tax-deductible. For the Hong Kong sourced income, no provision for Hong Kong profits tax was made as this operation sustained tax losses during the years ended 31 December 2020 and 2019. Furthermore, there are no withholding taxes in Hong Kong on the remittance of dividends.

Under the Law of the PRC on the corporate income tax ("CIT") and Implementation Regulation of the Corporate Income Tax Law (the "CIT Law") collectively, the tax rate applicable for PRC group entities is 25% (2019: 25%).

Under the prevailing CIT Law and its relevant regulations, any dividends paid by the Company's PRC subsidiaries from their earnings derived after 1 January 2008 to the Company's Hong Kong subsidiary are subject to PRC dividend withholding tax of 5% or 10%, depending on the applicability of the Sino-Hong Kong tax treaty.

The current and deferred components of income tax (credit)/expense from continuing operations are as follows:

	2020 CNY'000	2019 CNY'000
Current – Mainland China	17,610	40,066
Deferred – Mainland China	(58,528)	(22,530)
	(40,918)	17,536

A reconciliation of the income taxes from continuing operations computed at the PRC statutory tax rate of 25% to the actual income tax (credit)/charge is as follows:

	2020 CNY'000	2019 CNY'000
Loss before income tax from continuing operations	(387,851)	(58,299)
Tax at the statutory tax rate of 25%	(96,963)	(14,575)
Effect of different tax rates for the Company and the Hong Kong subsidiary	1,494	1,651
Non-deductible expenses	6,286	5,568
Tax losses not recognised	48,262	24,213
Others	3	679
Income tax (credit)/charge from continuing operations	(40,918)	17,536

NOTES TO FINANCIAL STATEMENTS

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13. INCOME TAX FROM CONTINUING OPERATIONS AND DEFERRED TAX (continued)

The Group's major deferred tax assets and deferred tax liabilities, classified after netting on a jurisdictional basis, are as follows:

	2020 CNY'000	2019 CNY'000
Deferred tax assets		
Accruals and other payables	4,502	3,927
Capitalised pilot run income	11,324	12,190
Tax losses	41,672	43,239
Depreciation of property, plant and equipment	26,741	14,328
Bad debt provision	5,648	5,397
	89,887	79,081
Deferred tax liabilities		
Depreciation and fair value adjustment of property, plant and equipment	(110,482)	(158,204)
Net deferred tax liabilities	(20,595)	(79,123)
Classification in the consolidated statement of financial position:		
Deferred tax assets	41,497	9,527
Deferred tax liabilities	(62,092)	(88,650)

In assessing the recoverability of the Group's deferred tax assets, management has performed a detailed assessment on the available taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the deductible temporary differences and unused tax losses can be utilised before they expire. In addition, management has also performed a detailed assessment on these coal mining subsidiaries' profitability based on their production plans, product mix, forecasted selling prices, and the related production and operational costs, of which strong profits are expected.

Accordingly, management considered it is probable that the Group, in future, will earn sufficient taxable profits to utilise these coal mining subsidiaries' deductible temporary differences and unused tax losses before they expire and as such, the related deferred tax assets are recognised.

NOTES TO FINANCIAL STATEMENTS

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13. INCOME TAX FROM CONTINUING OPERATIONS AND DEFERRED TAX (continued)

The total amounts of unused tax losses for which no deferred tax assets were recognised amounted to CNY697.9 million and CNY622.1 million as at 31 December 2020 and 2019, respectively. As at 31 December 2020, unused tax losses not utilised of CNY219.6 million, CNY110.8 million, CNY77.6 million, CNY96.9 million and CNY193.0 million will expire by end of 2021, 2022, 2023, 2024 and 2025, respectively.

The gross movements on the deferred tax account are as follows:

	2020 CNY'000	2019 CNY'000
At the beginning of the year	(79,123)	(119,371)
Charged to the consolidated statement of profit or loss	58,528	22,530
Reclassified to held for sale	–	17,718
At the end of the year	(20,595)	(79,123)

14. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic and diluted loss per share for the year were calculated as follows:

	2020 CNY'000	2019 CNY'000
Loss for the year attributable to ordinary equity holders of the parent:	(356,100)	(103,642)
From continuing operations	(345,887)	(97,054)
From discontinued operations	(10,213)	(6,588)
Weighted average number of ordinary shares ('000 shares):		
Basic	1,380,546	1,380,546
Diluted	1,380,546	1,380,546
Loss per share attributable to ordinary equity holders of the parent (CNY per share):		
Basic		
From continuing operations	(0.25)	(0.07)
From discontinued operations	(0.01)	*
	(0.26)	(0.07)
Diluted		
From continuing operations	(0.25)	(0.07)
From discontinued operations	(0.01)	*
	(0.26)	(0.07)

* Insignificant

The Company did not have any potential diluted shares throughout the year. Accordingly, the diluted loss per share amount was the same as the basic loss per share amount.

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15. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2020 (2019: Nil).

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings CNY'000	Mining structures and mining rights CNY'000	Machinery and equipment CNY'000	Motor vehicles CNY'000	Construction in progress CNY'000	Total CNY'000
Cost						
At 1 January 2019	118,561	3,222,342	583,187	49,787	412,315	4,386,192
Additions	1,360	1,802	45,716	15,453	471,443	535,774
Transfers	4,029	339,334	6,650	4,570	(354,583)	-
Disposals	-	-	(2,517)	-	-	(2,517)
Reclassified to held for sale	(14,426)	(323,795)	(23,578)	(1,641)	-	(363,440)
Reclassified to right-of-use assets	-	(56,548)	-	-	-	(56,548)
At 31 December 2019 and 1 January 2020	109,524	3,183,135	609,458	68,169	529,175	4,499,461
Additions	-	118,061	19,171	2,185	108,382	247,799
Transfers	22,839	154,444	-	-	(177,283)	-
Disposals	-	(160,522)	-	(2,568)	-	(163,090)
Reclassified from right-of-use assets	-	-	21,370	-	-	21,370
At 31 December 2020	132,363	3,295,118	649,999	67,786	460,274	4,605,540
Accumulated depreciation						
At 1 January 2019	(15,713)	(541,261)	(287,487)	(24,011)	-	(868,472)
Depreciation charge	(9,141)	(269,580)	(39,134)	(6,928)	-	(324,783)
Disposals	-	-	1,928	-	-	1,928
Reclassified to held for sale	3,270	3,976	3,463	1,465	-	12,174
Reclassified to right-of-use assets	-	2,417	-	-	-	2,417
At 31 December 2019 and 1 January 2020	(21,584)	(804,448)	(321,230)	(29,474)	-	(1,176,736)
Depreciation charge	(11,197)	(203,758)	(24,206)	(8,325)	-	(247,486)
Disposals	-	5,065	-	2,009	-	7,074
At 31 December 2020	(32,781)	(1,003,141)	(345,436)	(35,790)	-	(1,417,148)
Impairment						
At 1 January 2019	(16,226)	(711,771)	(29,618)	(554)	(5,298)	(763,467)
Additions	-	-	-	-	-	-
Reclassified to held for sale	11,156	265,613	20,115	176	-	297,060
At 31 December 2019 and 1 January 2020	(5,070)	(446,158)	(9,503)	(378)	(5,298)	(466,407)
Additions	(455)	(228,110)	(17,560)	(59)	-	(246,184)
Write off	-	53,917	-	-	-	53,917
At 31 December 2020	(5,525)	(620,351)	(27,063)	(437)	(5,298)	(658,674)
Net carrying amount						
At 31 December 2019	82,870	1,932,529	278,725	38,317	523,877	2,856,318
At 31 December 2020	94,057	1,671,626	277,500	31,559	454,976	2,529,718

As at 31 December 2020, certain mining rights with a carrying amount of CNY545.6 million (31 December 2019: CNY722.6 million) were pledged to secure bank loans with a carrying amount of CNY1,734.3 million (31 December 2019: CNY1,729.5 million) (Note 27).

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16. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2020, certain machinery and equipment with a carrying amount of CNY36.5 million (31 December 2019: Nil) and certain buildings with a carrying amount of CNY7.6 million (31 December 2019: Nil) were pledged to secure bank loans with a carrying amount of CNY20.0 million (31 December 2019: Nil) (Note 27).

As at 31 December 2020, certain buildings with a carrying amount totalling CNY86.0 million (31 December 2019: CNY74.0 million) were without title certificates. The Group has obtained the relevant confirmation letters issued by the local authorities confirming that they will not impose any penalties in connection with the construction of these buildings, and that the Group may continue to use these buildings in accordance with the current use. The Directors are of the view that the Group was entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter do not have any significant impact on the Group's financial position as at the end of the year.

Exchanges of assets

As at 4 December 2020, Guizhou Puxin received an amended new mining right permit of Liujiaba Coal Mine issued by Department of Natural Resources of Guizhou Province ("Exchange of assets"). According to the new mining right permit, the Department of Natural Resources of Guizhou Province adjusted part of the mining area of Liujiaba Coal Mine in order to facilitate better urban and regional planning. A land area of 1.4339km² of the original mining area ("Assets Given Up"), which overlapped with urban planning, has been cut out and replaced by a new piece of reserved land with a net area (after netting out of empty area) of 0.6946km² ("Assets Received").

The transaction passes the "commercial substance" test since the risk, timing and amount of the cash flows of the Assets Received differ from the configuration of the cash flows of the Assets Given Up.

The Assets Received was measured at fair value amounting to CNY101.5 million of the Assets Given Up according to valuation report prepared by a third party valuation expert.

Impairment for individual assets

As a result of the Exchange of assets, the property, plant and equipment located in the original mining area cannot be used any more, which led to impairment losses for property, plant and equipment of CNY85.5 million (2019: Nil) recognised in profit or loss.

Impairment tests for CGUs

When any indicators of impairment are identified, property, plant and equipment are reviewed for impairment based on each CGU, being an individual coal mine or entity. The carrying values of these individual CGUs were compared to the recoverable amount of the CGUs, which were based predominately on value-in-use.

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16. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment tests for CGUs (continued)

In 2020, impairment losses for property, plant and equipment of Liujiaba Coal Mine amounting to CNY160.7 million (2019: Nil) were recognised. The recoverable amount of such CGU was CNY454.6 million as at 31 December 2020. Factors leading to the impairment are mainly related to the higher production cost.

Value-in-use calculations use pre-tax cash flow projections based on the 2021 financial budgets approved by management and are extrapolated using the same cash flow projections of the remaining years with changes being made to reflect the estimated changes in future market or economic conditions. Other key assumptions applied in the impairment testing include the future sales volume, coal price and operating cost. Management determined these key assumptions based on past performance and their expectations on market development. Further, the Group adopts a pre-tax and non-inflation rate of ranging from 9.66% to 9.93% (2019: 9.62% to 9.64%) as discount rate that reflects specific risks related to the CGUs. The assumptions above are used in analysing the recoverable amounts of the CGUs within operating segments. These estimates and judgments may be significantly affected by unexpected changes in the future market or economic conditions.

17. LEASES

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land CNY'000	Machinery and equipment CNY'000	Buildings CNY'000	Total CNY'000
As at 1 January 2019	–	124,567	2,281	126,848
Additions	2,403	19,974	431	22,808
Depreciation charge	(913)	(16,181)	(923)	(18,017)
Reclassified from property, plant and equipment	54,131	–	–	54,131
As at 31 December 2019 and 1 January 2020	55,621	128,360	1,789	185,770
Additions	366	98,769	–	99,135
Depreciation charge	(624)	(19,665)	(689)	(20,978)
Reclassified to property, plant and equipment	–	(21,370)	–	(21,370)
Impairment *	(1,080)	–	–	(1,080)
As at 31 December 2020	54,283	186,094	1,100	241,477

* In December 2020, the Department of Natural Resources of Guizhou Province adjusted part of the mining area of Liujiaba Coal Mine in order to facilitate better urban and regional planning (Note 16). As a result, the impairment of right-of-use assets for Liujiaba Coal Mine amounting to CNY1.1 million (2019: Nil) for the year ended 31 December 2020 was recognised, which was related to prepaid land lease payments located in the original mining area.

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17. LEASES (continued)

(b) Lease liabilities

	2020 CNY'000	2019 CNY'000
Carrying amount at 1 January	84,129	115,580
New leases	99,135	22,808
Accretion of interest recognised during the year	13,064	5,621
Payments	(65,842)	(59,880)
Carrying amount at 31 December	130,486	84,129
Analysed into:		
Current portion	69,366	47,930
Non-current portion	61,120	36,199

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 CNY'000	2019 CNY'000
Interest on lease liabilities (Note 7)	13,064	5,621
Depreciation charge of right-of-use assets (Note 9)	20,978	18,017
Expense relating to short-term leases and other leases with remaining lease terms ended on or before the year end (included in cost of sales)	151	1,439
Expense relating to leases of low-value assets (included in administrative expenses)	493	388
Total amount recognised in profit or loss	34,686	25,465

- (d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in Note 42(c) and Note 34, respectively, to the financial statements.

18. REHABILITATION FUND

The rehabilitation fund represents restricted cash set aside by the Group in banks and cash placed with authorities for the purposes of future environmental rehabilitation as well as the settlement of asset retirement obligations.

NOTES TO FINANCIAL STATEMENTS

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19. INVESTMENT IN AN ASSOCIATE

On 6 December 2017, Guizhou Longfei Technology Development Co., Ltd. (貴州隆飛科技發展有限公司, "Longfei") was established with registered capital of CNY20.0 million. Bijie Feishang Energy Co., Ltd. ("Bijie Feishang"), an indirectly wholly-owned subsidiary of the Company, subscribed 20% of the capital at an amount of CNY4.0 million. Bijie Feishang paid the subscribed capital of CNY2.4 million in year 2018.

	2020 CNY'000	2019 CNY'000
Share of net assets:		
– Unlisted investment	1,036	2,514
	1,036	2,514

Particulars of the associate are as follows:

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

Name	Paid-in capital CNY'000	Place of registration and business	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Longfei	20,000	Guizhou, Mainland China	20.00%	20.00%	20.00%	Trading and repairing of mining facilities and spare parts

In the opinion of the directors of the Company, the investment in an associate is not material to the Group and no further disclosure of the particulars of the associate is presented.

20. INVENTORIES

	2020 CNY'000	2019 CNY'000
Spare parts and consumables	31,086	37,552
Coal	24,976	1,575
	56,062	39,127
Less: Provision for impairment	(1,810)	(1,810)
	54,252	37,317

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21. TRADE AND BILLS RECEIVABLES

	2020 CNY'000	2019 CNY'000
Trade receivables	191,709	145,620
Less: Provision for impairment	(55,318)	(47,912)
	136,391	97,708
Bills receivable	29,504	29,179
	165,895	126,887

A credit period of up to three months is granted to customers with an established trading history, otherwise, sales on cash terms or payment in advance are required. Trade receivables are non-interest-bearing.

Trade receivables of CNY123.7 million (31 December 2019: Nil) were pledged as security for short-term loans of CNY100.0 million (31 December 2019: Nil) as at 31 December 2020 (Note 27).

Bills receivable are bills of exchange with maturity of less than one year, and management considers the probability of default as minimal.

An ageing analysis of the trade receivables as at the end of the year, based on the invoice date and net of loss allowance, is as follows:

	2020 CNY'000	2019 CNY'000
Within 3 months	58,097	46,844
3 to 6 months	9,169	34,001
6 to 12 months	55,849	2,311
Over 12 months	13,276	14,552
	136,391	97,708

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020 CNY'000	2019 CNY'000
At the beginning of the year	47,912	47,294
Impairment losses, net	7,406	618
At the end of the year	55,318	47,912

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21. TRADE AND BILLS RECEIVABLES (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if the Group is satisfied that recovery of the amount is remote.

The Group applies the simplified approach to the provision for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. To measure the expected credit loss on trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the ageing.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

	Within	Between	Between	Between	Between	Over	Total
	1 year	1 and 2 years	2 and 3 years	3 and 4 years	4 and 5 years	5 years	
Expected credit loss rate	2%	9%	51%	72%	98%	100%	
Gross carrying amount (CNY'000)	125,824	10,003	7,830	1,071	2,228	44,753	191,709
Expected credit losses (CNY'000)	2,709	880	4,015	770	2,191	44,753	55,318
Net carrying amount (CNY'000)	123,115	9,123	3,815	301	37	-	136,391

As at 31 December 2019

	Between		Between		Between		Over	Total
	Within 1 year	1 and 2 years	2 and 3 years	3 and 4 years	4 and 5 years	5 years		
Expected credit loss rate	1%	5%	46%	60%	98%	100%		
Gross carrying amount (CNY'000)	83,897	12,931	1,125	2,253	38,850	6,564	145,620	
Expected credit losses (CNY'000)	741	709	520	1,349	38,029	6,564	47,912	
Net carrying amount (CNY'000)	83,156	12,222	605	904	821	-	97,708	

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22. PREPAYMENTS AND OTHER RECEIVABLES

The balances consist of prepayments and other receivables at cost of:

	2020 CNY'000	2019 CNY'000
Current:		
Prepaid spare parts and consumables purchases	28,102	34,930
Deposits	22,708	20,407
Staff advances	7,172	7,420
Withheld social security	27,373	22,390
Value-added tax recoverable	1,972	6,345
Prepaid transportation fee	8,620	5,104
Coal sales subsidies	—	3,315
Prepaid coals for trading purposes	5,213	6,036
Others	6,714	5,046
Less: Impairment allowance	(7,548)	(4,154)
	99,826	106,839
Non-current:		
Prepayments for construction-related work	39,965	26,174
Prepayments for equipment purchases	17,640	36,266
Prepayments for mining plan design	1,419	1,084
Others	3,732	3,982
Less: Impairment allowance	(3,513)	(3,012)
	59,243	64,494
	159,069	171,333

The financial assets included in the above balances relate to receivables for which there was no recent history of default.

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22. PREPAYMENTS AND OTHER RECEIVABLES (continued)

The movements in provision for impairment of prepayments and other receivables are as follows:

	2020 CNY'000	2019 CNY'000
Current:		
At the beginning of the year	4,154	5,633
Impairment losses recognised	3,394	–
Reclassified to assets of a disposal group classified as held for sale	–	(1,479)
Sub-total	7,548	4,154
Non-current:		
At the beginning of the year	3,012	3,704
Impairment losses recognised	501	–
Reclassified to assets of a disposal group classified as held for sale	–	(692)
Sub-total	3,513	3,012
At the end of the year	11,061	7,166

Where applicable upon financial assets above, an impairment analysis is performed at each reporting date by considering the probability of default by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. For staff advances, deposits and others, management considers the probability of default to be minimal. Except for the separate item of prepayments already impaired, the financial assets included in the above balances relate to receivables for which there was no recent history of default, and no impairment was provided during the year.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 CNY'000	2019 CNY'000
Financial assets at fair value through profit or loss		
Wealth management products	6,412	5,019
	6,412	5,019

Wealth management products were mainly investments in financial instruments issued by an investment company which had no guaranteed returns. The fair values of financial assets at fair value through profit or loss have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

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24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2020 CNY'000	2019 CNY'000
Cash and bank balances	122,037	158,417
Less: Pledged deposits (i):		
Pledged and restricted for bank bills (Note 25)	(40,000)	(116,000)
Restricted bank deposits	(1,450)	–
Pledged and restricted for bank loans (Note 27)	(51,000)	–
	(92,450)	(116,000)
Cash and cash equivalents	29,587	42,417

- (i) Pledged deposits mainly include deposits of CNY40.0 million (31 December 2019: CNY116.0 million) held as security for bank bills, a deposit of CNY51.0 million (31 December 2019: Nil) held as security for bank loans and restricted bank deposits frozen due to a lawsuit of CNY1.5 million (31 December 2019: Nil) as at 31 December 2020.

Deposits and cash and cash equivalents are denominated in the following currencies:

	2020 CNY'000	2019 CNY'000
CNY	121,713	153,463
Hong Kong dollar	324	4,954
	122,037	158,417

Cash and cash equivalents are principally CNY-denominated deposits placed with banks in the PRC. The CNY is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange CNY for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at respective short-term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

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25. TRADE AND BILLS PAYABLES

	2020 CNY'000	2019 CNY'000
Trade payables (a)	749,122	710,093
Bills payable	80,000	171,900
	829,122	881,993

- (a) Included in trade payables were amounts of CNY363.2 million (31 December 2019: CNY414.6 million) due to contractors related to construction as at 31 December 2020.

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

	2020 CNY'000	2019 CNY'000
Within one year	360,665	466,872
More than one year	388,457	243,221
	749,122	710,093

Bills payable are bills of exchange with maturity of less than one year. Pledged deposits of CNY40.0 million (31 December 2019: CNY116.0 million) were pledged to secure the bank bills as at 31 December 2020 (Note 24).

The trade payables are non-interest-bearing and are normally settled on a term of three to six months other than those due to contractors related to construction, which are repayable on terms ranging from three months to one year. The trade payables ageing for more than one year are predominately payables due to contractors related to construction.

26. OTHER PAYABLES AND ACCRUALS

	2020 CNY'000	2019 CNY'000
Deposits from contractors	103,033	89,526
Social security payable (a)	90,301	71,318
Payroll payable	46,380	42,500
Contract liabilities (b)	139,065	115,814
Other taxes payable	48,884	20,788
Professional fee	3,969	1,758
Payables for emergency rescue of the coal mine	3,667	3,667
Geological hazard compensation	4,675	982
Receipts from disposal of a subsidiary	50,000	50,000
Others	24,558	21,618
	514,532	417,971

- (a) Social security payable consists of employee retirement insurance, medical insurance, maternity insurance, employment injury insurance and unemployment insurance and housing funds for the benefit of the Group's employees.

- (b) Contract liabilities include short-term advances received to deliver coal.

Other payables are non-interest-bearing and have an average term of three months.

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27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020 CNY'000	2019 CNY'000
Current		
Bank and other borrowings – guaranteed	50,000	100,000
Bank and other borrowings – secured	100,000	–
Bank and other borrowings – unsecured	–	2,000
Bank and other borrowings – secured and guaranteed	20,000	200,000
Current portion of long term bank and other borrowings – secured and guaranteed	101,500	303,000
Current portion of long term bank and other borrowings – guaranteed	–	17,000
	271,500	622,000
Non-current		
Bank and other borrowings – secured and guaranteed	1,632,750	1,226,500
	1,904,250	1,848,500

Certain of the interest-bearing bank and other borrowings are secured by:

- (1) pledges over the Group's mining rights with a carrying amount of CNY545.6 million (31 December 2019: CNY722.6 million) as at 31 December 2020 (Note 16);
- (2) pledges over the Company's equity interests in Guizhou Puxin and Guizhou Dayuan as at 31 December 2020 and 31 December 2019;
- (3) pledges over trade receivables in Guizhou Yongfu Mining Co., Limited ("Guizhou Yongfu") and Guizhou Puxin with carrying amounts of CNY123.7 million (31 December 2019: Nil) as at 31 December 2020 (Note 21);
- (4) pledges over machinery and equipment owned by Guizhou Yongfu with carrying amounts of CNY36.5 million (31 December 2019: Nil) and buildings owned by Guizhou Puxin with carrying amounts of CNY7.6 million (31 December 2019: Nil) as at 31 December 2020 (Note 16); and
- (5) the pledge of a deposit in Guizhou Puxin with a carrying amount of CNY51.0 million (31 December 2019: Nil) as at 31 December 2020 (Note 24).

In addition, Mr. Li Feilie has guaranteed certain of the Group's interest-bearing bank and other borrowings up to CNY1,804.3 million (31 December 2019: CNY1,776.5 million) as at 31 December 2020. Also, the Group's fellow subsidiaries have guaranteed certain of the Group's interest-bearing bank and other borrowings up to CNY1,804.3 million (31 December 2019: CNY1,846.5 million) as at 31 December 2020.

All borrowings are denominated in CNY.

NOTES TO FINANCIAL STATEMENTS

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27. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The ranges of the effective interest rates of the Group's bank and other borrowings are as follows:

	2020 %	2019 %
Fixed-rate bank and other borrowings	4.98~7.00	7.00~7.50
Floating-rate bank and other borrowings	4.05~7.35	4.75~7.35

The maturity profile of the bank and other borrowings as at the end of the reporting period is as follows:

	2020 CNY'000	2019 CNY'000
Bank and other borrowings repayable:		
Within one year or on demand	271,500	622,000
In the second year	1,365,250	105,000
In the third to fifth years, inclusive	229,500	977,500
Beyond five years	38,000	144,000
	1,904,250	1,848,500

28. MINING RIGHT PAYABLES

Mining right payables represent the payables to the Guizhou Provincial Department of Land and Resources as a result of acquiring the mining rights for Guizhou Yongfu and Guizhou Dayun Mining Co., Ltd. ("Guizhou Dayun"). Mining right payables are classified as current/non-current liabilities according to instalment plans agreed with the Guizhou Provincial Department of Land and Resources.

Maturity of mining right payables is as follows:

	2020 CNY'000	2019 CNY'000
Within one year or on demand	43,780	43,780

The mining right payables bear interest at a rate stipulated by the People's Bank of China from year to year. The interest rate for mining right payables for the year ended 31 December 2020 was 4.90% (2019: 4.90%).

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29. DEFERRED INCOME

	2020 CNY'000	2019 CNY'000
At the beginning of the year	17,835	12,081
Additions	2,500	8,261
Amortised during the year	(2,502)	(2,507)
At the end of the year	17,833	17,835
Portion classified as current liabilities	(2,452)	(2,202)
Non-current portion	15,381	15,633

In 2020, government grants at the amount of CNY2.5 million were received for certain underground construction projects in Liuzhi Xinsong Coal Mining Co., Ltd. The amounts were included in deferred income in the consolidated statement of financial position, which were recognised in the consolidated statement of profit or loss along with the depreciation of related assets over their useful lives.

Government grants of CNY6.2 million (2019: CNY2.5 million) have been recognised in the consolidated statement of profit or loss directly since there was no unfulfilled condition as at 31 December 2020.

30. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations primarily relate to the closure of mines, which include dismantling mining-related structures and the reclamation of land upon exhaustion of coal reserves.

The following table describes the changes to the Group's asset retirement obligation liabilities:

	Amount CNY'000
At 1 January 2019	13,036
Change of estimation	(268)
Accretion expenses	916
Reclassified to liabilities directly associated with the assets classified as held for sale (Note 4(b))	(1,616)
At 31 December 2019 and 1 January 2020	12,068
Accretion expenses	839
At 31 December 2020	12,907

The inflation rate, discount rate and market risk premium used for estimating the provision for asset retirement obligations were 2.00%, 6.99% and 6.09% for the year ended 31 December 2020 and were 2.00%, 6.99% and 6.09% for the year ended 31 December 2019 respectively.

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31. SHARE CAPITAL

	2020 CNY'000	2019 CNY'000
Authorised:		
100,000,000,000 (2019: 100,000,000,000 ordinary shares of HK\$0.001 each) ordinary shares of HK\$0.001 each	79,960	79,960
Issued and fully paid:		
1,380,545,800 (2019: 1,380,545,800 ordinary shares of HK\$0.001 each) ordinary shares of HK\$0.001 each	1,081	1,081

32. SHARE OPTION SCHEME

A share option scheme was approved by shareholders of the Company on 23 December 2013 (the “Date of Adoption”) (the “2013 Share Option Scheme”), under which the board of directors may, at its discretion, offer any Eligible Persons (as defined hereinafter) options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The 2013 Share Option Scheme has a life of 10 years from the Date of Adoption. The 2013 Share Option Scheme is a share incentive scheme and is established to enable the Group to, (i) recognise and acknowledge the contributions that Eligible Persons have (or may have) made or may make to the Group (whether directly or indirectly); (ii) attract and retain and appropriately remunerate the best possible employees and other Eligible Persons; (iii) motivate the Eligible Persons to optimise their performance and efficiency for the benefit of the Group; (iv) enhance its business, employee and other relations; and/or (v) retain the maximum flexibility as to the range and nature of rewards and incentives which the Company can offer to Eligible Persons. The Eligible Persons include (a) any full time or part time employees of the Group or any Directors or any of its subsidiaries; (b) any customer, supplier or provider of services, landlord or tenant, agent, partner, consultant, or adviser of or a contractor to or person doing business with any member of the Group; (c) trustee of any trust, the principal beneficiary of which is, or any discretionary trust the discretionary objects of which include, any person referred to (a) or (b) above; (d) a company wholly beneficially owned by any person referred to in (a) or (b) above, and (e) such other persons (or classes of persons) as the board of directors may in its absolute discretion determine.

At 31 December 2020, the Company had no share options outstanding under the scheme (2019: Nil).

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33. RESERVES

The amounts of the Group's reserves and movements therein for the reporting period are presented in the consolidated statement of changes in equity.

(a) Safety fund and production maintenance fund

The safety fund and production maintenance fund represent the safety production fund and the production maintenance fund, which are accrued based on production volume in accordance with the circular of the Ministry of Finance on enterprise safety production.

(b) Special reserves

The special reserves represent the equity-settled share option expense related to the coal business in 2010, prepaid listing expenses undertaken and paid by CHNR on behalf of the Group and the loss from the acquisition of non-controlling interests.

34. COMMITMENTS

Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	2020 CNY'000	2019 CNY'000
Contracted, but not provided for		
– Construction and purchase of items of property, plant and equipment	117,736	243,123
– Capital contribution to the associate	1,600	1,600
	119,336	244,723

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35. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Commercial transactions with related parties

Commercial transactions with related parties are summarised as follows:

	2020 CNY'000	2019 CNY'000
Payment of its share of office rental, rates and others to Anka Consultants Limited ("Anka") (i)/(ii)	745	827
Purchase of materials and equipment maintenance from Longfei (iii)	12,003	10,239
Share of office rental to Feishang Enterprise (i)/(iv)	170	170

- (i) The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.
- (ii) On 1 July 2016, the Company and CHNR, a related company which is controlled by the controlling shareholder of the Group, signed the office sharing agreement with Anka, a Hong Kong private company that is owned by certain Directors. Pursuant to the agreement, the office premises of 119 square meters were shared by the Company, and 184 square meters were shared by CHNR. The agreement also provided that the Company and CHNR shared certain costs and expenses in connection with their use of the office, in addition to some of the accounting and secretarial services and day-to-day office administration provided by Anka. In 2018, Anka's lease with the unrelated landlord was extended for two years, from 1 July 2018 to 30 June 2020. Besides, Anka has signed new contract with the unrelated landlord on 1 July 2020 for two years to 30 June 2022.
- (iii) Longfei, an associate, provides material and equipment maintenance services for the Group.
- (iv) On 1 January 2019, Shenzhen Chixin Information and Consulting Co., Ltd., a wholly-owned subsidiary of the Group, entered into an office sharing leasing agreement with Feishang Enterprise. Pursuant to the agreement, the office premises of 40 square meters were shared by the Company. The agreement will expire in September 2021.

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and on normal commercial terms or in accordance with the agreements governing such transactions.

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35. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group

	2020 CNY'000	2019 CNY'000
Wages, salaries and allowances	3,326	3,165
Contribution to pension plans	31	94
Housing funds	51	53
Welfare and other expenses	45	50
	3,453	3,362

Further details of the directors' and chief executive's emoluments are included in Note 11 to the financial statements.

(c) Outstanding balances with related parties

The Group's payables with related parties, which are all unsecured, non-interest-bearing and have no fixed terms of repayment, are summarised as follows:

	2020 CNY'000	2019 CNY'000
Payables to a related company:		
Feishang Enterprise	312,552	317,395

	2020 CNY'000	2019 CNY'000
Lease liabilities due to related companies:		
Anka	331	331
Feishang Enterprise	445	445
	776	776

	2020 CNY'000	2019 CNY'000
Due to an associate:		
Longfei	1,392	1,727

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36. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/ registered share capital CNY'000	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Bijie Feishang Energy Co., Ltd. (畢節飛尚能源有限公司)	PRC/Mainland China 19 October 2010	10,000	-	100	Investment holding
Guizhou Dayun Mining Co., Ltd. (貴州大運礦業有限公司)	PRC/Mainland China 14 April 2004	300,000	-	100	Coal development and mining
Guizhou Fuyuantong Energy Co., Ltd. (貴州福源通能源有限公司)	PRC/Mainland China 10 March 2010	10,000	-	100	Investment holding
Guizhou Nayong Dayuan Coal Mining Co., Ltd. (貴州納雍縣大圓煤業有限公司)	PRC/Mainland China 22 January 2009	46,000	-	100	Coal development and mining
Guizhou Puxin Energy Co., Ltd. (貴州浦鑫能源有限公司)	PRC/Mainland China 15 January 2009	270,000	-	100	Investment holding and coal trading
Guizhou Yongfu Mining Co., Limited (貴州永福礦業有限公司)	PRC/Mainland China 27 June 2005	100,000	-	70	Coal development and mining
Hong Kong Smartact Limited (香港英策有限公司)	Hong Kong 25 January 2010	-	100	-	Investment holding
Hainan Yangpu Dashi Industrial Co., Limited (海南洋浦大石實業公司)	PRC/Mainland China 13 April 2004	1,000	-	100	Investment holding
Jinsha Baiping Mining Co., Ltd. (金沙縣白坪礦業有限公司)	PRC/Mainland China 15 January 2009	58,000	-	70	Coal development and mining
Jinsha Juli Energy Co., Ltd. (金沙縣聚力能源有限責任公司)	PRC/Mainland China 16 November 2012	30,000	-	100	Coal washing
Liuzhi Linjiaao Coal Mining Co., Ltd. (六枝特區林家窩煤業有限公司)	PRC/Mainland China 19 November 2008	30,600	-	100	Coal development and mining
Liuzhi Xinsong Coal Mining Co., Ltd. (六枝特區新松煤業有限公司)	PRC/Mainland China 13 November 2008	60,000	-	100	Coal development and mining
Nayong Gouchang Coal Mining Co., Ltd. (納雍縣狗場煤業有限公司)	PRC/Mainland China 10 September 2009	40,000	-	99	Coal development and mining
Shenzhen Chixin Information and Consulting Co., Ltd. (深圳市馳鑫信息諮詢有限公司)	PRC/Mainland China 18 July 2012	1,000	-	100	Provision of management and consulting services to other companies in the Group

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36. PARTICULARS OF THE SUBSIDIARIES (continued)

Name	Place and date of incorporation/registration and place of operations	Nominal value of issued ordinary/ registered share capital CNY'000	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jinsha Xinyun Energy Co., Ltd. (金沙縣鑫運能源有限公司)	PRC/Mainland China 11 May 2016	10,000	-	100	Coal washing
Jinsha Xinping Energy Co., Ltd. (金沙縣鑫坪能源有限公司)	PRC/Mainland China 20 June 2017	10,000	-	100	Coal washing
Guizhou Feishang Mineral Resources Co., Ltd. (貴州飛尚工礦物資有限公司)	PRC/Mainland China 8 December 2017	20,000	-	100	Provision of purchasing construction equipment services and consulting services to other companies in the Group

37. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are derecognised in their entirety

At 31 December 2020, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of CNY559.3 million (2019: CNY604.3 million) and factored certain bills receivable accepted by banks in Mainland China with a carrying amount in aggregate of CNY299.9 million (2019: CNY286.9 million) (the “Derecognised Bills”). The Derecognised Bills have a maturity from one month to one year at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the banks in Mainland China default (the “Continuing Involvement”). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase the Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group’s Continuing Involvement in the Derecognised Bills are not significant.

During the year, the Group has recognised finance cost on the date of transfer of the Derecognised Bills at an amount of CNY6.9 million (2019: CNY12.1 million). No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers (the “Endorsement”). The Endorsement has been made evenly throughout the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

At 31 December 2020

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
Designated as such upon initial recognition	CNY'000	CNY'000	CNY'000
Trade and bills receivables	–	29,504	136,391
Financial assets included in prepayments and other receivables	–	–	34,837
Pledged deposits	–	–	92,450
Financial assets at fair value through profit or loss	6,412	–	6,412
Cash and cash equivalents	–	–	29,587
	6,412	29,504	293,265
			329,181

Financial liabilities

At 31 December 2020

	Financial liabilities at amortised cost CNY'000	Total CNY'000
Trade and bills payables	829,122	829,122
Financial liabilities in other payables and accruals	189,902	189,902
Interest-bearing bank and other borrowings – current	271,500	271,500
Interest-bearing bank and other borrowings – non-current	1,632,750	1,632,750
Lease liabilities – current	69,366	69,366
Lease liabilities – non-current	61,120	61,120
Mining right payables	43,780	43,780
Due to a related company	312,552	312,552
Due to an associate	1,392	1,392
Interest payable	33,427	33,427
	3,444,911	3,444,911

NOTES TO FINANCIAL STATEMENTS

31 December 2020

38. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets

At 31 December 2019

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
Designated as such upon initial recognition	CNY'000	CNY'000	CNY'000	CNY'000
Trade and bills receivables	–	29,179	97,708	126,887
Financial assets included in prepayments and other receivables	–	–	34,945	34,945
Pledged deposits	–	–	116,000	116,000
Financial assets at fair value through profit or loss	5,019	–	–	5,019
Cash and cash equivalents	–	–	42,417	42,417
	5,019	29,179	291,070	325,268

Financial liabilities

At 31 December 2019

	Financial liabilities at amortised cost	Total
	CNY'000	CNY'000
Trade and bills payables	881,993	881,993
Financial liabilities in other payables and accruals	166,902	166,902
Interest-bearing bank and other borrowings – current	622,000	622,000
Interest-bearing bank and other borrowings – non-current	1,226,500	1,226,500
Lease liabilities – current	47,930	47,930
Lease liabilities – non-current	36,199	36,199
Mining right payables	43,780	43,780
Due to an associate company	1,727	1,727
Due to a related company	317,395	317,395
Interest payable	32,955	32,955
	3,377,381	3,377,381

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31 December 2020

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Financial liabilities

	As at 31 December 2020		As at 31 December 2019	
	Carrying amount CNY'000	Fair value CNY'000	Carrying amount CNY'000	Fair value CNY'000
Interest-bearing bank and other borrowings – non-current	632,500	611,096	262,500	258,533
Total	632,500	611,096	262,500	258,533

The fair values of the non-current portion of interest-bearing loans and bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risks for interest-bearing bank and other borrowings as at the end of each year were assessed to be insignificant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 31 December 2020	Fair value measurement using			
	Quoted prices in active markets (Level 1) CNY'000	Significant observable inputs (Level 2) CNY'000	Significant unobservable inputs (Level 3) CNY'000	Total CNY'000
Financial assets at fair value through profit or loss	–	6,412	–	6,412
Trade and bills receivables	–	29,504	–	29,504
Total	–	35,916	–	35,916

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) CNY'000	Significant observable inputs (Level 2) CNY'000	Significant unobservable inputs (Level 3) CNY'000	Total CNY'000
Financial assets at fair value through profit or loss	–	5,019	–	5,019
Trade and bills receivables	–	29,179	–	29,179
Total	–	34,198	–	34,198

NOTES TO FINANCIAL STATEMENTS

31 December 2020

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities for which fair values are disclosed

As at 31 December 2020	Fair value measurement using			
	Quoted prices in active markets (Level 1) CNY'000	Significant observable inputs (Level 2) CNY'000	Significant unobservable inputs (Level 3) CNY'000	Total CNY'000
Interest-bearing bank and other borrowings – non-current	–	611,096	–	611,096
Total	–	611,096	–	611,096
As at 31 December 2019				
	Fair value measurement using			
	Quoted prices in active markets (Level 1) CNY'000	Significant observable inputs (Level 2) CNY'000	Significant unobservable inputs (Level 3) CNY'000	Total CNY'000
Interest-bearing bank and other borrowings – non-current	–	258,533	–	258,533
Total	–	258,533	–	258,533

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

NOTES TO FINANCIAL STATEMENTS

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Group primarily include cash and cash deposits, trade and bills receivables, certain other current assets, trade and bills payables, certain other liabilities, amounts due to related companies, interest-bearing bank and other borrowings and mining right payables.

The Group is exposed to credit risk, foreign currency risk, interest rate risk and liquidity risk. The Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the management.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

At 31 December 2020	12-month ECLs			Lifetime ECLs		Simplified approach	Total
	Stage 1 CNY'000	Stage 2 CNY'000	Stage 3 CNY'000	CNY'000			
Trade and bills receivables*	29,504	—	—	—	191,709	221,213	
Financial assets included in prepayments and other receivables							
– Normal**	34,837	—	—	—	—	34,837	
– Doubtful**	—	—	2,574	—	—	2,574	
Pledged deposits							
– Not yet past due	92,450	—	—	—	—	92,450	
Cash and cash equivalents							
– Not yet past due	29,587	—	—	—	—	29,587	
Total	186,378	—	2,574	191,709	380,661		

NOTES TO FINANCIAL STATEMENTS

31 December 2020

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Maximum exposure and year-end staging (continued)

At 31 December 2019	12-month ECLs			Lifetime ECLs	
	Stage 1 CNY'000	Stage 2 CNY'000	Stage 3 CNY'000	Simplified approach CNY'000	Total CNY'000
Trade and bills receivables*	29,179	–	–	145,620	174,799
Financial assets included in prepayments and other receivables					
– Normal**	34,945	–	–	–	34,945
– Doubtful**	–	–	2,560	–	2,560
Pledged deposits					
– Not yet past due	116,000	–	–	–	116,000
Cash and cash equivalents					
– Not yet past due	42,417	–	–	–	42,417
Total	222,541	–	2,560	145,620	370,721

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in Note 21 to the financial statements.

** The credit quality of the financial assets included in prepayments and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Cash and cash deposits

The Group maintains its cash and cash deposits primarily with various PRC state-owned banks and Hong Kong-based financial institutions, which management believes are of high credit quality. The Group performs periodic evaluations of the relative credit standing of those financial institutions.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Maximum exposure and year-end staging (continued)

Trade receivables

The Group sells anthracite coal to companies in Mainland China. Trade receivables are typically unsecured and are mainly derived from revenue earned from customers in Mainland China. The risk with respect to trade receivables is mitigated by credit evaluations that the Group performs on its customers and its ongoing monitoring of outstanding balances. The Group provides impairment for trade receivables primarily based on the age of the balances and factors surrounding the customer's creditworthiness. A provision of CNY7.4 million for impairment of trade receivables was made during the year ended 31 December 2020 (2019: CNY0.6 million). As at 31 December 2020, receivables due from the five largest customers accounted for 4.1% (2019: 0.0%) of the trade receivables.

Sales to the five largest customers accounted for 70.2% (2019: 66.2%) of the consolidated revenue for the year ended 31 December 2020. The five largest customers are all recognised and creditworthy third parties and their trading terms are mainly on payment in advance or with a credit period of one month. The Group expects the concentration of coal customers to subside once the production volume increases in the future.

Bills receivable

Bills receivable represent letters of credit obtained by customers of the Group to finance purchases which have been presented to banks for payment after delivery of goods to customers. As at 31 December 2020, the bills receivable balance was guaranteed by financial institutions. The bills receivable normally have terms of maturity of less than one year.

(b) Foreign currency risk

These financial statements are presented in CNY, which is the Company's presentation currency. The currency is not freely convertible into foreign currencies. The State Administration of Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of the currency into foreign currencies. The value of the currency is subject to changes in PRC government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. All foreign exchange transactions continue to take place either through the People's Bank of China or other banks authorised to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The interest rate risk is closely monitored by the Group's senior management. As at 31 December 2020, the interest rates for 43.0% (2019: 39.4%) of the Group's interest-bearing debts were fixed. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the portion of interest-bearing bank and other borrowings and mining right payables with floating interest rates except for interest which is capitalised. With all other variables held constant, the Group's loss before tax is affected through the impact on floating rate borrowings as follows:

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax
Year ended 31 December 2020	100 (100)	11,034 (11,034)
Year ended 31 December 2019	100 (100)	2,484 (2,484)

NOTES TO FINANCIAL STATEMENTS

31 December 2020

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk

The Group manages its liquidity risk by regularly monitoring its liquidity requirements and its compliance with debt covenants to ensure that it maintains sufficient cash and cash equivalents, and adequate time deposits to meet its liquidity requirements in the short and long term. Bank facilities have been put in place for contingency purposes.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 December 2020	Less than		More than		Total CNY'000
	1 year CNY'000	1 to 5 years CNY'000	5 years CNY'000		
Trade and bills payables	829,122	—	—	—	829,122
Other payables and accruals	189,902	—	—	—	189,902
Interest-bearing bank and other borrowings	397,958	1,713,484	40,063	2,151,505	
Due to a related company	—	—	312,552	312,552	
Due to an associate company	1,392	—	—	—	1,392
Mining right payables	76,840	—	—	—	76,840
Lease liabilities	71,977	62,567	—	—	134,544
	1,567,191	1,776,051	352,615	3,695,857	

31 December 2019	Less than		More than		Total CNY'000
	1 year CNY'000	1 to 5 years CNY'000	5 years CNY'000		
Trade and bills payables	881,993	—	—	—	881,993
Other payables and accruals	166,902	—	—	—	166,902
Interest-bearing bank and other borrowings	757,097	1,240,011	150,124	2,147,232	
Due to a related company	—	—	317,395	317,395	
Due to an associate company	1,727	—	—	—	1,727
Mining right payables	74,695	—	—	—	74,695
Lease liabilities	48,363	36,913	—	—	85,276
	1,930,777	1,276,924	467,519	3,675,220	

NOTES TO FINANCIAL STATEMENTS

31 December 2020

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group also relies on financial support from its controlling shareholder.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders, raise new debt or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital on the basis of the debt to capital ratio (gearing ratio), which is calculated as an interest-bearing debt divided by total capital. An interest-bearing debt includes interest-bearing bank and other borrowings, mining right payables and lease liabilities. Capital includes total equity and an interest-bearing debt. The gearing ratios as at the end of the reporting periods were as follows:

	2020 CNY'000	2019 CNY'000
Interest-bearing debt	2,078,516	1,976,409
Total equity	(551,823)	(194,832)
Total capital	1,526,693	1,781,577
Gearing ratio	136.1%	110.9%

NOTES TO FINANCIAL STATEMENTS

31 December 2020

41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The Group has two subsidiaries with material non-controlling interests ("NCI"). Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2020	2019
	2020 CNY'000	2019 CNY'000
Percentage of equity interest held by non-controlling interests:		
Baiping Mining	30%	30%
Guizhou Yongfu	30%	30%
 (Loss)/profit for the year allocated to non-controlling interests as disclosed in the consolidated financial statements:		
Baiping Mining	(9,723)	(16,233)
Guizhou Yongfu	8,677	37,452
 Dividends paid to non-controlling interests of Baiping Mining and Guizhou Yongfu	—	—
 Accumulated balances of non-controlling interests at the reporting date as disclosed in the consolidated financial statements:		
Baiping Mining	30,992	40,715
Guizhou Yongfu	153,131	144,454

NOTES TO FINANCIAL STATEMENTS

31 December 2020

41. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed include the consolidation adjustments but are before any inter-company eliminations:

2020

	Baiping Mining CNY'000	Guizhou Yongfu CNY'000
Revenue	86,819	337,887
Cost of sales	(84,045)	(239,683)
Total expenses	(35,182)	(69,282)
(Loss)/profit for the year	(32,408)	28,922
Total comprehensive (loss)/income for the year	(32,408)	28,922
Current assets	302,432	754,623
Non-current assets	510,969	863,545
Current liabilities	641,657	1,037,784
Non-current liabilities	68,437	69,946
Net cash flows (used in)/from operating activities	(27,307)	27,354
Net cash flows used in investing activities	(20,102)	(66,450)
Net cash flows from financing activities	48,298	36,333
Net increase/(decrease) in cash and cash equivalents	889	(2,763)

2019

	Baiping Mining CNY'000	Guizhou Yongfu CNY'000
Revenue	115,696	473,929
Cost of sales	(144,100)	(241,057)
Total expenses	(25,707)	(108,030)
(Loss)/profit for the year	(54,111)	124,842
Total comprehensive (loss)/income for the year	(54,111)	124,842
Current assets	268,557	805,004
Non-current assets	494,164	850,878
Current liabilities	551,486	1,146,377
Non-current liabilities	75,519	27,992
Net cash flows (used in)/from operating activities	(147,131)	184,649
Net cash flows used in investing activities	(39,387)	(96,370)
Net cash flows from/(used in) financing activities	187,508	(85,685)
Net increase in cash and cash equivalents	990	2,594

NOTES TO FINANCIAL STATEMENTS

31 December 2020

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of CNY99.1 million and CNY99.1 million, respectively, in respect of lease arrangements for property, plant and equipment (2019: CNY22.8 million).

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings CNY'000	Lease liabilities CNY'000	Due to a related company CNY'000
At 1 January 2020	1,848,500	84,129	317,395
Changes from financing cash flows	55,750	(52,778)	(4,843)
New leases	–	99,135	–
Interest expense	–	13,064	–
Interest paid classified as operating cash flows	–	(13,064)	–
At 31 December 2020	1,904,250	130,486	312,552

	Interest-bearing bank and other borrowings CNY'000	Finance lease payables/Lease liabilities CNY'000	Due to a related company CNY'000
At 31 December 2018	1,065,125	113,299	1,244,118
Effect of adoption of IFRS 16	–	2,281	–
At 1 January 2019	1,065,125	115,580	1,244,118
Changes from financing cash flows	783,375	(54,259)	(926,723)
New leases	–	22,808	–
Interest expense	–	5,621	–
Interest paid classified as operating cash flows	–	(5,621)	–
At 31 December 2019	1,848,500	84,129	317,395

(c) Total cash outflow for leases:

	2020 CNY'000	2019 CNY'000
Within operating activities	13,708	7,448
Within investing activities	–	–
Within financing activities	52,778	54,259
	66,486	61,707

NOTES TO FINANCIAL STATEMENTS

31 December 2020

43. EVENTS AFTER THE REPORTING PERIOD

On 19 January 2021, Jinsha Juli Energy Co., Ltd. received the remaining loan facility amounting to CNY40.0 million out of the total CNY100.0 million long-term bank loan from Bank of Guiyang, to be repaid on 18 January 2022. The purpose of the loan is to pay the purchase of coal. The loan bears a fixed interest rate of 6.96% per annum.

On 8 February 2021, Guizhou Puxin and Guizhou Dayun, and CCTEG Financial Leasing Co., Ltd. ("CCTEG") entered into the sale agreement for the sale of the relevant machinery and equipment to CCTEG for an aggregate consideration of CNY50.0 million and the leaseback agreement for the lease of the relevant machinery and equipment from CCTEG for an aggregate consideration of CNY57.5 million. On 8 February 2021 and 26 March 2021, Guizhou Dayun received CNY30.0 million and CNY20.0 million, respectively.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 CNY'000	2019 CNY'000
NON-CURRENT ASSETS		
Property and equipment	3	4
Right-of-use assets	837	322
TOTAL NON-CURRENT ASSETS	840	326
CURRENT ASSETS		
Due from a subsidiary	135,281	143,577
Prepayment to suppliers	—	—
Cash and cash equivalents	239	4,856
TOTAL CURRENT ASSETS	135,520	148,433
TOTAL ASSETS	136,360	148,759
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Other payables and accruals	3,477	2,282
Lease liabilities	571	331
TOTAL CURRENT LIABILITIES	4,048	2,613
NON-CURRENT LIABILITIES		
Lease liabilities	232	—
TOTAL NON-CURRENT LIABILITIES	232	—
TOTAL LIABILITIES	4,280	2,613
EQUITY		
Share capital (Note 31)	1,081	1,081
Reserves (Note 33)	130,999	145,065
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	132,080	146,146
TOTAL EQUITY	132,080	146,146
TOTAL LIABILITIES AND EQUITY	136,360	148,759

NOTES TO FINANCIAL STATEMENTS

31 December 2020

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's equity movement is as follows:

	Share capital CNY'000	Share premium account CNY'000	Accumulated losses CNY'000	Exchange fluctuation reserve CNY'000	Total CNY'000
At 1 January 2019	1,081	204,524	(71,301)	15,863	150,167
Loss for the year	–	–	(6,597)	–	(6,597)
Foreign currency translation adjustments	–	–	–	2,576	2,576
Total comprehensive loss for the year	–	–	(6,597)	2,576	(4,021)
At 31 December 2019 and 1 January 2020	1,081	204,524	(77,898)	18,439	146,146
Loss for the year	–	–	(5,931)	–	(5,931)
Foreign currency translation adjustments	–	–	–	(8,135)	(8,135)
Total comprehensive loss for the year	–	–	(5,931)	(8,135)	(14,066)
At 31 December 2020	1,081	204,524	(83,829)	10,304	132,080

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2021.

SUMMARY OF MINE PROPERTIES

The following table sets forth certain information relating to each of the Group's anthracite coal mines as of the date of this report:

Mine	Commercial Production				Discontinued Operations	
	Baiping Coal Mine	Yongsheng Coal Mine	Dayun Coal Mine	Liujiaba Coal Mine (Note 3)	Dayuan Coal Mine (Note 2)	Gouchang Coal Mine (Note 1)
Location (within Guizhou province, the PRC)	Jinsha County, Qianbei Coal District	Jinsha County, Qianbei Coal District	Jinsha County, Qianbei Coal District	Liuzhi Special District, Zhina Coal District	Nayong County, Zhina Coal District	Nayong County, Zhina Coal District
Equity interest held by the Group	70%	70%	100%	100%	100%	99%
Date of initial commercial production	June 2009	February 2014	July 2015	December 2012	November 2013	n/a
Reserve data (as of 31 July 2013) (Note 4)						
Proved reserve (million tonnes)	3.44	3.77	12.50	2.08	2.99	n/a
Probable reserve (million tonnes)	19.04	48.19	84.79	11.52	5.27	n/a
Total proved and probable reserve (million tonnes)	22.48	51.96	97.29	13.60	8.26	n/a
Average Coal Quality of Raw Coal						
Moisture (%)	2.47	2.28	2.40	1.38	n/a	n/a
Ash (%)	19.04	17.95	18.27	25.03	n/a	n/a
Volatile Matter (%)	9.88	11.72	9.20	12.57	n/a	n/a
Sulfur (%)	2.35	1.27	2.12	2.30	n/a	n/a
Heating Value (MJ/kg)	28.33	28.62	28.03	23.95	n/a	n/a
Density (tonnes/m ³)	1.45	1.43	1.49	1.49	n/a	n/a
Reserve data (as of 31 December 2020) (Note 5)						
Proved reserve (million tonnes)	1.36	–	8.14	0.12	n/a	n/a
Probable reserve (million tonnes)	19.04	45.73	84.79	11.52	n/a	n/a
Total proved and probable reserve (million tonnes)	20.40	45.73	92.93	11.64	n/a	n/a
Capital expenditure for the year ended 31 December 2020 (CNY in millions)	35.3	64.4	48.6	49.3	n/a	n/a
Output – Commercial run for the year ended 31 December 2020 (million tonnes)	0.35	0.68	0.65	0.61	n/a	n/a

SUMMARY OF MINE PROPERTIES

Notes:

- (1) The Group has closed down Gouchang Coal Mine in accordance with relevant Guizhou province's coal mine consolidation policy. The credit of the coal resource and reserve of Gouchang Coal Mine will be retained and utilised by Baiping Coal Mine in future.
- (2) Operations have been suspended at Dayuan Coal Mine since June 2014 pending the passing of verification and acceptance procedures conducted by the Nayong County Administration Bureau of Work Safety. The Group's original plan to acquire a nearby coal mine to achieve the consolidation of Dayuan Coal Mine was suspended in 2016. On 24 May 2019, Guizhou Puxin entered into an equity transfer agreement with Baoshun (an independent third party), to dispose its entire equity interest in Guizhou Dayuan. Up to 31 December 2020, the transaction was not yet completed.
- (3) On 26 January 2015, the first batch of the restructuring proposal has been approved by the Energy Bureau of Guizhou Province and the Leading Group Office of Guizhou Province on Coal Enterprises Consolidation. Under the first batch of the restructuring proposal, the Group would integrate Zhulinzhai Coal Mine and Liujiaba Coal Mine, both located in Xinhua, Liuzhi Special District, Zhina Coal District, Guizhou province, into a single coal mine under the name of Liujiaba Coal Mine. On 4 December 2020, Guizhou Puxin received an amended new mining right permit of Liujiaba Coal Mine. According to the new mining right permit, the mining area of Liujiaba Coal Mine has been adjusted to facilitate better urban and regional planning as disclosed in the Business Update Announcement of the Company dated 8 December 2020.
- (4) The reserve data as of 31 July 2013 is extracted from competent person's report dated 7 December 2013 prepared by Behre Dolbear Asia, Inc. under the JORC Code.
- (5) The reserve data as of 31 December 2020 has been substantiated by the Group's internal expert by adjusting those reserves extracted by the Group's mining activities from August 2013 to December 2020 from the proved reserve figure as of 31 July 2013. All assumptions and technical parameters set out in the competent person's report as shown in the Listing Document have not been materially changed and are continued to apply to the reserve data as of 31 December 2020 (except those of Gouchang Coal Mine and Dayuan Coal Mine).
- (6) There was no exploration activity for the Group during 2020.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2020 CNY'000	2019 CNY'000	2018 CNY'000	2017 CNY'000	2016 CNY'000
Continuing Operations					
Revenue	1,013,074	1,149,726	1,234,151	1,022,950	557,863
Cost of sales	(715,638)	(832,580)	(577,860)	(492,500)	(380,644)
Gross profit	297,436	317,146	656,291	530,450	177,219
Selling and distribution expenses	(106,535)	(116,417)	(48,216)	(28,235)	(21,802)
Administrative expenses	(139,882)	(135,332)	(121,000)	(106,878)	(87,235)
Impairment losses on property, plant and equipment	(246,184)	–	–	–	(100,515)
Other operating expenses, net	(22,474)	(33,651)	(23,450)	(1,551)	(26,087)
Operating (loss)/profit	(225,045)	31,128	459,432	398,661	(111,377)
Finance costs	(164,832)	(92,074)	(93,062)	(74,372)	(72,151)
(Loss)/profit before income tax	(387,851)	(58,299)	372,737	337,735	(180,098)
Income tax	40,918	(17,536)	(114,887)	(117,178)	(20,744)
(Loss)/profit for the year	(346,933)	(75,835)	257,850	220,557	(200,842)
(Loss)/profit attributable to owners of the parent	(345,887)	(97,054)	207,193	182,873	(205,714)
Discontinued Operations					
Loss for the year	(10,221)	(6,596)	(6,564)	(339)	(7,100)
Loss attributable to owners of the parent	(10,213)	(6,588)	(6,564)	(336)	(7,029)
Total (loss)/profit for the year	(357,154)	(82,431)	251,286	220,218	(207,942)
Basic (loss)/profit per share (CNY per share)	(0.26)	(0.07)	0.15	0.13	(0.16)

	As at 31 December				
	2020 CNY'000	2019 CNY'000	2018 CNY'000	2017 CNY'000	2016 CNY'000
Assets and Liabilities					
Current assets	524,619	492,354	451,534	371,279	563,965
Non-current assets	2,882,383	3,130,759	3,017,507	2,671,710	2,427,459
Current liabilities	1,862,023	2,121,500	2,084,381	1,154,762	1,379,506
Non-current liabilities	2,096,802	1,696,445	1,497,134	2,252,549	2,195,161
Total equity	(551,823)	(194,832)	(112,474)	(364,322)	(583,243)