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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2798)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the "**Board**") of directors (the "**Directors**") of Perennial Energy Holdings Limited (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021, together with the comparative figures for the corresponding period in 2020 as follows:

FINANCIAL HIGHLIGHTS

Revenue amounted to approximately RMB1,541.4 million (2020: approximately RMB1,402.6 million) representing a growth of approximately 9.9% YoY.

Gross profit amounted to approximately RMB918.5 million (2020: approximately RMB716.0 million) representing a growth of approximately 28.3% YoY.

Gross profit margin was approximately 59.6% (2020: 51.0%), representing a growth of approximately 8.6 percentage points YoY.

Net profit generated from Xiejiahegou Coal Mine exceeded the Profit Guarantee by over 51.2%. In view of its outstanding performance in 2021 which is expected to continue in 2022, a fair value loss of contingent consideration payables of approximately RMB308.5 million (2020: approximately RMB16.1 million) arising from the Profit Guarantee is recognized. After the provision made in 2021, the Board expects that the extent of additional fair value loss will be limited in future years.

Excluding the impact of the fair value loss on contingent consideration payables, profit and total comprehensive income would be approximately RMB610.3 million (2020: approximately RMB361.6 million), representing a growth of approximately 68.8% YoY.

Profit and total comprehensive income for the year amounted to approximately RMB301.8 million (2020: approximately RMB345.5 million) representing a decrease of approximately 12.7% YoY.

Basic earnings per share was approximately RMB18.86 cents (2020: RMB21.59 cents).

Proposed final dividend for the year ended 31 December 2021 was HK3.75 cents (2020: HK3.75 cents) per share.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTES	2021	2020
		RMB'000	*RMB'000*
Revenue	4	**1,541,399**	1,402,604
Cost of sales		**(622,916)**	(686,600)
Gross profit		**918,483**	716,004
Other income		**13,296**	35,290
Fair value change of contingent consideration payables		**(308,518)**	(16,072)
Other gains and losses		**1,935**	(2,475)
Distribution and selling expenses		**(58,109)**	(105,626)
Administrative expenses		**(129,921)**	(121,230)
Other expenses		**(2,690)**	(283)
Finance costs		**(23,048)**	(21,223)
Profit before taxation	5	**411,428**	484,385
Taxation charge	6	**(109,658)**	(138,905)
Profit and total comprehensive income for the year		**301,770**	345,480
Earnings per share *(RMB cents)*			
Basic	8	**18.86**	21.59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		**1,512,740**	1,167,790
Investment properties		**51,600**	52,700
Mining rights		**866,191**	902,103
Restricted bank deposits		**12,740**	20,254
Rental deposits		**494**	509
Deposits for purchase of property, plant and equipment		**26,520**	9,564
Deposit for acquisition of mining rights		**90,566**	61,200
		2,560,851	2,214,120
Current assets			
Inventories		**51,159**	29,379
Trade and bills receivables	10	**393,003**	275,061
Deposits, prepayments and other receivables		**20,516**	17,245
Tax recoverable		**31,238**	–
Bank balances and cash		**180,854**	139,603
		676,770	461,288
Current liabilities			
Trade payables	11	**81,688**	65,518
Other payables and accrued charges		**159,735**	100,765
Contract liabilities		**9,197**	190
Lease liabilities		**1,251**	1,824
Tax payable		**–**	27,018
Bank borrowings	12	**221,015**	125,864
Contingent consideration payables	13	**253,536**	185,061
		726,422	506,240
Net current liabilities		**(49,652)**	(44,952)
Total assets less current liabilities		**2,511,199**	2,169,168

	NOTES	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Lease liabilities		**2,575**	–
Provision for restoration costs		**44,974**	43,028
Deferred tax liabilities		**16,811**	30,001
Contingent consideration payables	13	**378,095**	326,011
Bank borrowings	12	**301,000**	251,000
		743,455	650,040
Net assets		**1,767,744**	1,519,128
Capital and reserves			
Share capital	14	**14,136**	14,136
Reserves		**1,753,608**	1,504,992
Total equity		**1,767,744**	1,519,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of its subsidiaries are principally engaged in the exploration and mining of coking coal and coal refinery in the People's Republic of China (the "**PRC**" or "**China**").

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

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

2. ADOPTION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration incremental costs and non-incremental costs which the Group must incur to make the sale. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 April 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 Effective for annual periods beginning on or after a date to be determined.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the going concern basis which assumes the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. The directors of the Company have given careful consideration to the future liquidity of the Group when preparing the consolidated financial statements.

For the year ended 31 December 2021, the Group generated a net profit of RMB302 million (2020: net profit of RMB345 million). At 31 December 2021, the Group had total cash and cash equivalents of RMB181 million (2020: RMB140 million), net current liabilities of RMB50 million (2020: RMB45 million) and generated net operating cash in flows of RMB553 million (2020: RMB492 million) and total net cash inflows of RMB41 million (2020: net cash outflows of RMB104 million), after investing and financing cash flows.

The directors of the Company are of the view that the Group will be able to meet its debts as and when they fall due after taking into the consideration of the cash flow forecasts, which assume the continuity of normal business activity, indicate that the Group will have sufficient liquidity to meet its operational, existing contractual debts and capital expenditure requirements for the 12 month period from 31 December 2021.

Accordingly, the consolidated financial statements were prepared on a going concern basis.

4. REVENUE AND SEGMENT INFORMATION

Revenue

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

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

	2021	2020
	RMB'000	*RMB'000*
Types of goods and services		
Recognised at a point in time:		
Sales of coal products:		
– Raw coal	**3,469**	1,447
– Clean coal	**1,433,911**	1,307,935
– Middling coal	**98,044**	90,198
– Sludge coal	**2,894**	471
	1,538,318	1,400,051
Sales of coalbed methane gas	**3,081**	2,553
	1,541,399	1,402,604
Geographical market		
The PRC	**1,541,399**	1,402,604

Performance obligations for contracts with customers

Sales of coal products and coalbed methane gas

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

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

Segment information

The Group's operation is solely derived from the production and sales of coal products and coalbed methane gas. For the purpose of resources allocation and performance assessment, the chief operating decision maker ("**CODM**") (i.e. the chief executive officer) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 3. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Geographical information

The Group's revenue are all derived from the PRC based on the location of the customers and the Group's non-current assets, excluding financial assets, of RMB2,543,402,000 (2020: RMB2,190,621,000) are located in the PRC and of RMB4,215,000 (2020: RMB2,736,000) are located in Hong Kong, respectively, by physical location of assets.

Information about major customers

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

	2021	2020
	RMB'000	*RMB'000*
Customer A	**419,708**	N/A#
Customer B	**247,582**	169,952
Customer C	**569,556**	214,898
Customer D	**N/A#**	375,719
Customer E	**N/A***	301,365

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

* No revenue attributed from the relevant customer.

5. PROFIT BEFORE TAXATION

	2021 *RMB'000*	2020 *RMB'000*
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**2,117**	2,170
Directors' emoluments	**9,323**	9,783
Other staff costs:		
Salaries and other allowances	**221,768**	206,357
Retirement benefits schemes contributions	**36,151**	20,437
Less: Capitalised in construction in progress	**(100,690)**	(20,840)
Less: Capitalised in inventories	**(89,031)**	(146,801)
Total staff costs	**77,521**	68,936
Depreciation of property, plant and equipment	**83,307**	80,451
Less: Capitalised in inventories	**(73,309)**	(69,931)
Total depreciation of property, plant and equipment included in administrative expenses	**9,998**	10,520
Amortisation of mining rights	**35,912**	38,238
Less: Capitalised in inventories	**(35,912)**	(38,238)
Total amortisation of mining rights included in administrative expenses	**–**	–
Inventories recognised as an expense	**622,916**	686,600
Gross rental income from investment properties	**(1,101)**	(3,558)
Less: Direct operating expenses incurred for investment properties that generated rental income during the year	**–**	2,723
	(1,101)	(835)

6. TAXATION CHARGE

	2021 *RMB'000*	2020 *RMB'000*
PRC Enterprise Income Tax ("**EIT**"):		
– current year	**119,937**	144,251
– underprovision in prior years	**2,911**	–
Deferred tax credit	**(13,190)**	(5,346)
Taxation charge	**109,658**	138,905

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

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25%. Subject to certain conditions on preferential tax treatment, the applicable tax rate of the PRC subsidiaries is 15% for the year ended 31 December 2021. On 26 May 2021, Guizhou Jiutai Bangda Energy Development Co., Ltd. 貴州久泰邦達能源開發有限公司 ("**Jiutai Bangda**") obtained an approval notice from the relevant authority, which approved Jiutai Bangda as being engaged in encouraged industry in the western region. Furthermore, the income derived from its coal refinery business accounted for more than 60% of its gross income in 2021 as stipulated in the Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China ("**Announcement No. 23 [2020]**"). The profits from are therefore subject to preferential tax treatment and the applicable tax rate for the calendar year ended 31 December 2021 was 15%.

7. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Proposed final dividend of HK3.75 cents (2020: HK3.75 cents) per share	**49,056**	53,154

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK3.75 cents (2020: HK3.75 cents) per ordinary share, in an aggregate amount of HK$60,000,000 (2020: HK$60,000,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting. The final dividend in respect of the year ended 31 December 2020 has been paid during the year.

8. EARNINGS PER SHARE

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

	2021	2020
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**301,770**	345,480
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,600,000**	1,600,000

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

9. ACQUISITION OF MINING RIGHT AND RELATED ASSETS

On 4 November 2019, Jiutai Bangda, an indirectly wholly-ownded subsidiary of the Company, entered into sale and purchase agreement with 盤縣羊場鄉謝家河溝煤礦 (Pan County Yangchang Village Xiejiahegou Coal Mine) and 貴州德佳投資有限公司 (Guizhou Dejia Investment Co., Ltd.) (collectively referred to as the "**Vendors**") pursuant to which, Jiutai Bangda has conditionally agreed to purchase, and Vendors have conditionally agreed to sell a target underground coal mine located in Panzhou City, Guizhou Province (the "**Target Mine**"), together with assets related to the Target Mine at a total consideration of RMB1,100,000,000 (the "**Acquisition**") with a profit guarentee arrangement as set out in note 13 to the consolidated financial statements of this annual results announcement. The Acquisition was completed on 1 January 2020.

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

Assets recognised at the date of acquisition:

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

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

	RMB'000
Cash consideration paid	560,000
Contingent consideration payable *(note 13)*	495,000
	1,055,000

10. TRADE AND BILLS RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**137,042**	105,961
Bills receivables	**255,961**	169,100
Total	**393,003**	275,061

As at 1 January 2020, trade receivables from contracts with customers amounted to RMB92,874,000.

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

The Group allows credit period of 0–30 days to its trade customers. All bills receivables are matured within one year (2020: within one year). The following is an ageing analysis of trade and bills receivables net of impairment losses presented based on the invoice date at the end of the reporting period. For customers who used bank bills to settle their trade receivables upon the expiry of the initial credit period, the ageing analysis of bills receivables at the end of the reporting period was based on the date of the Group's receipt of the bills from the customers.

	2021	2020
	RMB'000	*RMB'000*
Trade receivables		
0–30 days	**132,911**	76,385
31–90 days	**3,687**	22,971
91–180 days	**–**	6,545
181–365 days	**444**	60
	137,042	105,961
Bills receivables		
0–30 days	**135,000**	32,600
31–60 days	**15,200**	72,000
61–90 days	**–**	25,500
91–120 days	**65,261**	24,000
121–180 days	**29,930**	15,000
181–365 days	**10,570**	–
	255,961	169,100
Total	**393,003**	275,061

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying balance of RMB4,131,000 (2020: RMB29,576,000) which are past due as at the report date. Out of the past due date balances, RMB444,000 (2020: RMB505,000) has been past due 90 days or more and is not considered as in default since the management of the Group are of the opinion that the balances are still considered recoverable due to the management's historical experience.

11. TRADE PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**81,688**	65,518

As at 31 December 2021, included in trade payables are RMB985,000 (2020: nil), RMB2,219,000 (2020: nil) and RMB1,334,000 (2020: nil) due to Bangda, Panzhou Hongda Comprehensive Energy Co., Ltd ("**Panzhou Hongda**") and Yue Bang, respectively. Panzhou Hongda is an associate of Yuebang.

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

	2021	2020
	RMB'000	*RMB'000*
0–30 days	**21,744**	12,963
31–60 days	**8,558**	8,814
61–180 days	**28,156**	19,883
181–365 days	**14,359**	10,907
Over 365 days	**8,871**	12,951
	81,688	65,518

12. BANK BORROWINGS

	2021	2020
	RMB'000	*RMB'000*
Bank borrowings from factoring of bills receivables with full recourse	**171,015**	80,864
Other bank borrowings	**351,000**	296,000
	522,015	376,864
Secured	**522,015**	376,864

	2021	2020
	RMB'000	*RMB'000*
The Carrying amounts of the above borrowings are repayable*:		
Within one year	**221,015**	125,864
Within a period more than one year but not exceeding two years	**211,000**	45,000
Within a period more than two years but not exceeding five years	**90,000**	206,000
	522,015	376,864
Less: amounts due within one year shown under current liabilities	**(221,015)**	(125,864)
Amount shown under non-current liabilities	**301,000**	251,000

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

Secured bank borrowings from factoring of bills receivables with full recourse refers to discounting of bank acceptance bills received from the customers of the Group with fixed interest rate while the significant risks and rewards from the bills receivables are substantially retained by the Group. The effective interest rate of the secured bank borrowings from factoring of bills receivables with full recourse is approximately 1% to 2% per annum (2020: 2% to 3% per annum) during the year ended 31 December 2021.

Other bank borrowings represented (i) RMB251,000,000 (2020: RMB296,000,000) secured borrowings from Bank of Guiyang Co., Ltd. in the PRC carrying interest at 5.5% per annum with a pledge of certain mining rights, and repayable in two instalments (RMB45 million on 20 December 2022 and RMB206 million on 15 August 2023); and (ii) RMB100,000,000 (2020: nil) as at 31 December 2021 represented secured borrowings from Bank of Guiyang Co., Ltd in the PRC carrying interest of 5.5% per annum with a pledge of certain mining rights, and repayable in three instalments (RMB5 million on 20 December 2022, RMB5 million on 20 December 2023 and RMB90 million on 20 May 2024).

13. CONTINGENT CONSIDERATION PAYABLES

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

The contingent consideration payable is measured at fair value at 31 December 2021 and 2020 by an independent qualified professional valuer based on the expected present value of the Remaining Consideration adjusted by any excess or shortfalls between the Benchmark Profit and the projected net profit generated by the Target Mine using discounted cash flow method.

	RMB'000
As at 1 January 2020	–
Addition	495,000
Fair value change of contingent consideration payable recognised in profit or loss	16,072
As at 31 December 2020	511,072
Repayment	(187,959)
Fair value change of contingent consideration payable recognised in profit or loss	308,518
As at 31 December 2021	631,631

	2021	2020
	RMB'000	*RMB'000*
Non-current	**378,095**	326,011
Current	**253,536**	185,061
	631,631	511,072

14. SHARE CAPITAL

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

	Number of shares	**Amount** *HK$'000*	**Equivalent amount** *RMB'000*
Ordinary shares of HK$0.01 each			
Authorised:			
At 1 January 2020, 31 December 2020 and 2021	10,000,000,000	100,000	87,208
Issued and fully paid:			
At 1 January 2020, 31 December 2020 and 2021	1,600,000,000	16,000	14,136

15. PLEDGE OF ASSETS

The Group's bank borrowings had been secured by the pledge of the Group's assets and the carrying amounts of the respective assets are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Mining Rights	**55,624**	57,925
Bills receivables	**171,650**	81,500
	227,274	139,425

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

China's economy concluded 2021 with a strong recovery, recording an 8.1% Gross Domestic Product ("**GDP**") growth year-on-year ("**YoY**"). That was the fastest pace in a decade, narrowly beating the IMF and World Bank expectations, and well beyond the target set by the central government. The growth was partially fuelled by the world's reliance on Chinese goods, as the country's successful novel coronavirus ("**COVID-19**") outbreak prevention and control methods yielded excellent outcomes and kept its industry chains operating stably without significant disruptions. China's total annual export was valued at nearly US$3.4 trillion during 2021, with trade surplus increasing by approximately 20.4% when compared to a year ago. Industrial production grew by approximately 9.6% YoY, contributing to the economic momentum. Although China's annual crude steel production retreated by approximately 3% compared to the levels recorded in 2020, it remained the largest globally.

Among the various provinces, Guangdong, Jiangsu and Shandong remained as the largest GDP contributors. After growing at more than doubled the national average growth rate in 2020, Guizhou continued its robust growth, with its GDP rising by approximately 8.1% YoY in 2021. The past two-year average growth rate of Guizhou is also one of the highest among all provinces. Echoing results were recorded in the neighbouring provinces of Yunnan and Sichuan, showing the region's strong momentum and extraordinary resilience.

In an attempt to strive for a balancing act between the growth and national carbon neutralisation targets, China's energy sector experienced a volatile year in 2021, with a consumption boom in the first half of the year, followed by actions to lower power consumption in the second half. Despite the volatility, the overall average prices in 2021 increased by approximately 61.8% YoY.

BUSINESS REVIEW

The Group mainly owns and operates three underground coal mines in Panzhou City, Guizhou Province, including 盤縣紅果鎮紅果煤礦 (Pan County Hongguo Town Hongguo Coal Mine*) ("**Hongguo Coal Mine**"), 盤縣紅果鎮苞谷山煤礦 (Pan County Hongguo Town Baogushan Coal Mine*) ("**Baogushan Coal Mine**") and 盤縣羊場鄉謝家河溝煤礦 (Pan County Yangchang Village Xiejiahegou Coal Mine*) ("**Xiejiahegou Coal Mine**").

Acquisition of Xiejiahegou Coal Mine

Xiejiahegou Coal Mine was acquired by 貴州久泰邦達能源開發有限公司 (Guizhou Jiutai Bangda Energy Development Co., Ltd*) ("**Jiutai Bangda**"), an indirect wholly-owned subsidiary of the Company, on 1 January 2020. As stated in the Company's announcements dated 5 November 2019, 22 November 2019, 26 November 2019 and 2 January 2020 and the Company's circular dated 19 December 2019, the vendors of the Xiejiahegou Coal Mine (the "**Vendors**") guarantee to Jiutai Bangda that each of audited net profit for the years ended 31 December 2020 and 2021, as well as the year ending 31 December 2022 generated by the

Xiejiahegou Coal Mine shall not be less than RMB150.0 million (the "**Profit Guarantee**"). In the event of breach of the Profit Guarantee, the Vendors shall pay the compensation(s) to Jiutai Bangda, subject to an overall cap of RMB300.0 million. On the other hand, in the event where any of the audited net profit for the year ended 31 December 2020, 31 December 2021 and year ending 31 December 2022 generated by the Xiejiahegou Coal Mine is greater than RMB150.0 million, Jiutai Bangda shall pay bonus(es) to the Vendors, subject to an overall cap of RMB300.0 million.

The audited net profit of the Xiejiahegou Coal Mine for the year ended 31 December 2021 exceeded RMB150 million, meeting the Profit Guarantee for the year ended 31 December 2021.

For the year ended 31 December 2021 (the "**year under review**"), a fair value loss of contingent consideration payable of approximately RMB308.5 million is incurred. Driven by strong operational performance and higher coal market price, the net profit generated from Xiejiahegou Coal Mine exceeded the Profit Guarantee by over 51.2% for the year ended 31 December 2021, and the Company expects that outstanding performance Xiejiahegou Coal Mine would continue in the year ending 31 December 2022. Based on the valuation of fair value change in contingent consideration payable, a fair value loss of approximately RMB308.5 million is recognized for the year under review.

Resource and Reserve

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

	Hongguo Coal Mine	**Baogushan Coal Mine**	**Xiejiahegou Coal Mine**
Resource data under the JORC Code# Summary (as at 31 December 2021)[1]			
Measured resources (kt)	17,585	10,662	–
Indicated resources (kt)	7,800	24,700	15,908
Inferred resources (kt)	13,000	7,000	10,350
Reserve data under the JORC Code# Summary (as at 31 December 2021)[1]			
Proved reserves (kt)	13,115	7,832	–
Probable reserves (kt)	5,910	18,790	10,018
Marketable reserves[2]			
– Clean coal (kt)[3]	10,225	14,163	6,480
– Middling coal (kt)	4,688	6,522	975
– Sludge coal (kt)	41	53	979

Notes:

(1) The resource and reserve data are estimated by Dr. C.S. Kong of Ravia Global Appraisal Advisory Limited and have been carried out in accordance with the JORC Code.

(2) The marketable reserves of each of the three final products (clean coal, middling coal and sludge coal) of the Hongguo Coal Mine, Baogushan Coal Mine and Xiejiahegou Coal Mine were estimated by using the historical average recoveries of coal preparation from 1 January 2021 to 31 December 2021.

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

JORC Code: The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves

Production

As at 31 December 2021, each of the Hongguo Coal Mine and Baogushan Coal Mine had a permitted annual capacity of 600,000 tonnes, whereas the Xiejiahegou Coal Mine had a permitted annual capacity of 450,000 tonnes, with total permitted annual capacity of 1.65 million tonnes. Below sets forth the actual production and utilization rate for the Group's coal mines for the year ended 31 December 2021 and 2020:

		2021		2020	
	Annual Capacity *(tonnes)*	**Actual production** ***(tonnes)***	**Utilization rate**[(1)] ***(Percentage)***	Actual production *(tonnes)*	Utilization rate[(1)] *(Percentage)*
Hongguo Coal Mine	600,000	**520,549**	**86.8%**	594,936	99.2%
Baogushan Coal Mine	600,000	**439,228**	**73.2%**	598,934	99.8%
Xiejiahegou Coal Mine	450,000	**409,767**	**91.1%**	449,410	99.9%
		1,369,544	**83.0%**	1,643,280	99.6%

Note:

(1) Utilization rate is calculated by actual production volume over the annual capacity for the relevant year.

For the year under review, the Group's total raw coal production was 1,369,544 tonnes, of which 520,549 tonnes, 439,228 tonnes and 409,767 tonnes of raw coal were produced by Hongguo Coal Mine, Baogushan Coal Mine, and Xiejiahegou Coal Mine, respectively, representing a decrease of approximately 12.5%, 26.7% and 8.8% YoY, respectively. The utilisation rate of Hongguo Coal Mine, Baogushan Coal Mine, and Xiejiahegou Coal Mine was approximately 86.8%, 73.2% and 91.1%, respectively, which decreased by approximately 12.4 percentage points ("**ppt**"), 26.6 ppt and 8.8 ppt YoY, respectively. In total, all three mines produced 1,369,544 tonnes of raw coal, which decreased by approximately 16.7% from 1,634,280 tonnes in 2020. The decrease in the overall production of raw coal is mainly due to operational constraints encountered in Hongguo Coal Mine and Baogushan Coal Mine as a result of small faults during the year under review. The Company has been preparing new work faces, hoping to minimize the disruption on production resulting from the faults in the coming year.

Coal Processing

The Group operates its own coal preparation plant, 松山洗煤廠 (Songshan Coal Preparation Plant*) for processing the raw coal extracted from its coal mines. As at 31 December 2021, the capacity held by Songshan Coal Preparation Plant is 2.4 million tonnes per annum.

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

During the year under review, a total of 1,356,825 tonnes of raw coal was processed, of which 1,043,604 tonnes and 313,221 tonnes were processed by Songshan Coal Preparation Plant and Changxing Coal Mine, respectively.

In order to lower the coal washing and processing cost and to improve the coal processing power of the Xiejiahegou Coal Mine in the long run, Jiutai Bangda intended to build its own coal preparation plant (the "**Xiejiahegou CPP**") near the Xiejiahegou Coal Mine area. During the year under review, 項目備案證明 (Project Confirmation Certificate*) from the 盤州市發展和改革局 (Panzhou City Development and Reform Bureau*) in relation to the Xiejiahegou CPP has obtained by the Group. Construction of the Xiejiahegou CPP commenced in late 2021 and is expected to be completed by 2022. In addition to a reduction in the coal processing cost, the Company believes the technological aspect of the Group's coal preparation quality will also be improved, and the level of reliance on the coal washing process from Changxing Coal Mine is expected to be reduced accordingly.

Sales Volume and Average Selling Price

Below sets forth the sales volumes and average selling prices of the Group's coal products for the year ended 31 December 2021 and 2020:

		For the year ended 31 December			
		2021		2020	
	Unit	**Sales volume**	**Average selling price** ***(RMB/unit)***	Sales volume	Average selling price *(RMB/unit)*
Clean coal – internally produced	tonne	**744,173**	**1,926.85**	1,014,902	1,190.55
Clean coal – externally purchased	tonne	**–**	**–**	82,349	1,210.00
Middling coal	tonne	**268,988**	**364.49**	275,120	327.85
Sludge coal	tonne	**41,034**	**70.53**	5,595	84.18
Raw coal	tonne	**11,038**	**314.28**	3,311	437.03

The coal market has experienced much volatility during the year under review. The Group's average selling price of clean coal increased by approximately 61.8% YoY to approximately RMB1,926.85/tonne (2020: approximately RMB1,190.55/tonne). The average selling price of middling coal increased by approximately 11.2% YoY to approximately RMB364.49/tonne (2020: approximately RMB327.85/tonne). Due to a continuous improvement in the domestic economy with the pandemic under control in Mainland China, the average selling price of our coal has an upward trend and was in line with the average coal prices in general in the coal market.

The Group's raw coal is washed and cleaned into clean coal at Songshan Coal Preparation Plant and Changxing Coal Mine before the coal products are sold to the customers. During the year under review, the sales volume of clean coal internally produced dropped by approximately 26.7% YoY to approximately 744,173 tonnes (2020: 1,014,902 tonnes), the sales volume of middling coal slightly dropped by approximately 2.2% YoY to 268,988 tonnes (2020: 275,120 tonnes) and the sales volume of sludge coal increased by approximately 633.4% YoY to approximately 41,034 tonnes (2020: 5,595 tonnes). The drop in overall sales volume of coal products was mainly caused by an interruption in production due to small faults resulting from shifts in the geological structure of the work face at Hongguo Coal Mine and Baogushan Coal Mine.

FINANCIAL REVIEW

Revenue

During the year under review, the Group recorded a total revenue of approximately RMB1,541.4 million (2020: approximately RMB1,402.6 million) from the production and sales of clean coal, middling coal, sludge coal, and coalbed methane gas, representing an increase of approximately 9.9% YoY. The revenue for the year ended 31 December 2021 and 2020 were summarised as follows:

	For the year ended 31 December			
	2021		2020	
	RMB'000	**Percentage to total revenue**	*RMB'000*	Percentage to total revenue
Sales of coal products				
– Clean coal	**1,433,911**	**93.0%**	1,208,294	86.1%
– Middling coal	**98,044**	**6.4%**	90,198	6.4%
– Sludge coal	**2,894**	**0.2%**	471	0.0%
– Raw coal	**3,469**	**0.2%**	1,447	0.1%
Sales of methane gas	**3,081**	**0.2%**	2,553	0.2%
Coal product trading	**–**	**0.0%**	99,641	7.1%
	1,541,399	**100.0%**	1,402,604	100.0%

Consistent with the Group's strategy, clean coal remains the principal product of the Group and the Group has been adhering to the strategy of increasing the proportion of clean coal products. For the year ended 31 December 2021, the proportion of revenue generated from the sale of clean coal increased to approximately 93.0% (2020: approximately 86.1%).

During the year under review, the Group's sales revenue of clean coal increased by approximately 18.7% to approximately RMB1,433.9 million (2020: approximately RMB1,208.3 million), sales revenue of middling coal increased by approximately 8.7% to approximately RMB98.0 million (2020: approximately RMB90.2 million), sales revenue of sludge coal increased by approximately 514.4% to approximately RMB2.9 million (2020: approximately RMB471,000), sales revenue of raw coal increased by approximately 139.7% to approximately RMB3.5 million (2020: approximately RMB1.4 million), sales revenue of coalbed methane gas increased by approximately 20.7% to approximately RMB3.1 million (2020: approximately RMB2.6 million). The increase in total revenue during the year under review was mainly attributable to the growth in the sales of clean coal, resulting from an increase in average coal selling price.

Gross Profit and Gross Profit Margin

The Group recorded an increase in its gross profit from approximately RMB716.0 million for the year ended 31 December 2020 to approximately RMB918.5 million for the year ended 31 December 2021, representing an increase of approximately 28.3% YoY. Gross profit margin for the year ended 31 December 2021 was approximately 59.6% (2020: approximately 51.0%), representing an increase of approximately 8.6 ppt YoY. The increase in gross profit and gross profit margin was due to the increase in turnover by approximately 9.9% for the year ended 31 December 2021 as explained above, in which the average selling price of clean coal increased by approximately 61.8% YoY as well as the Group's continuing improvement in cost efficiencies during the year under review.

Other Income

The Group's other income decreased by approximately 62.3% YoY to approximately RMB13.3 million during the year under review from approximately RMB35.3 million for 2020. Such decrease was primarily attributable to the decrease in government grants in connection with meeting the production volume target of coal products and safety requirements from the local government.

Fair Value Change of Contingent Consideration Payables

The fair value change of contingent consideration payables is derived from the change of expected present value of the remaining consideration payable by the Group in respect of its acquisition of the Xiejiahegou Coal Mine and the projected performance of the Xiejiahegou Coal Mine under the Profit Guarantee, which consists of compensation and bonus using discounted cash flow method. As at 31 December 2021, the contingent consideration payables in respect of the Profit Guarantee were approximately RMB631.6 million (31 December 2020: approximately RMB511.1 million) while a fair value loss on contingent consideration payable of approximately RMB308.5 million (2020: approximately RMB16.1 million) was recognised in profit or loss during the year under review. A fair value loss is incurred since the net profit generated from Xiejiahegou Coal Mine exceeded the Profit Guarantee by over 51.2% for the year under review and the Company expects that outstanding performance of Xiejiahegou Coal Mine would continue in the year ending 31 December 2022.

Other Gains and Losses

Other gains and losses primarily comprise gain or loss on disposal/write-off of property, plant and equipment and net exchange difference. The Group's other gains and losses changed from a net loss of approximately RMB2.5 million for the year ended 31 December 2020 to a net gain of approximately RMB1.9 million for the year under review, which was primarily attributable to an increase in translation difference arising from the conversion of Hong Kong Dollar ("**HKD**") to RMB.

Distribution and Selling Expenses

The Group's distribution and selling expenses fell by approximately 45.0% YoY to approximately RMB58.1 million during the year under review from approximately RMB105.6 million for the year ended 31 December 2020. The decrease was primarily brought by the decrease in transportation cost incurred by Hongguo Coal Mine and Baogushan Coal Mine as there was a decrease in volume of coal transported, and the Group made more sales to several customers who borne the transportation cost during the year under review.

Administrative Expenses

Administrative expenses increased by approximately 7.2% to approximately RMB129.9 million during the year under review from approximately RMB121.2 million for the year ended 31 December 2020. The increase was mainly resulted from the increase in staff social insurances expenses which was in line with market salary increment during the year under review.

Other Expenses

The Group's other expenses increased to approximately RMB2.7 million during the year under review from approximately RMB0.3 million for the year ended 31 December 2020 primarily because a penalty was incurred during the year under review, but no such penalty was incurred for the year ended December 2020. The penalty was ordered by the relevant authority against the safety measurements of Baogushan Coal Mine and Xiejiahegou Coal Mine. A series of mitigating measures of safety practices have been implemented by the Group and the relevant authorities were satisfied with such mitigating measures during the year under review.

Finance Costs

The Group's finance costs primarily comprised the interest expenses on bank and other borrowing and interest expenses on secured bank borrowings from factoring of bills receivables with full recourse from the Group's customers offset by interest capitalised in construction in progress. Finance costs increased by approximately 8.6% to approximately RMB23.0 million during the year under review from approximately RMB21.2 million for the year ended 31 December 2020. The increase was mainly due to the interest expenses arising from the increase in average bank borrowings during the year under review.

Profit for the Year

By excluding the impact resulting from the fair value change of contingent consideration payables on the Profit Guarantee, the Group recorded a net profit of approximately RMB610.3 million (2020: approximately RMB361.6 million), representing a significant increase of approximately 68.8% YoY. The increase mainly resulted from the improved sales revenue and gross profit margin.

Xiejiahegou Coal Mine which was acquired in 2020, has continued its robust performance for the second consecutive year during the Profit Guarantee period. Xiejiahegou Coal Mine's net profit exceeded the Profit Guarantee for the year ended 31 December 2021 by over 51.2%. In view of the historical outstanding performance of Xiejiahegou Coal Mine which the Company expects would continue in the year ending 31 December 2022, a fair value loss of approximately RMB308.5 million (2020: approximately RMB16.1 million) arising from fair value change of contingent consideration payables, which is extraordinary in nature, is recognized during the year under review. In light of the amount of provision made in 2021, the Board expects that the extent of fair value change of contingent consideration payables arising from the Profit Guarantee will be limited in future years.

As a result of the foregoing, including the impact from the fair value loss of contingent consideration payables, profit and total comprehensive income for the year under review amounted to approximately RMB301.8 million (2020: approximately RMB345.5 million), representing a decrease of approximately 12.7% YoY.

PROSPECTS

Despite another robust year of economic recovery, the closing months of 2021 showed China's slowing growth leading up to 2022. Renewed domestic COVID-19 outbreaks including the highly transmissible Omicron variant could lead to significant disruptions in economic activities especially in domestic consumption and retail markets, which are already showing signs of a slowdown. The further weakening of the property sector may also place severe and prolonged downturn pressure on the economy.

According to the China Iron and Steel Association, the investment in real estate is expected to slow down in 2022 while infrastructure investment is projected to pick up. As a result, the demand for steel would likely be kept at the same level as in 2021. In conclusion, the Company is likely to benefit from the infrastructure investment in the southwest region. Looking ahead to 2022, the demand for coking coal is expected to remain strong, though the coal market price may vary.

In the short term, the Group expects this upward trend to continue. The Group had acquired closure quota from a peer in the province and had been undergoing expansion plans. When all conditions, including requirements from the local authority, are met, the permitted annual production capacity of each of the Hongguo Coal Mine and the Baogushan Coal Mine will be increased from 600,000 tonnes to 1.2 million tonnes.

Moving forward, the Group shall continue its efforts in mining technology upgrade and operation refinement while focusing on producing relevantly environmentally-friendly clean coal products with efficient use of resources. By staying ahead of industry trends, the Group is confident in maintaining its profitability and sustainability to create greater value for society, shareholders and employees.

LIQUIDITY AND FINANCIAL INFORMATION

Bank Balances and Cash

As at 31 December 2021, bank balances and cash amounted to approximately RMB180.9 million (31 December 2020: approximately RMB139.6 million).

Bank and Other Borrowings

As at 31 December 2021, secured bank borrowings from factoring of bills receivables with full recourse amounted to approximately RMB171.0 million (31 December 2020: approximately RMB80.9 million). The effective interest rate on the discounted bills was approximately 1% to 2% per annum during the year ended 31 December 2021 (2020: approximately 2% to 3%).

As at 31 December 2021, secured bank borrowings amounted to approximately RMB351.0 million (31 December 2020: approximately RMB296.0 million). The effective interest rate on bank borrowings was 5.5% per annum during the year under review (2020: 5.5%).

Gearing Ratio

As at 31 December 2021, the Group's gearing ratio was approximately 0.30 (2020: approximately 0.25). Gearing ratio is calculated based on the total bank borrowings divided by the total equity as at the end of the period. The increased gearing ratio was mainly due to an increase in the bank borrowings.

Foreign Currency Risk

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

Credit Risk

The Group's credit risk is primarily attributable to trade and bills receivables, deposits and other receivables, restricted bank deposits and bank balances as at 31 December 2021 and 2020. Such risk may cause financial loss to us due to a failure to discharge obligation by the counterparties.

As at 31 December 2021 and 31 December 2020, the top three trade debtors accounted for approximately 78% and 93% of the Group's total trade receivables, respectively. In view of this, the management regularly visits the customers relating to such trade receivables to understand their business operations and cash flow position and follows up with the subsequent settlement from the counterparties. The management delegates a team of staff responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that such credit concentration risk has been significantly mitigated. Taking into account the financial condition of the customers, their historical settlement pattern with no previous default and the forward-looking information (such as the future coal prices and GDP growth of China), the management considers that the trade and bills receivables as low-risk with a low likelihood of default from the counterparties, based on internal credit rating assessment.

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

Liquidity Risk

As at 31 December 2021, the Group recorded net current liabilities of approximately RMB49.7 million, which was mainly attributable to the contingent consideration payables to the Vendors for the Group's acquisition of the Xiejiahegou Coal Mine. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors are of the view that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for the foreseeable future after taking into consideration of the cash flow forecasts, which assume the continuity of normal business activity and indicate that the Group will have sufficient liquidity to meet its operational, existing contractual debts and capital expenditure requirements for the 12 month period from 31 December 2021.

Interest Rate Risk

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

Capital Commitments and Expected Source of Funding

As at 31 December 2021, the Group had capital commitments in respect of property, plant and equipment and the acquisition of the Xiejiahegou Coal Mine in Guizhou Province contracted for but not yet incurred in the amount of approximately RMB17.7 million (31 December 2020: approximately RMB10.8 million). The Group planned to finance the capital commitments with internal resources.

Contingent Liabilities

As at 31 December 2021, save for the contingent consideration payables amounted to approximately RMB631.6 million (2020: approximately RMB511.1 million) set out in note 13 to the consolidated financial statements of this annual results announcement, the Group had no material contingent liabilities (31 December 2020: nil).

HUMAN RESOURCES

As at 31 December 2021, the Group had a total of 3,098 employees (31 December 2020: 2,993). During the year under review, staff costs (including Directors' remuneration) totalled approximately RMB267.2 million (2020: approximately RMB236.6 million). All members of the Group are equal opportunity employers, with the selection, promotion and remuneration of individual employees based on their suitability to the positions offered. The Group provides defined contribution to the Mandatory Provident Fund as retirement benefits for its employees in Hong Kong and provides its employees in China with various benefit schemes as required by the applicable laws and regulations in China. All of the Group's employees are required to undergo induction trainings before they commence work. In addition, depending on the work nature, the Group's employees are also required to attend training pursuant to applicable laws and regulations.

MATERIAL ACQUISITIONS, DISPOSALS AND INVESTMENT PROJECTS

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

On 24 May 2021, Jiutai Bangda and the Seller entered into a further closure quota transfer agreement (the "**Transfer Agreement**") in respect of the production quota of Panlong Coal Mine, pursuant to which the Seller has agreed to sell and Jiutai Bangda has agreed to acquire 300,000 tonnes/year closure quota of Panlong Coal Mine (the "**Additional Closure Quota**") at a total consideration of RMB24,000,000 (tax inclusive). With the acquisition of the Additional Closure Quota, the Company intends to revise its expansion plan by increasing the annual production capacity of the Baogushan Coal Mine to 1.2 million tonnes instead (the "**Revised Expansion Plan**"). It is expected that upon completion of the Revised Expansion Plan, the annual production capacity of each of the Hongguo Coal Mine and the Baogushan Coal Mine will be increased from 600,000 tonnes to 1.2 million tonnes. Please refer to the Company's announcement published on the websites of the Stock Exchange and the Company on 24 May 2021 for details. Transfers of the Closure Quota and Additional Closure Quota were approved by Guizhou Energy Administration during the year under review. The Group is in the process of preparing the relevant documents for the application of Revised Expansion Plan to the relevant authorities. It is expected that the Revised Expansion Plan will be completed and materialised by the end of 2022. Save as the aforementioned acquisition of production quota, the Group had no material acquisitions, disposals, or investment projects for sale during the year under review.

ASSET CHARGES

As at 31 December 2021, the bank borrowings from factoring of bills receivables with full recourse amounted to approximately RMB171.0 million (31 December 2020: approximately RMB80.9 million) and the other bank borrowings amounted to approximately RMB351.0 million (31 December 2020: approximately RMB296.0 million) were secured by the pledge of the Group's bills receivables and the mining right of the Hongguo Coal Mine, respectively, as set out in note 15 to the consolidated financial statements of this annual results announcement.

EVENT AFTER THE REPORTING PERIOD

On 22 February 2022, Xiejiahegou Coal Mine Branch, a branch of Jiutai Bangda, and Changxing Coal Mine Branch entered into the Electricity Supply Agreement, pursuant to which Xiejiahegou Coal Mine Branch would supply electricity to Changxing Coal Mine Branch. The term of the Electricity Supply Agreement is effective from 22 February 2022 and ending on 31 December 2024 (both days inclusive). The expected highest annual income for the transactions is RMB28,102,000. Changxing Coal Mine Branch is a branch of 貴州邦達能源開發有限公司 (Guizhou Bangda Energy Development Co., Ltd.*) ("Guizhou Bangda"), a company which is owned as to 90% and 10% by Mr. Yu Bangping and Mr. Yu Bangcheng, respectively. Mr. Yu Bangping is an executive Director. Also, each of Mr. Yu Bangping and Mr. Yu Bangcheng is indirectly interested in approximately 48.3% and 7.2% shareholding interest in Spring Snow Management Limited, a company which owns 53.5% shareholding interest of the Company. Hence, Mr. Yu Bangping and Mr. Yu Bangcheng are regarded as the controlling shareholders of the Company. As such, Guizhou Bangda, an entity controlled by Mr. Yu Bangping and Mr. Yu Bangcheng, is regarded as a connected person of the Company under the Listing Rules. Accordingly, the transactions as contemplated under the Electricity Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules but are subject to the reporting, announcement and annual review requirements. Details are set out in the announcement of the Company dated 22 February 2022.

CORPORATE GOVERNANCE CODE

The Company recognises the importance of corporate transparency and accountability. It is the belief of the Board that the shareholders of the Company can maximise their benefits from good corporate governance. In the opinion of the Directors, the Company has complied with all code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2021, except the deviations disclosed below:

1. Under code provision A.2.1 (which has been renumbered as C.2.1 since 1 January 2022) of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the year under review, the roles of the chairman and the chief executive officer have been held by Mr. Yu Bangping. Mr. Yu Bangping is the founder of the Group and possesses substantial and valuable experience in the coal mining industry that is relevant and significant to the Group's operation, and therefore the Board believes that vesting the roles of the chairman of the Board and the chief executive officer in Mr. Yu Bangping will provide the Company with strong and consistent leadership and promote effective and efficient formulation and implementation of business decisions and strategies. The Board considers that such structure is in the best interests of the Company and its shareholders at this stage.

2. Under code provision E.1.2 (which has been renumbered as F.2.2 since 1 January 2022) of the CG Code, the chairman of the board shall attend the annual general meeting. Due to the outbreak of COVID-19, Mr. Yu Bangping, the Chairman of the Board, attended the annual general meeting of the Company held on 27 May 2021 ("**2021 AGM**") by telephone to ensure that he was also available to answer questions from the shareholders of the Company. The 2021 AGM was chaired by the executive Director, Mr. Lam Chik Shun, Marcus.

3. Under the code provision E.1.5 (which has been renumbered as F.1.1 since 1 January 2022) of the CG Code, the Company should have a policy on payment of dividends and should disclose it in the annual report. The Company had not adopted any dividend policy until 29 January 2021. Please refer to the Company's announcement published on the websites of the Stock Exchange and the Company on 29 January 2021 for details of the dividend policy of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirms that the Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2021.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the listed securities of the Company during the year ended 31 December 2021.

AUDIT COMMITTEE

The Company has an audit committee (the "**Audit Committee**") which 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 system, risk management and internal control. The Audit Committee comprises three independent non-executive Directors, namely Mr. Fong Wai Ho, Mr. Punnya Niraan De Silva and Ms. Cheung Suet Ting, Samantha. The Audit Committee had reviewed, with the management and the external auditor of the Company, the audited consolidated financial statements for the year ended 31 December 2021 of the Group, the accounting principles and policies adopted by the Group. The Audit Committee has also reviewed the effectiveness of the financial control, internal control and risk management systems of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the "**2022 AGM**") of the Company will be held on Thursday, 26 May 2022. The notice of the 2022 AGM will be published and dispatched in due course in the manner as required by the Listing Rules.

FINAL DIVIDEND

The Board recommends the distribution of a final dividend of HK3.75 cents per share for the year ended 31 December 2021 (2020: HK3.75 cents per share) to the shareholders of the Company whose names appear on the Company's register of members on Friday, 10 June 2022.

The necessary resolution will be proposed at the 2022 AGM to be held on Thursday, 26 May 2022 and, if passed, the final dividend is expected to be paid to the eligible shareholders of the Company on 27 June 2022.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the 2022 AGM to be held on Thursday, 26 May 2022, and entitlement to the final dividend, the register of members of the Company will be closed on the dates as set out below:

(i) For determining shareholders' eligibility to attend and vote at the 2022 AGM:

Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on Friday, 20 May 2022
Closure of register of members of the Company	Monday, 23 May 2022 to Thursday, 26 May 2022 (both dates inclusive)

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

Ex-dividend date	Monday, 6 June 2022
Latest time to lodge transfer documents for registration with the Company's branch share registrar and transfer office in Hong Kong	At 4:30 p.m. on Tuesday, 7 June 2022
Closure of register of members of the Company	Wednesday, 8 June 2022 to Friday, 10 June 2022 (both dates inclusive)
Record date	Friday, 10 June 2022
Expected payment date	Monday, 27 June 2022

During the above closure periods of the register of members of the Company, no transfer of Shares will be registered. To be eligible to attend and vote at the 2022 AGM and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than the aforementioned latest time.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.perennialenergy.hk). The annual report of the Company for the year ended 31 December 2021 will be dispatched to the shareholders of the Company and made available on the abovementioned websites in due course.

By order of the Board
Perennial Energy Holdings Limited
YU Bangping
Chairman and Executive Director

Hong Kong, 23 March 2022

As at the date of this announcement, the executive Directors are Mr. Yu Bangping, Mr. Sun Dawei, Mr. Wang Shize, Mr. Li Xuezhong, Mr. Lam Chik Shun, Marcus, Mr. Yu Zhilong and Mr. Yu Xiao; and the independent non-executive Directors are Mr. Fong Wai Ho, Mr. Punnya Niraan De Silva, Ms. Cheung Suet Ting, Samantha and Mr. Wang Xiufeng.

* *For identification purpose only*