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

2021
Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. HAN Weibing
(Chairman and Chief Executive Officer)
Mr. WANG Weidong *(Deputy Chairman)*
Mr. HE Jianhu
Mr. TAM Cheuk Ho
Mr. WONG Wah On Edward
Mr. YANG Guohua

Independent Non-executive Directors

Mr. CHAN Him Alfred
Mr. LO Kin Cheung
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. CHAN Him Alfred
Mr. WANG Xiufeng

NOMINATION COMMITTEE

Mr. CHAN Him Alfred *(Chairman)*
Mr. LO Kin Cheung
Mr. WANG Xiufeng
Mr. TAM Cheuk Ho

REMUNERATION COMMITTEE

Mr. WANG Xiufeng *(Chairman)*
Mr. CHAN Him Alfred
Mr. LO Kin Cheung
Mr. HAN Weibing

ESG COMMITTEE

Mr. YANG Guohua *(Chairman)*
Mr. HAN Weibing
Mr. LIN Quanlong
Ms. QIN Lu
Mr. WANG Xiufeng

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
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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200 Connaught Road Central
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COMPANY'S WEBSITE

http://www.fsanthracite.com

STOCK CODE

1738.HK

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

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 2021 to the shareholders of the Company (the "Shareholders").

REVIEW

During 2021, the world continued to fight against the COVID-19 pandemic and promoted the vaccination of its population while making great efforts to achieve economic recovery. Major economies were all on track for recovery in 2021 and achieved different levels of economic growth. This, combined with massive quantitative easing, led to a strong and even overheated commodity market worldwide and temporary shortages of energy and raw materials. Although external risks and uncertainties continued to create challenges for China's economy and Chinese enterprises, China was generally successful in keeping COVID-19 under continuous control and achieved steady economic growth. The Chinese government continued to pursue a proactive fiscal policy and a prudent monetary policy to stabilise the economy and mitigate risks. In 2021, China's gross domestic product ("GDP") grew at a year-on-year rate of 8.1%, or a two-year average rate of 5.1%.

Within the coal industry in 2021, mismatch between coal demand and supply occurred for a sustained period of time, resulting in relatively high volatility and a strong upward trend in the price of coal. The year also witnessed strong policy interventions on many fronts, including but not limited to safety supervision, environmental protection, capacity expansion and securing coal supply, price caps, and rules to counter price speculation. In 2021, the average market price of Qinhuangdao thermal coal Q5500 was approximately CNY1,031 per ton, representing a year-on-year increase of approximately 78.7%, but this high percentage increase was also in part due to the previous year's low base as a result of the impacts of the outbreak of COVID-19.

On the demand side, because of the global economic recovery, overall coal demand from the four major downstream industries, especially the thermal power sector, was relatively strong. As the biggest coal consuming industry and the core to power generation in China, the thermal power industry was well supported by a larger-than-expected increase in overall electricity consumption in 2021, while contribution from the hydropower sector was relatively weak. In addition, due to increased strategic importance of the coal chemical industry and the high international oil price, the growth of the chemical industry also accelerated, and this further boosted coal demand. During the year, overall electricity consumption, as well as coal demand from the thermal power industry and that from the chemical industry, grew at double digits. The iron and steel industry and the building materials industry enjoyed relatively high growth rates in the first half of the year, but growth slowed down in the second half due to the implementation of the dual control system of total energy consumption and energy intensity, power supply shortage, as well as the regulation of the real estate industry.

In contrast with the growth of coal demand, the growth of coal supply in 2021 was weak due to a combination of factors. Most fundamentally, there was a lack of elasticity in coal supply. After six years of supply-side reform in the coal industry, a significant amount of backward and inefficient production capacity was eliminated. Fixed asset investment in the coal industry and the approval of new production capacity continued to remain low, so the release of newly constructed production capacity remained slow. Under China's ambitious target to peak carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060, major coal enterprises have also become much more cautious about capacity expansion. Meanwhile, the regulatory environment was stringent. Frequent coal mine accidents in several major coal-producing provinces attracted great attention from both national and local relevant authorities and triggered extremely tight safety inspection and supervision, leading to widespread suspension of operations lasting from two days to one month. In addition, coal imports did not contribute much to increasing supply or stabilising price, especially in the first half of the year. On the one hand, coal imports from Australia were suspended indefinitely, and on the other, the international coal price and shipping costs rose significantly due to recovery of the overseas major economies, leading to reduced attractions as well as availability of imported coal. The above resulted in a shortage of coal supply and a surge in coal price until mid-October 2021. Since the second half of the year, the National Development and Reform Commission stepped up the efforts to increase output and secure supply through the implementation of various policies, including accelerated approval of capacity expansion of qualified coal mines, price caps and rules to counter speculation, etc. These measures were quite effective in gradually increasing coal supply, so the price of coal declined to a relatively reasonable level by the end of the year.

In 2021, the Group recorded an increase in gross profit and gross profit margin as compared to 2020 but did not achieve positive net profit. The Group's operations were affected by a combination of internal and external factors. Although the average selling price of the Group's coal products increased in 2021 as compared to 2020 due to strong coal market demand and high market price, the increase was below expectation. In order to ease supply constraints, the proportion of coal products the Group sold to power plants at regulated price further increased under the policy of securing thermal coal supply, which further squeezed sales of high-priced coal. Apart from the impact of the above, the geological complexities of current mining faces encountered by the Group continued well into 2021, and thus the decline in both the quantity and the quality of the Group's coal products was longer than expected. This continued to adversely affect the average selling price and the production and sales volume of the Group's coal products in 2021. In addition, in Jinsha County, where major coal mines of the Group are located, safety accidents in other coal mines unrelated to the Group caused the relevant local authorities to impose stringent coal mine safety supervision measures across the board on top of the national standards. The Group, as usual, remained highly vigilant on mine safety and took various measures to ensure production safety and proactive compliance with the national and the additional stringent local requirements. This slowed down tunnelling advancement and brought about temporary stoppages of coal production of the Group, resulting in an increase in unit production cost and a further decrease in overall production output and sales volume in 2021 as compared to 2020. Also, the Group continued to incur financial burden due to the existing interest-bearing loans carried forward from 2020, which further undermined the Group's profitability. Facing such 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, enhancing production safety management and environmental compliance, and promoting refined management and cost control.

OUTLOOK

One obvious achievement of the supply-side reform in the coal industry is a marked increase in the concentration and quality of production capacity, which will facilitate mining mechanisation and intelligence, improve production efficiency and capacity utilisation rate, reduce production costs and enhance production safety. This will then facilitate overall production management and control and bring about higher quality and more stable domestic coal supply. However, against the backdrop of China's commitment to emission peak and carbon neutrality targets, and due to sustained low capital expenditure in the coal industry, long construction cycle, rigorous approval procedures for new production capacity, as well as tight control over mine safety and close monitoring of environmental compliance, the future expansion of production capacity and output in the coal industry is expected to continue to be mild and constrained. Also, coal imports are not expected to increase under strict import regulations and substantially increased international coal prices. Cyclical fluctuations in the coal industry will very likely diminish, which will be beneficial to supply-side stability and the profitability and healthy development of the coal industry.

On the demand side, the Central Economic Working Conference held in December 2021 ("CEWC 2021") emphasised the support of China's domestic economy and steady GDP growth with the implementation of targeted and highly supportive fiscal and monetary stabilising policies, which will lend steady support to overall electricity consumption as well as coal demand. Investment in infrastructure construction and the real estate industry is also expected to benefit from expansionary fiscal policies, which will support the iron and steel industry and the building materials industry so that they recover somewhat in a stringent regulatory environment. The chemical industry is expected to maintain rapid development under various policy supports, further boosting coal demand. In the near future, demand and supply in the coal market are expected to both maintain mild growth and generally stay in a tight balance. Severe coal and power supply shortages which occurred in 2021 will most likely be avoided in the future, but periodic and regional mismatch between coal demand and supply might still occur from time to time. The price of coal is expected to 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 still uncertain. Any widespread resurgence of COVID-19 in China and around the world could again cause deterioration in economic conditions and declines in market demand and prices, which will negatively impact the Group's results of operations.

In the future, the degree of coal industry concentration is expected to further increase, giving large coal enterprises more bargaining power. Production capacity will continue to increasingly concentrate in the northern and north-western part of China, while Guizhou province is the only region in southern China with abundant coal reserves. In view of the stringent safety and environmental regulatory environment and increasingly intensified competition from both local and northern coal producers, the Group will continue to attach great importance to production safety and environmental protection, while actively focusing on coal quality management and product mix adjustment to improve the competitiveness and average selling price of its coal products. The Group will also strive to expand production output in pursuit of economies of scale and opportunities for better product diversification. Facing the temporary deterioration in coal quality caused by geological complexities of current mining faces, the Group will 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 high-quality production capacity, coal washing facilities and transportation system; (ii) realising comprehensive mining mechanisation and intelligent production management; (iii) enhancing production safety management and environmental compliance; and, most importantly, (iv) supplying customers with diversified and customised coal products to retain high-quality customers and to penetrate the surrounding coal market.

The CEWC 2021 highlighted the importance of stability and the recognition of coal as the primary source of energy in China. Although clean energy will be an important source of energy in the future, its development cannot be achieved overnight. The targets of emission peak and carbon neutrality must be pursued with persistence but in a more stable manner. Energy security and stable power supply are essential to economic and social development. The gradual exit of traditional energy must be based on technological breakthroughs which improve the reliability, stability and economic efficiency of clean energy. At the present stage it is still important to focus on stable supply of coal and how to utilise coal energy in a more efficient and climate-friendly way. 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, 30 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During 2021, the coal market was marked by high price volatility, shortages of supply, and strong policy interventions. After years' of low fixed asset investment in the coal industry, China's national targets of emission peak and carbon neutrality meant that willingness to make capital expenditure in the coal industry remained low, and as a result, overall coal production capacity grew at a slow pace which is not expected to improve significantly in the near future. Coupled with widespread suspensions of operations caused by accidents in other coal mines and significantly tightened safety supervision and environmental regulations, coal supply in 2021 was constrained, whilst a revival of demand occurred as the global economic recovery picked up. Shortages of supply occurred for a sustained period of time, causing the price of coal to rise rapidly until mid-October 2021, when policy interventions started to take effect, following which the price of coal dropped steeply to a more reasonable level.

The high market price of coal contributed to an increase in the average selling price of the Group's coal products in 2021 as compared to the prior year, but the increase in the average selling price was below expectation and not at all comparable to the increase in the market price. On the one hand, under long-term supply agreements and the policy of securing thermal coal supply, the proportion of coal products the Group sold to power plants at regulated price further increased as a result of the supply shortage, which further reduced sales of high-priced coal. On the other hand, the average selling price of the Group's coal products was still adversely affected by the temporary deterioration in coal quality due to geological complexities of current mining faces. Although the Group made great efforts to adjust product mix hoping to increase average selling price and revenue, the temporary deterioration in coal quality and the policy limited its ability to do so. Therefore, the average selling price of the Group's coal products only benefited to a limited extent from the increase in the market price of coal.

In addition, the geological complexities of current mining faces and the reduction in capital expenditures over the past few years also continued to constrain the overall production output of the Group. The inability to release enough production capacity in time inevitably limited the Group's ability to benefit from the market upswing in 2021. Apart from that, due to frequent coal mine safety incidents outside as well as within Guizhou province where the Group's operations situate, safety policies and supervision in 2021 became extremely tight nation-wide. In Jinsha County, where major coal mines of the Group are located, safety accidents in other coal mines unrelated to the Group caused the relevant local authorities to impose additional stringent coal mine safety supervision measures across the board on top of the national standards. The Group, as usual, remained highly vigilant on mine safety and took various safety precautions to ensure production safety and proactive compliance with the national and the additional stringent local requirements. The safety precautions included consulting the safety inspection personnel for constructive advice, further strengthening the safety management system by 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. This focus of efforts on ensuring safety slowed down tunnelling advancement and brought about temporary stoppages of coal production of the Group. The above resulted in an increase in unit production cost and a further decrease in overall production output and sales volume in 2021 as compared to the prior year.

In 2021, the Group continued to closely monitor the development of the COVID-19 pandemic and took all necessary precautions to mitigate relevant business risks and ensure the health and safety of its employees. All of the above resulted in a lower-than-expected increase in the Group's gross profit for the year ended 31 December 2021 as compared to the prior year. The Group also continued to incur financial burden due to the existing interest-bearing loans carried forward from 2020, which further undermined the Group's profitability.

The Group, having regard to the importance of product quality in creating sustainable advantage in future competition, strived to expand high-quality production capacity, enhance coal quality management and optimise product mix. Quality control and safety management were core to production management and were embraced throughout the entire production process. With proper preparations made, the Group believes that when the geological conditions improve, it will be able to release its production capacity and realise improved product quality and competitiveness. The coal processing 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. Against the backdrop of emission peak and carbon neutrality targets, the Group will also actively explore opportunities for realising clean and efficient use of coal. The Group will continue to strengthen the brand name of Feishang Anthracite to enable it to retain and further penetrate the high-end market.

Facing the difficult operating conditions in 2021, the Group continued to explore and optimise coal mine design and actively apply new technologies and equipment in mine construction and tunnelling to improve operational efficiency, enhance production safety and intelligence, and reduce capital commitment and production cost. The Group also continued to actively promote refined 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 CNY110.3 million for the year ended 31 December 2021, representing a decrease of approximately 68.1% from approximately CNY345.9 million in the prior year.

Snapshot of major developments of the Group throughout the year:

- In November 2021, Yongsheng Coal Mine obtained safety production permit of 1.5 million tonnes.

- In December 2021, Dayun Coal Mine completed the construction of the first intelligent mining face.

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 2020 and 2021, sales to the Group's largest customer accounted for approximately 37.4% and 24.3% of the Group's total sales, respectively and sales to the Group's five largest customers accounted for approximately 70.2% and 63.1% 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 2020 and 2021, purchases from the largest supplier accounted for approximately 17.1% and 9.8% of the total purchases, respectively, and the total purchases (including those from coal mine construction contractors) from the five largest suppliers accounted for approximately 42.4% and 29.0% 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 2020 and 2021, the Group's top five customers were primarily coal trading companies (for onward sales to power plants, cement plants, chemical plants and steel manufacturers). 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 3 to 5 years. As of the date of this report, the Group has maintained sound business relationships with its major customers.

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 1 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 2021 was approximately 168 days, compared to approximately 171 days in 2020. 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 2021, the Group had employed 1,105 full time employees (not including 1,187 workers provided by third party labour agencies) for its principal activities. Employees' costs (including Directors' emoluments) from continuing operations amounted to approximately CNY365.3 million (including payment to workers provided by third party labour agencies) for the year ended 31 December 2021 (2020: CNY350.2 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 2021 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 2021 to be published by the Company.

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 2021.

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 2021, the cost of compliance with environmental obligations was approximately CNY3.8 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 2021, the rehabilitation fund was approximately CNY10.1 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 2021 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.

FINANCIAL REVIEW

Key Performance

Items	For the year ended 31 December 2021 CNY'000	For the year ended 31 December 2020 CNY'000	Change (%)
Continuing Operations			
Revenue	**1,121,004**	1,013,074	10.7%
Cost of sales	**(722,218)**	(715,638)	0.9%
Gross profit	**398,786**	297,436	34.1%
Selling and distribution expenses	**(106,479)**	(106,535)	(0.1%)
Administrative expenses	**(133,921)**	(139,882)	(4.3%)
Reversal of impairment/(impairment) of financial assets, net	**1,961**	(7,406)	(126.5%)
Impairment losses on property, plant and equipment	**–**	(246,184)	(100.0%)
Other operating expenses, net	**(38,911)**	(22,474)	73.1%
Operating profit/(loss)	**121,436**	(225,045)	154.0%
Finance costs	**(161,567)**	(164,832)	(2.0%)
Income tax	**(50,376)**	40,918	223.1%
Loss for the year	**(92,890)**	(346,933)	(73.2%)
Loss attributable to owners of the parent	**(110,284)**	(345,887)	(68.1%)
Discontinued Operations			
Loss for the year	**(3,570)**	(10,221)	(65.1%)
Loss attributable to owners of the parent	**(3,559)**	(10,213)	(65.2%)

CONTINUING OPERATIONS

Revenue

The Group's total revenue from continuing operations increased by approximately 10.7% from approximately CNY1,013.1 million in 2020 to approximately CNY1,121.0 million in 2021. The approximately CNY107.9 million increase in revenue in 2021 was mainly attributable to the rise in the average selling price of self-produced anthracite coal, notwithstanding a decrease in sales volume of self-produced anthracite coal. The average selling price net of value-added tax of self-produced anthracite coal rose from CNY360.8 per tonne in 2020 to CNY468.8 per tonne in 2021, representing an increase of approximately 29.9%, mainly as a result of the strong coal market demand. The sales volume of self-produced anthracite coal decreased from approximately 2.81 million tonnes in 2020 to approximately 2.39 million tonnes in 2021, representing a decline of approximately 14.9%. The decrease in sales volume was mainly due to (i) the longer-than-expected geological complexities of current mining faces encountered by the Group; as well as (ii) the compliance with additional stringent safety supervision measures imposed by the relevant government authorities caused by the safety accidents in other coal mines unrelated to the Group.

The Group's revenue from sales of processed coal (including coal screening and/or coal washing and coal blending), amounting to approximately 51.6% and 59.2% of total revenue in 2020 and 2021, respectively, increased from approximately CNY522.4 million (approximately 1.11 million tonnes sales volume) in 2020 to approximately CNY663.2 million (approximately 0.92 million tonnes sales volume) in 2021. The increase in revenue from sales of processed coal was due to a rise of CNY252.0 per tonne in the average selling price of processed coal. The reason for the increase in the average selling price has been discussed above.

In 2020 and 2021, the Group derived approximately 70.2% and 63.1% of its revenue from anthracite coal sales to its five largest customers, respectively, out of which, two trading customers who purchased thermal coal from the Group sold onwards to the power producers in Guizhou province. 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 increased by approximately 0.9% from approximately CNY715.6 million in 2020 to approximately CNY722.2 million in 2021. The increase was mainly due to the increase in labour costs and material, fuel and energy costs, notwithstanding a fall of approximately 14.9% in sales volume of self-produced anthracite coal.

Cost of Sales for Coal Mining

Labour costs in 2021 were approximately CNY236.0 million, representing an increase of approximately CNY12.7 million, or approximately 5.7%, as compared with approximately CNY223.3 million in 2020. Labour costs increased, while sales volume of self-produced anthracite coal decreased in 2021, because of the rise in labour cost per tonne of coal mining caused by the geological complexities of current mine faces at Dayun Coal Mine and Yongfu Coal Mine and the additional stringent safety supervision measures in Jinsha County where the Group's major coal mines were located.

Material, fuel and energy costs in 2021 were approximately CNY140.2 million, an increase of approximately CNY20.2 million or approximately 16.8%, as compared with approximately CNY120.0 million in 2020. Material, fuel and energy costs increased, while sales volume of self-produced anthracite coal decreased in 2021, because the Group incurred additional repair and maintenance of mine roadways and tunnels and costs of purchase of materials for safety work due to the additional stringent safety supervision measures imposed by the local government, and the prices of some main raw materials purchased by the Group increased during the year.

Depreciation and amortisation in 2021 were approximately CNY229.6 million, representing a decrease of approximately CNY13.1 million, or approximately 5.4%, as compared with approximately CNY242.7 million in 2020. The decrease in depreciation and amortisation in 2021 was caused by the decrease in production volume.

Taxes and levies in 2021 were approximately CNY53.5 million, a decrease of approximately CNY1.1 million or approximately 2.0% as compared with approximately CNY54.6 million in 2020. The decrease in the sales tax and levies, which mainly consisted of ad valorem resource tax imposed on coal mines, was mainly due to the drop in the revenue proportion of coal mines, in particular for Dayun Coal Mine in 2021.

Cost of Sales for Coal Processing

Coal processing costs, which included coal screening costs and/or coal washing costs and coal blending costs, decreased from approximately CNY62.8 million in 2020 to approximately CNY50.0 million in 2021. This was mainly due to the drop in material, fuel and energy costs resulting from the decrease in repair and maintenance of equipment and transport belts in 2021 and the decrease 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 increase in depreciation resulting from the increase in property, plant and equipment.

Breakdown of the Group's Unit Cost of Sales

Cost Items for Coal Mining Activities	2021 CNY/tonne	2020 CNY/tonne
Labour costs	98.7	79.5
Raw materials, fuel and energy	58.6	42.8
Depreciation and amortisation	96.1	86.5
Taxes & levies payable to governments	22.4	19.4
Other production-related costs	5.4	4.4
Total unit cost of sales for coal mining	281.2	232.6

Cost Items for Coal Processing Activities	2021 CNY/tonne	2020 CNY/tonne
Labour costs	9.8	9.9
Materials, fuel and energy	15.8	20.2
Depreciation	11.9	7.0
Taxes & levies payable to governments	4.6	2.3
Transportation fee	9.0	15.0
Other coal processing related costs	3.4	2.2
Total unit cost of sales for coal processing	54.5	56.6

Gross Profit and Gross Margin

As a result of the foregoing, the overall gross profit from continuing operations increased by approximately 34.1% from approximately CNY297.4 million in 2020 to approximately CNY398.8 million in 2021. The overall gross margin from continuing operations, which is equal to gross profit divided by revenue, increased from approximately 29.4% in 2020 to approximately 35.6% in 2021. The increase in overall gross profit and gross margin was primarily attributable to the surge in the average selling price of anthracite coal as discussed above.

Selling and Distribution Expenses

The selling and distribution expenses from continuing operations primarily consist of transportation fee in connection with the sales of thermal coal and salaries and benefits. There was no material change between 2021 and 2020.

Administrative Expenses

The administrative expenses from continuing operations decreased by approximately 4.3% from approximately CNY139.9 million in 2020 to approximately CNY133.9 million in 2021. The decrease was mainly due to the decrease in loss arising from temporary suspension production of Dayun Coal Mine and entertainment expenses resulting from stringent expense control measures.

Reversal of Impairment/Impairment of Financial Assets

The Group made the provision for impairment of trade receivables from continuing operations of approximately CNY7.4 million in 2020 and a reversal of impairment of trade receivables of approximately CNY2.0 million in 2021. The impairment or the reversal of impairment of trade receivables mainly resulted from the change in 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 2021.

Other Operating Expenses

Other operating expenses from continuing operations increased to approximately CNY38.9 million in 2021 from approximately CNY22.5 million in 2020. This was mainly caused by the increase in the compensation paid to local residents for repairing the damaged houses and/or relocation affected by the mines' operations of the Group in 2021.

Operating Profit/Loss

As a result of the foregoing, the Group recorded the operating profit from continuing operations of approximately CNY121.4 million in 2021, as compared to the operating loss of approximately CNY225.0 million in 2020.

Finance Costs

The finance costs from continuing operations, which primarily consist of interest expenses on interest-bearing bank and other borrowings and lease liabilities, decreased by approximately 2.0% from approximately CNY164.8 million in 2020 to approximately CNY161.6 million in 2021. There was no material fluctuation in finance costs as the total interest-bearing bank and other borrowings and finance leases during the year remained approximately the same compared with those during the prior year.

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 CNY50.4 million in 2021. The increase in income tax expense in 2021 was mainly due to the rise in current profit before income tax and the decrease in the reversal of deferred tax liabilities caused by the impairment loss on property, plant and equipment of Liujiaba Coal Mine which occurred in 2020.

Loss for the year from Continuing Operations

The loss from continuing operations decreased from approximately CNY346.9 million in 2020 to approximately CNY92.9 million in 2021. The decrease in loss from continuing operations in 2021 was mainly contributed by (i) the increase of approximately CNY101.4 million in gross profit resulting from the rise in average selling price; (ii) the decrease 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 in 2020; (iii) the decrease of approximately CNY6.0 million in administrative expenses mainly due to the decrease in loss arising from temporary suspension production of Dayun Coal Mine and entertainment expenses; and (iv) the decrease of approximately CNY7.4 million in impairment of trade receivables and the reversal of impairment of trade receivables of approximately CNY2.0 million. The decrease in loss was partially offset by (i) the increase of approximately CNY91.3 million in income tax expense mainly due to the increase in current profit before income tax and the decrease in the reversal of deferred tax liabilities; and (ii) the increase of approximately CNY16.4 million in other operating expenses mainly due to the increase in the compensation paid to local residents for repairing the damaged houses and/or relocation affected by the mines' operations of the Group.

Loss Attributable to Owners of the Parent from Continuing Operations

The loss attributable to owners of the parent from continuing operations decreased from approximately CNY345.9 million in 2020 to approximately CNY110.3 million in 2021. The reasons for the decrease in the loss attributable to owners of the parent from continuing operations in 2021 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 2021, 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 2021, the transaction was not yet completed, and Guizhou Dayuan was classified as a disposal group held for sale and as a discontinued operation. In March 2022, Guizhou Puxin's entire equity interest and mining right in Guizhou Dayuan were transferred to Baoshun and the disposal of Guizhou Dayuan was completed.

FINANCIAL RESOURCES REVIEW

Liquidity, Financial Resources and Capital Structure

As at 31 December 2020 and 31 December 2021, the Group had net current liabilities of approximately CNY1,337.4 million and approximately CNY2,896.4 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 2021. As at 31 December 2021, the Group had cash and cash equivalents of approximately CNY24.0 million.

The interest-bearing loans consist of short-term and long-term bank and other borrowings. As at 31 December 2021, 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 CNY1,605.8 million. As at 31 December 2021, the Group had total outstanding long-term bank borrowings (excluding the current portion) of approximately CNY289.0 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 of the Group and Xinwang mining right of Guizhou Feishang Energy Co., Ltd. ("Feishang Energy") (an associate of Mr. LI Feilie, the controlling shareholder of the Company), equity interests in Guizhou Puxin and Guizhou Dayun Mining Co., Ltd. ("Guizhou Dayun"), certain trade receivables in Jinsha Juli Energy Co., Ltd. ("Jinsha Juli"), certain mining structure, machinery and equipment in Guizhou Dayun, and certain bank deposits in Guizhou Puxin and Liuzhi Xinsong Coal Mining Co., Ltd.. As at 31 December 2021, the Group had loans amounting to approximately CNY864.5 million with fixed interest rates ranging from 5.46% to 9.26% per annum. The remaining loans held by the Group as at 31 December 2021 had floating interest rates ranging from 3.85% to 7.35% per annum.

Pledge of Assets of the Group

As at 31 December 2020 and 31 December 2021, the amount of outstanding bank borrowings that were guaranteed by Mr. LI Feilie were approximately CNY1,804.3 million and approximately CNY1,739.8 million, respectively, and the amount of outstanding bank borrowings that were guaranteed by certain associates of Mr. LI Feilie were approximately CNY1,804.3 million and approximately CNY1,794.8 million, respectively.

As at 31 December 2020 and 31 December 2021, certain mining rights of the Group with carrying amounts of approximately CNY545.6 million and approximately CNY478.4 million, respectively, were pledged to secure bank loans with carrying amounts of approximately CNY1,734.3 million and approximately CNY1,612.8 million, respectively.

As at 31 December 2020, the Company's equity interest in Guizhou Puxin and Guizhou Dayuan were pledged to secure bank loans with a carrying amount of CNY697.5 million, and as at 31 December 2021, the Company's equity interest in Guizhou Puxin and Guizhou Dayun were pledged to secure bank loans with a carrying amount of CNY669.5 million.

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 2021, certain mining structure, machinery and equipment owned by the Group with a carrying amount of approximately CNY88.4 million were pledged to secure the loan with a carrying amount of approximately CNY37.0 million.

As at 31 December 2020 and 31 December 2021, certain trade receivables owned by the Group with carrying amounts of approximately CNY123.7 million and approximately CNY61.9 million, respectively, were pledged to secure loans with carrying amounts of CNY100.0 million and CNY50.0 million, respectively.

As at 31 December 2020 and 31 December 2021, certain bank deposits owned by the Group with carrying amounts of CNY51.0 million and CNY51.3 million, respectively, were pledged to secure loans with carrying amounts of CNY50.0 million and CNY50.0 million, respectively.

Capital Commitments and Expected Source of Funding

As at 31 December 2021, the Group had contractual capital commitments mainly in respect of machinery and equipment and materials purchased by coal mines for operations amounting to approximately CNY21.6 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 2020 and 31 December 2021, 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 136.1% and 144.1%, respectively. The gearing ratio increased in 2021 as the Group recorded a loss for the year.

Contingent Liabilities

As at 31 December 2021, 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 2022, Jinsha Juli 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 2023. The purpose of the loan is to pay the purchase of coal. The loan bears interest at a fixed rate of 6.96% per annum.

On 28 January 2022, Guizhou Puxin and Jinsha Baiping Mining Co., Ltd. ("Baiping Mining"), and CCTEG Financial Leasing Co., Ltd. ("CCTEG") entered into the sale and leaseback agreement for the sale of the relevant machinery and equipment to CCTEG for an aggregate consideration of CNY30.0 million and the leaseback of the relevant machinery and equipment from CCTEG for an aggregate consideration of CNY33.1 million. For details of the sale and leaseback arrangement, please refer to the announcement of the Company dated 28 January 2022. On 29 January 2022, Baiping Mining received the aggregate consideration of CNY30.0 million.

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 at an aggregate consideration of CNY55.0 million. During the year of 2019, Guizhou Puxin received tranches of CNY50.0 million from Baoshun. In March 2022, Guizhou Puxin's entire equity interest and mining right in Guizhou Dayuan were transferred to Baoshun and the disposal of Guizhou Dayuan was completed.

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.

EXECUTIVE DIRECTORS

Mr. HAN Weibing (韓衛兵), aged 50, was appointed as an executive Director in December 2013. Mr. Han is also a member of the ESG 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. WANG Weidong (**王偉棟**), aged 43, was elected as an executive Director and the deputy chairman in May 2021. He has over 9 years' experience in the coal industry. Mr. Wang was appointed as a director of Guizhou Yongfu in March 2017, as a director of Guizhou Puxin in October 2019 and as the chairman of the board of Guizhou Puxin in July 2020. He worked as manager of administration and human resources department, and as supervisor of comprehensive management centre of Guizhou Puxin from July 2011 to August 2019. Prior to joining the Group, Mr. Wang was a senior manager of human resources department of Feishang Enterprise from April 2010 to June 2011. During this period, he was primarily responsible for establishing salary system, position evaluation standard and performance management system, organizing and implementing performance evaluation of senior management of subsidiary enterprises. He worked as senior performance manager of Shenzhen Huafu Import and Export Co., Ltd (深圳市華孚進出口有限公司) from June 2009 to April 2010. Mr. Wang graduated from Huaqiao University (華僑大學) with a bachelor's degree in engineering in July 2002. Mr. Wang completed postgraduate courses in business administration in Xiamen University (廈門大學) in June 2010. Save as disclosed above, Mr. Wang did not hold any directorship in other listed public companies in the past three years.

Mr. HE Jianhu (**賀建虎**), aged 44, was elected as an executive Director in May 2021. He has over 15 years' experience in audit and finance management. Mr. He has worked as general manager of audit and supervision department of Feishang Enterprise Group Co., Ltd. ("Feishang Enterprise") since May 2016, and he served as senior manager of audit and supervision department of Feishang Enterprise from April 2007 to April 2016. During this period, he was primarily responsible for regular management audit of subsidiaries, supervision, inspection and guidance on daily operation and internal control of subsidiaries, whole-process audit and supervision on construction and renovation project of subsidiaries, and due diligence work and risk appraisal on proposed investment projects. Mr. He was the regional audit manager of Kingdee Software (China) Co., Ltd. (金蝶軟體(中國)有限公司) from July 2006 to April 2007. During this period, he was primarily responsible for supervision and inspection on implementation of company strategy and key resolution of shareholders meeting, audit of finance and operation management and audit of investment return and off-office auditing of senior management. He graduated from Changchun Finance College (長春金融高等專科學校) with a certificate in accounting in July 2000. Mr. He obtained the qualification of intermediate accountant from the PRC Ministry of Finance (中華人民共和國財政部) in May 2002. He obtained the qualification of Certified Public Accountant in China (中國註冊會計師) in June 2002. Save as disclosed above, Mr. He did not hold any directorship in other listed public companies in the past three years.

Mr. TAM Cheuk Ho (譚卓豪), aged 59, 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 the positions 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.

Mr. WONG Wah On Edward (黃華安), aged 58, 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 re-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. YANG Guohua (**楊國華**), aged 53, was elected as an executive Director in May 2021. Mr. Yang is also the chairman of the ESG committee of the Company. He has over 30 years' experience in the coal mining industry. Mr. Yang was appointed as executive general manager, chief engineer and safety supervisor of Guizhou Puxin in December 2019, April 2019 and August 2018 respectively. Prior to joining the Group, Mr. Yang worked as chief engineer and general manager of Guizhou Langyue Mining Investment Co., Ltd. (貴州省朗月礦業投資有限公司) in June 2012 and April 2016 respectively, and served there until July 2018. During this period, he was responsible for overall management of coalmine safety, production, operation, technological plan, construction, projection bidding and contract execution. He served as deputy general manager and head of safety supervision department of Guizhou Nengfa Power Fuel Development Co., Ltd. (貴州能發電力燃料開發有限公司) from May 2011 to May 2012. During this period, he was in charge of the safety supervision and management of subsidiary coalmines and examination and approval of safe production plans submitted by subsidiary coalmines. He was general manager and chairman of board of Guizhou Qianxi Guijing Coal Development Co., Ltd (貴州黔西桂箐煤炭開發有限公司) from October 2009 to May 2011, in charge of the overall management of Guijing Coalmine (桂箐煤礦), including management of safety, technology, engineering construction, project settlement, project bidding, project quality, finance, material procurement, human resources and public relations. He acted as deputy general manager and chief engineer of Guijing Coalmine from April 2007 to September 2009, primarily responsible for construction and technical management of Guijing Coalmine. He worked as mine director of Yizhong Coalmine (義忠煤礦) of Guizhou Nengfa Power Fuel Development Co., Ltd from March 2006 to March 2007, in charge of overall management of mine construction. He was mining district chief and head of engineering technology department of Guizhou Linhua Mining Investment Co., Ltd. (貴州林華礦業有限公司) from May 2004 to February 2006, mainly responsible for coalmine construction management and mining district production and safety management. He served as mining district chief and head of transportation district of Datonger Coalmine (打通二煤礦) of Songzao Mining Bureau (松藻礦務局) from July 2001 to April 2004. He worked as a technician and mining district chief at Datonger Coalmine from July 1991 to August 1998 and was responsible for establishing the internal coal mining-related operational policies, providing technological training to mining team and involved in the design and construction of mining project and daily management in safety, production and technology. Mr. Yang graduated from Sichuan Normal University (四川師範大學) with a diploma in mining engineering in June 2001. Mr. Yang graduated, as a correspondence student, from Guizhou University (貴州大學) with a bachelor's degree in mining engineering in July 2014. He obtained National Certification of Construction Cost Estimator Qualification in Mining Construction (Intermediate) from China Cost Engineering Association (中國建設工程造價管理協會) and China Coal Construction Association (中國煤炭建設協會) in July 2007. He was certified as Registered Safety Engineer by Department of Personnel of Guizhou Province (貴州省人事廳) in January 2008. He was accredited as a senior engineer of mining engineering by Department of Human Resources and Social Security of Guizhou Province (貴州省人力資源和社會保障廳) and Guizhou Federation of Industry and Commerce (貴州省工商業聯合會) in November 2015. He was appointed as coalmine safety production expert for five years beginning from 11 June 2020 by Guizhou Coal Mine Safety Supervision Bureau (貴州煤礦安全監察局) in June 2020. Save as disclosed above, Mr. Yang did not hold any directorship in other listed public companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Him, Alfred (陳謙), aged 58, was elected as an independent non-executive Director in May 2021. Mr. Chan is also the chairman of the nomination committee of the Company and a member of the audit committee and the remuneration committee of the Company. He has accumulated over 28 years of experience in audit, finance and company secretarial work. Mr. Chan has been the chief financial officer and company secretary of HK Asia Holdings Limited (a company listed on the Main Board of the Stock Exchange) (stock code: 1723) since July 2017. He was the financial controller of Ruizi Energy Holdings Company Limited from January 2017 to April 2017. From November 2015 to February 2016, he worked as a consultant at Superb Talent Limited. He was the financial controller of York Star Co., Ltd. from March 2015 to July 2015. He worked as project chief financial officer of CGN New Energy Holdings Co., Ltd. (a company listed on the Main Board of the Stock Exchange) (stock code: 1811) from August 2011 to March 2015. He served as company secretary and financial controller of Amax International Holdings Limited (a company listed on the Main Board of the Stock Exchange) (stock code: 959) respectively from May 2010 to December 2010 and from June 2010 to October 2010. He was the project financial controller of Feishang Holdings Limited from May 2004 to April 2010. Mr. Chan was appointed as the company secretary and financial controller of Loulan Holdings Limited, a then listed company, in September 2001 and July 2002 respectively, and served there until his resignation in January 2004. Previously, he worked as the finance controller of The BigStore.com Asia Limited from October 1999 to August 2000. He was an audit manager at Moores Rowland from January 1998 to October 1998, and a financial controller at Richman Group Ltd from December 1996 to October 1997. He worked at Ernst & Young for nine years from July 1987 to June 1996, his last position being senior audit manager. Mr. Chan graduated from the Hong Kong Polytechnic University in November 1987 with a Professional Diploma in Accountancy. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. Save as disclosed above, Mr. Chan did not hold any directorship in other listed public companies in the past three years.

Mr. LO Kin Cheung (盧建章), aged 57, was appointed as an independent non-executive Director in December 2013. He is also the chairman of the audit committee of the Company and a member of the remuneration committee and the 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. WANG Xiufeng (王秀峰), aged 64, was appointed as an independent non-executive Director in March 2019. He is also a member of the audit committee, the ESG committee and the nomination committee of the Company and the chairman of the remuneration 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 Yunnan 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.

COMPANY SECRETARY

Mr. YUE Ming Wai Bonaventure (余銘維), aged 54, is the chief financial officer and the company secretary of the Company. He was also an executive Director during the period from May 2015 to September 2021. 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 2021. Mr. Yue has over 27 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 Chartered Governance Institute, 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.

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 2021.

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 2021.

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 2021 and the Group's financial position as at that date are set out in the consolidated financial statements on pages 69 to 72 of the annual report.

No interim dividend was paid to the Shareholders during the year ended 31 December 2021 (2020: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: 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 73 of this annual report.

The Company's reserves available for distribution to Shareholders as at 31 December 2021 amounted to CNY121,982,000 (31 December 2020: CNY132,080,000).

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 160 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)*
WANG Weidong *(Deputy Chairman) (Elected on 31 May 2021)*
HE Jianhu *(Elected on 31 May 2021)*
HU Lubao *(Resigned on 31 May 2021)*
TAM Cheuk Ho
WONG Wah On Edward
YANG Guohua *(Elected on 31 May 2021)*
YUE Ming Wai Bonaventure *(Resigned on 27 September 2021)*

Independent Non-executive Directors:

CHAN Him Alfred *(Elected on 31 May 2021)*
LO Kin Cheung
HUANG Zuye *(Resigned on 27 September 2021)*
WANG Xiufeng

In accordance with Article 14.19 of the Articles of Association, Mr. TAM Cheuk Ho, Mr. WONG Wah On Edward and Mr. WANG Xiufeng shall retire by rotation from office at the forthcoming Annual General Meeting (the “AGM”) and, being eligible, have offered themselves 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.

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

As at 31 December 2021, 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	724,029,650	1	52.44
Mr. LI Zongyang	Long position	Beneficial owner	125,000,000	2	
	Long position	Interest held by his controlled corporation	57,740,000	2	13.24
			182,740,000		

Notes:

1. The 724,029,650 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. 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.

2. Mr. LI Zongyang is Mr. LI Feilie's son. The 57,740,000 ordinary shares are directly held by Field Rich (China) Limited, which is wholly owned by Mr. LI Zongyang.

Save as disclosed above, as at 31 December 2021, 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.

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

As at 31 December 2021, 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	0.98
Mr. TAM Cheuk Ho	Long position	Beneficial owner	281,926	0.69

Save as disclosed above, as at 31 December 2021, 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.

DISCLOSURE OF CHANGE OF DIRECTORS' INFORMATION

Mr. YUE Ming Wai Bonaventure and Mr. HUANG Zuye resigned as an executive Director and an independent non-executive Director respectively on 27 September 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 2021.

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.

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 2021, 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 1 year 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 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.

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, Feishang Energy and the Company were designated as a coal mine consolidator in Guizhou province on 6 June 2014.

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 2021, the transaction was not yet completed. In March 2022, Guizhou Puxin's entire equity interest and mining right in Guizhou Dayuan were transferred to Baoshun and the disposal of Guizhou Dayuan was 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.

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 2021.

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 CNY0.2 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 2021.

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 2021.

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 2021, the Audit Committee was chaired by Mr. LO Kin Cheung and the members comprised Mr. LO Kin Cheung, Mr. CHAN Him Alfred 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 2021.

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, 30 March 2022

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 2021, 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 nine members, consisting of six executive Directors namely Mr. HAN Weibing (chairman of the Board and chief executive officer), Mr. WANG Weidong (deputy chairman), Mr. HE Jianhu, Mr. TAM Cheuk Ho, Mr. WONG Wah On Edward and Mr. YANG Guohua and three independent non-executive Directors, namely, Mr. CHAN Him Alfred, 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 Company Secretary" of this 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. TAM Cheuk Ho, Mr. WONG Wah On Edward and Mr. WANG Xiufeng 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.

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.

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.

During the year ended 31 December 2021, five 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 *(Chairman and Chief Executive Officer)*	5/5	0/1
WANG Weidong *(Deputy Chairman) (elected on 31 May 2021)*	4/4	0/1
HE Jianhu *(elected on 31 May 2021)*	4/4	0/1
HU Lubao *(resigned on 31 May 2021)*	1/1	0/1
TAM Cheuk Ho	5/5	1/1
WONG Wah On Edward	5/5	1/1
YANG Guohua *(elected on 31 May 2021)*	4/4	0/1
YUE Ming Wai Bonaventure *(resigned on 27 September 2021)*	5/5	1/1
Independent Non-executive Directors		
CHAN Him Alfred *(elected on 31 May 2021)*	4/4	1/1
HUANG Zuye *(resigned on 27 September 2021)*	5/5	0/1
LO Kin Cheung	5/5	1/1
WANG Xiufeng	5/5	0/1

Mr. HAN Weibing, Mr. HUANG Zuye and Mr. WANG Xiufeng did not attend the 2021 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 2021, all the Directors attended the e-training provided by the Stock Exchange. Topics of the e-training included Connected Transaction Rules, Notifiable Transaction Rules and Equity Fundraising Rules, aiming at providing the Directors with an understanding of the definitions of relevant activities and the specific Listing Rule requirements. In addition, the Directors attended a training session on responsibilities of directors and compliance with the Listing Rules organised by the Company's legal adviser, Lau, Horton & Wise LLP.

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 2021, the Board had performed the following corporate governance duties:

- approval of Ernst & Young as the auditor of the Group and the corresponding audit plan;
- approval of announcements of discloseable transactions and business update;
- 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. The Corporate Social Responsibility Committee was restructured to a new ESG committee on 6 December 2021.

Audit Committee

The Audit Committee comprises three independent non-executive Directors. During the year ended 31 December 2021, the Audit Committee was chaired by Mr. LO Kin Cheung, and its members comprised Mr. LO Kin Cheung, Mr. CHAN Him Alfred 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 2021, 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 2020;

– reviewed the financial statements for the six months ended 30 June 2021;

– 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 *(Chairman)*	2/2
CHAN Him Alfred *(appointed on 27 September 2021)*	0/0
HUANG Zuye *(resigned on 27 September 2021)*	2/2
WANG Xiufeng	2/2

Nomination Committee

During the year ended 31 December 2021, the Nomination Committee was chaired by Mr. CHAN Him Alfred, an independent non-executive Director, and its members comprised Mr. CHAN Him Alfred, 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 2021, 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)**
CHAN Him Alfred *(Chairman) (appointed on 27 September 2021)*	0/0
HUANG Zuye *(resigned on 27 September 2021)*	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.

Remuneration Committee

During the year ended 31 December 2021, 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. CHAN Him Alfred 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 2021, 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 *(Chairman)*	1/1
CHAN Him Alfred *(appointed on 27 September 2021)*	0/0
HAN Weibing	1/1
LO Kin Cheung	1/1
HUANG Zuye *(resigned on 27 September 2021)*	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 2021 is set out below:

Remuneration bands (HK$)	Number of person(s)
0 to 1,000,000	11

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.

ESG Committee (formerly known as Corporate Social Responsibility Committee)

During the year ended 31 December 2021, the ESG Committee was chaired by Mr. YANG Guohua, an executive Director, and its members comprised two executive Directors namely Mr. YANG Guohua and Mr. HAN Weibing, one independent non-executive Director Mr. WANG Xiufeng and two staff members Mr. LIN Quanlong and Ms. QIN Lu.

The primary purpose of ESG Committee is to assist the Board in reviewing and overseeing the policies and issues with respect to environmental and social (including employment and labour practises, operating practices and community) of the Group.

During the year ended 31 December 2021, the ESG 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 ESG Committee	Attendance/ No. of meeting(s)
YANG Guohua *(Chairman) (appointed as Chairman on 6 December 2021)*	1/1
HAN Weibing	1/1
WANG Xiufeng *(resigned as Chairman on 6 December 2021)*	1/1
LIN Quanlong *(appointed on 6 December 2021)*	0/0
QIN Lu *(appointed on 6 December 2021)*	0/0

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 2021 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.

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 2021 were as follows:

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

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.

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

<table>
<tr><td rowspan="3">"Top-down"
Overseeing, identification, assessment and mitigation of risk at corporate level.</td><td colspan="4">The Board of Directors</td></tr>
<tr><td>Responsible for the Group's risk management and internal control systems.</td><td>Sets strategic objectives and reviews the effectiveness of the Group's risk management and internal control systems.</td><td>Monitors the nature and extent of the Group's major risks.</td><td>Provides guidance on the importance of risk management and risk management culture.</td></tr>
<tr><td>Management</td><td colspan="2">Audit Committee</td><td>Internal Audit</td></tr>
<tr><td rowspan="3">"Bottom-up"
Identification, assessment and mitigation of risk at business unit level and across functional areas.</td><td>Designs, implements, and monitors risk management and internal control systems.</td><td colspan="2">Assists the Board in monitoring risk exposure, design and operating effectiveness of the underlying risk management and internal control systems.</td><td>Assists the Audit Committee to review the effectiveness of the Group's risk management and internal control systems.</td></tr>
<tr><td colspan="4">Operational level</td></tr>
<tr><td colspan="2">Risk identification, assessment and mitigation performed across the business.</td><td colspan="2">Risk management process and internal control practised across business operations and functional areas.</td></tr>
</table>

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.

Major Risk Management and Internal Control Initiatives in 2021

- 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 2021, 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.

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 2021, the Group's significant risks were identified through the risk identification process as follows:

Introduction to risk	Risk changes in 2021	Major risk mitigation measures
Market risk 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 2021, the coal market was highly volatile and saw a strong upward trend in the price of coal due to the mismatch between coal demand and supply.	Unchanged	The Group has adopted and adhered to the market strategy of product differentiation and building a brand name of Feishang Anthracite. In 2021, the Group continued to strengthen the brand name of Feishang Anthracite to retain and further penetrate the high-end market, and has built up strategic cooperation relationship with large-scale state-owned and local enterprise customers.

Introduction to risk	Risk changes in 2021	Major risk mitigation measures
Going concern risk 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 2021, the Group had net current liabilities of approximately CNY2,896.4 million and shareholders' deficit of approximately CNY648.1 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.	Increase	The Group managed to obtain bank credit facilities from the banks and entered 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; (iii) taking measures to tighten cost controls over various production costs and expenses; and (iv) looking for new profitable business investment opportunities. Considering the above measures, the Group will meet the working capital requirements in the next 12 months.
Production safety risk 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.	Unchanged	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. In 2021, the Group did not have any major accidents leading to casualty.

Introduction to risk	Risk changes in 2021	Major risk mitigation measures
Supervision risk 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. Any irregularities or non-compliance may lead to fines and administrative penalties, including suspension of operation or revocation of business licenses.	Unchanged	The Group's ESG 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.

2021 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 2021, 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.

GOING CONCERN

As at 31 December 2021, the Group had net current liabilities of approximately CNY2,896.4 million and shareholders' deficit of approximately CNY648.1 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.

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; (iv) entering into loan renewal discussions with the banks; and (v) looking for new profitable business investment opportunities.

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.

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 2021.

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.

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.

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@fsanthracite.com

In addition, procedure for Shareholders to propose a person for election as a Director is available on the Company's website at www.fsanthracite.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 2021, the Group had net current liabilities of approximately CNY2,896.4 million and shareholders' deficit of approximately CNY648.1 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 62 to 68 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 69 to 157, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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.

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 2021, the Group had net current liabilities of CNY2,896.4 million and shareholders' deficit of CNY648.1 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.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment ("PPE")	
As at 31 December 2021, the Group had property, plant and equipment in the amount of CNY2,485.8 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") to which the PPE were allocated. No impairment loss was recognised during the year ended 31 December 2021. 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.	Among our audit procedures performed, we compared the methodology used by the Group, that is, the 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 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. 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. We also assessed the adequacy of the Group's disclosures included in the consolidated financial statements regarding the impairment assessment.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax assets ("DTA")	
As at 31 December 2021, the Group recognised deferred tax assets amounting to CNY115.5 million from deductible temporary differences and tax losses carried forward before offsetting. As described in Note 2.4(t), Note 2.5(ii) 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. Auditing management's recognition of deferred tax assets is complex because it requires significant estimation and judgment to evaluate management's 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 the tax law framework and future market or economic conditions.	Among our 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. 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 external industry analysts and historical results. We also tested the completeness and accuracy of the underlying data used in the taxable profit forecast. We also assessed the adequacy of the Group's disclosures included in the consolidated financial statements regarding the deferred tax assets.

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 11 to 12 and pages 17 to 24, 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 the matter with 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.

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.

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
30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 CNY'000	2020 CNY'000
CONTINUING OPERATIONS			
Revenue	5	**1,121,004**	1,013,074
Cost of sales	6	**(722,218)**	(715,638)
Gross profit		**398,786**	297,436
Selling and distribution expenses		**(106,479)**	(106,535)
Administrative expenses		**(133,921)**	(139,882)
Reversal of impairment/(impairment) of financial assets, net	9	**1,961**	(7,406)
Impairment losses on property, plant and equipment	9	**–**	(246,184)
Other operating expenses, net		**(38,911)**	(22,474)
OPERATING PROFIT/(LOSS)		**121,436**	(225,045)
Finance costs	7	**(161,567)**	(164,832)
Interest income	9	**1,909**	2,747
Share of profit and loss of associates		**(239)**	(1,478)
Non-operating (expenses)/income, net	8	**(4,053)**	757
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS	9	**(42,514)**	(387,851)
Income tax	13	**(50,376)**	40,918
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(92,890)**	(346,933)
DISCONTINUED OPERATIONS			
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	4	**(3,570)**	(10,221)
LOSS FOR THE YEAR		**(96,460)**	(357,154)
ATTRIBUTABLE TO:			
Owners of the parent			
From continuing operations		**(110,284)**	(345,887)
From discontinued operations		**(3,559)**	(10,213)
		(113,843)	(356,100)
Non-controlling interests			
From continuing operations		**17,394**	(1,046)
From discontinued operations		**(11)**	(8)
		17,383	(1,054)
		(96,460)	(357,154)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic (CNY per share)			
– For loss from continuing operations	14	**(0.08)**	(0.25)
– For loss from discontinued operations	14	*****	(0.01)
– Net loss per share	14	**(0.08)**	(0.26)
Diluted (CNY per share)			
– For loss from continuing operations	14	**(0.08)**	(0.25)
– For loss from discontinued operations	14	*****	(0.01)
– Net loss per share	14	**(0.08)**	(0.26)

* Insignificant

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 CNY'000	2020 CNY'000
LOSS FOR THE YEAR	**(96,460)**	(357,154)
Other comprehensive income/(loss):		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**4,464**	8,298
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(4,255)**	(8,135)
Total other comprehensive income for the year, net of tax	**209**	163
TOTAL COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(96,251)**	(356,991)
ATTRIBUTABLE TO:		
Owners of the parent		
From continuing operations	**(110,075)**	(345,724)
From discontinued operations	**(3,559)**	(10,213)
	(113,634)	(355,937)
Non-controlling interests		
From continuing operations	**17,394**	(1,046)
From discontinued operations	**(11)**	(8)
	17,383	(1,054)
	(96,251)	(356,991)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 CNY'000	2020 CNY'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	2,485,772	2,529,718
Right-of-use assets	17(a)	330,238	241,477
Rehabilitation fund	18	10,112	9,412
Prepayments and other receivables	19	66,035	59,243
Investments in associates	20	797	1,036
Deferred tax assets	13	54,745	41,497
TOTAL NON-CURRENT ASSETS		2,947,699	2,882,383
CURRENT ASSETS			
Inventories	21	31,527	54,252
Trade and bills receivables	22	91,866	165,895
Prepayments and other receivables	19	120,359	99,826
Financial assets at fair value through profit or loss	23	6,431	6,412
Pledged deposits	24	61,300	92,450
Cash and cash equivalents	24	23,952	29,587
		335,435	448,422
Assets of a disposal group classified as held for sale	4(b)	83,310	76,197
TOTAL CURRENT ASSETS		418,745	524,619
TOTAL ASSETS		3,366,444	3,407,002
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and bills payables	25	722,964	829,122
Other payables and accruals	26	647,352	514,532
Interest-bearing bank and other borrowings	27	1,605,764	271,500
Lease liabilities	17(b)	100,332	69,366
Due to an associate	35(c)	164	1,392
Interest payable		37,391	33,427
Income tax payable		91,798	43,305
Mining right payables	28	43,780	43,780
Deferred income	29	2,851	2,452
		3,252,396	1,808,876
Liabilities directly associated with the assets classified as held for sale	4(b)	62,710	53,147
TOTAL CURRENT LIABILITIES		3,315,106	1,862,023

continued/...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 CNY'000	2020 CNY'000
NON-CURRENT LIABILITIES			
Due to the Shareholder	35(c)	**6,521**	–
Due to a related company	35(c)	**233,278**	312,552
Interest-bearing bank and other borrowings	27	**288,998**	1,632,750
Lease liabilities	17(b)	**77,755**	61,120
Deferred tax liabilities	13	**63,350**	62,092
Deferred income	29	**15,706**	15,381
Asset retirement obligations	30	**13,804**	12,907
TOTAL NON-CURRENT LIABILITIES		**699,412**	2,096,802
TOTAL LIABILITIES		**4,014,518**	3,958,825
EQUITY			
Share capital	31	**1,081**	1,081
Reserves	33	**(850,286)**	(736,652)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**(849,205)**	(735,571)
NON-CONTROLLING INTERESTS		**201,131**	183,748
TOTAL EQUITY		**(648,074)**	(551,823)
TOTAL LIABILITIES AND EQUITY		**3,366,444**	3,407,002

Han Weibing
Chairman and Executive Director

Wong Wah On Edward
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent								
	Share capital CNY'000 Note 31	Share premium account* CNY'000	Safety fund and production maintenance fund* CNY'000 Note 33 (a)	Special reserve* CNY'000 Note 33 (b)	Accumulated losses* CNY'000	Exchange fluctuation reserve* CNY'000	Total CNY'000	Non-controlling interests CNY'000	Total equity CNY'000
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 and at 1 January 2021	**1,081**	**204,524**	**328,832**	**30,724**	**(1,306,036)**	**5,304**	**(735,571)**	**183,748**	**(551,823)**
Loss for the year	**–**	**–**	**–**	**–**	**(113,843)**	**–**	**(113,843)**	**17,383**	**(96,460)**
Foreign currency translation adjustments	**–**	**–**	**–**	**–**	**–**	**209**	**209**	**–**	**209**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(113,843)**	**209**	**(113,634)**	**17,383**	**(96,251)**
Appropriation and utilisation of safety fund and production maintenance fund, net	**–**	**–**	**548**	**–**	**(548)**	**–**	**–**	**–**	**–**
At 31 December 2021	**1,081**	**204,524**	**329,380**	**30,724**	**(1,420,427)**	**5,513**	**(849,205)**	**201,131**	**(648,074)**

* These reserve accounts comprise the consolidated other reserves of negative CNY850.3 million (31 December 2020: CNY736.7 million) in the consolidated statement of financial position as at 31 December 2021.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 CNY'000	2020 CNY'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax			
From continuing operations		**(42,514)**	(387,851)
From discontinued operations	4	**(3,570)**	(9,948)
Adjustments for:			
Interest income	9	**(1,909)**	(2,747)
Finance costs		**150,881**	157,190
Decrease/(increase) in restricted cash		**1,450**	(1,450)
Gain on disposal of items of property, plant and equipment	9	**(1,180)**	(51)
Depreciation of property, plant and equipment	9	**220,067**	247,486
Depreciation of right-of-use assets	9	**33,673**	20,978
Impairment of prepayments	9	**–**	3,895
(Reversal of impairment)/impairment of financial assets, net	9	**(1,961)**	7,406
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	**(277)**	(575)
Share of profit and loss of associates		**239**	1,478
Sub-total		**354,899**	283,075
(Increase)/decrease in rehabilitation fund		**(700)**	2,724
Decrease/(increase) in trade and bills receivables		**75,292**	(47,315)
Decrease/(increase) in inventories		**19,725**	(17,592)
Increase in prepayments and other receivables		**(19,140)**	(602)
Decrease in trade and bills payables		**(155,721)**	(913)
Increase in other payables and accruals		**164,437**	145,865
Decrease in an amount due to an associate		**(1,228)**	(335)
Decrease in deferred income		**(2,877)**	(2,502)
Cash from operations		**434,687**	362,405
Interest received		**1,909**	2,747
Interest paid		**(145,898)**	(155,765)
Income tax paid		**(13,873)**	(20,299)
Net cash flows from operating activities		**276,825**	189,088

continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 CNY'000	2020 CNY'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of government grants for property, plant and equipment		3,601	2,500
Purchase of financial assets at fair value through profit or loss		–	(1,370)
Proceeds from financial assets at fair value through profit or loss		258	552
Purchases of items of property, plant and equipment		(166,514)	(224,344)
Proceeds from disposal of items of property, plant and equipment		8,620	–
Net cash flows used in investing activities		(154,035)	(222,662)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from interest-bearing bank and other borrowings		292,750	716,000
Repayments of interest-bearing bank and other borrowings		(302,238)	(660,250)
Decrease in pledged deposits	24	29,700	25,000
Advances from the Shareholder		6,521	–
Advances from a related company		535,940	1,227,700
Repayments to a related company		(615,214)	(1,232,543)
Principal portion of lease payments		(75,091)	(52,778)
Net cash flows (used in)/from financing activities		(127,632)	23,129
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,842)	(10,445)
Effect of foreign exchange rate changes, net		209	163
Cash and cash equivalents at the beginning of the year		29,587	42,417
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		24,954	32,135
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	24	23,952	29,587
Cash and bank balances attributed to a disposal group classified as held for sale		1,002	2,548
Cash and cash equivalents as stated in the consolidated statement of cash flows		24,954	32,135

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 Group" or the "Shareholder"), a company incorporated in the BVI. Mr. Li Feilie is the beneficial owner of Feishang Group. 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 extraction and sale of anthracite coal and trading of anthracite coal in the People's Republic of China (the "PRC").

As at 31 December 2021, the Group had net current liabilities of CNY2,896.4 million (31 December 2020: CNY1,337.4 million) and total assets less current liabilities of CNY51.3 million (31 December 2020: CNY1,545.0 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.

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 2021. 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.

2.1 BASIS OF PREPARATION (continued)

Going concern

As at 31 December 2021, the Group had net current liabilities of CNY2,896.4 million and shareholders' deficit of CNY648.1 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.

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; (iv) entering into loan renewal discussions with banks; and (v) looking for new profitable business investment opportunities.

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 following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The nature and the impact of the revised IFRSs are described below:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

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 risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities 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. These amendments had no material impact on the consolidated financial statements of the Group.

(b) Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

Amendment to IFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group as there were no lease payments reduced or waived by the lessors as a result of the covid-19 pandemic during the year.

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 consolidated financial statements:

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[2]
Amendments to IFRS 17	*Insurance Contracts*[2,4]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 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

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 is currently assessing the impact that the amendments will have on the consolidated financial statements.

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 resulting from a downstream transaction 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 mandatory effective date for this amendment is not yet determined but early adoption is permitted. The Group is currently assessing the impact that the amendments will have on the consolidated financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* 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. The Group is currently assessing the impact that the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The Group is currently assessing the impact that the amendments will have on the consolidated financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The Group is currently assessing the impact that the amendments will have on the consolidated 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.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

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 Group is currently assessing the impact that the amendments will have on the consolidated 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 Group is currently assessing the impact that the amendments will have on the consolidated 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. The Group is currently assessing the impact that the amendments will have on the consolidated financial statements.

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 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.

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

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.

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.

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.

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.

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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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.

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.

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.

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.

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.

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:

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.

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.

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.

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.

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 tax

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Income tax (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 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.

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

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.

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.

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*.

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 the supplier directly to the 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.

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 the future sales volumes, coal prices and operating costs 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) 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 2021, the Group had only one operating segment: 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 2021, revenue derived from sales to three customers accounted for 24.3%, 15.1% and 10.0% of the consolidated revenue, respectively. 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.

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 2021, 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 2021 and 2020 are presented below:

	2021 **CNY'000**	2020 CNY'000
Finance costs	**(1)**	(2)
Non-operating expenses, net	**(1,118)**	(785)
LOSS BEFORE INCOME TAX	**(1,119)**	(787)
Income tax expense	**–**	–
LOSS FOR THE YEAR FROM THE DISCONTINUED OPERATION	**(1,119)**	(787)
Attributable to:		
Owners of the parent	**(1,108)**	(779)
Non-controlling interest	**(11)**	(8)
	(1,119)	(787)

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

	2021 **CNY'000**	2020 CNY'000
Operating activities	**(888)**	(974)
Financing activities	**845**	932
Net cash outflow	**(43)**	(42)

* For identification purposes only

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 2021, the transaction was not yet completed, and Guizhou Dayuan was classified as a disposal group held for sale and as a discontinued operation. In March 2022, Guizhou Puxin's entire equity interest and mining right in Guizhou Dayuan were transferred to Baoshun and the disposal of Guizhou Dayuan was completed.

The results of Guizhou Dayuan for the years ended 31 December 2021 and 2020 are presented below:

	2021 **CNY'000**	2020 CNY'000
Revenue	**20,053**	4,556
Cost of sales	**(11,740)**	(2,259)
Gross profit	**8,313**	2,297
Administrative expenses	**(10,291)**	(11,173)
Selling expenses	**(53)**	–
OPERATING LOSS	**(2,031)**	(8,876)
Finance costs	**(141)**	(131)
Interest income	**4**	3
Non-operating expenses, net	**(283)**	(157)
LOSS BEFORE INCOME TAX	**(2,451)**	(9,161)
Income tax expense	**–**	(273)
LOSS FOR THE YEAR FROM THE DISCONTINUED OPERATION	**(2,451)**	(9,434)
Attributable to:		
Owners of the parent	**(2,451)**	(9,434)
Non-controlling interests	**–**	–
	(2,451)	(9,434)

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 2021 and 2020 are as follows:

	2021 CNY'000	2020 CNY'000
Assets		
Property, plant and equipment	70,087	63,733
Inventories	3,657	657
Rehabilitation fund	1,500	1,500
Prepayments and other receivables	5,465	6,858
Trade and bills receivable	1,599	901
Cash and cash equivalents	1,002	2,548
Assets of a disposal group classified as held for sale	83,310	76,197
Liabilities		
Trade and bills payables	2,481	2,174
Other payables and accruals	36,956	28,579
Income tax payable	1,058	301
Deferred tax liabilities	20,363	20,363
Asset retirement obligations	1,852	1,730
Liabilities directly associated with the assets classified as held for sale	62,710	53,147
Net assets directly associated with the disposal group	20,600	23,050

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

	2021 CNY'000	2020 CNY'000
Operating activities	4,289	(9,488)
Investing activities	(6,354)	(11,646)
Financing activities	519	23,541
Net cash (outflow)/inflow	(1,546)	2,407

4. DISCONTINUED OPERATIONS (continued)

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

	2021 CNY'000	2020 CNY'000
Loss attributable to ordinary equity holders of the parent from discontinued operations	**(3,559)**	(10,213)
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:

	2021 CNY'000	2020 CNY'000
Revenue from contracts with customers	**1,121,004**	1,013,074

(i) Disaggregated revenue information

	2021 CNY'000	2020 CNY'000
Types of goods or services		
Sale of coal	**1,120,713**	1,012,848
Coal trading	**291**	226
	1,121,004	1,013,074
Geographic market		
Mainland China	**1,121,004**	1,013,074
Timing of revenue recognition		
Goods transferred at a point of time	**1,121,004**	1,013,074

5. REVENUE FROM CONTINUING OPERATIONS (continued)

(i) Disaggregated revenue information (continued)

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:

	2021 CNY'000	2020 CNY'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of coal	**139,065**	115,814

(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:

	2021 CNY'000	2020 CNY'000
Sale of coal (Note 9)	**722,218**	715,638

7. FINANCE COSTS FROM CONTINUING OPERATIONS

	2021 CNY'000	2020 CNY'000
Interest on interest-bearing bank and other borrowings	**135,424**	141,028
Interest on lease liabilities (Note 17(c))	**12,293**	13,064
Interest on payables for mining rights	**2,145**	2,145
Total interest expense	**149,862**	156,237
Bank charges	**123**	825
Discount coupon (Note 37)	**10,685**	6,931
Accretion expenses	**897**	839
	161,567	164,832

8. NON-OPERATING (EXPENSES)/INCOME, NET FROM CONTINUING OPERATIONS

	2021 CNY'000	2020 CNY'000
Government grant	2,984	2,602
Surcharges for late tax payments	(2,935)	(657)
Safety security fines	(5,447)	(1,517)
Donation	(172)	(501)
Gain on disposal of property, plant and equipment (Note 9)	1,180	51
Others	337	779
	(4,053)	757

9. LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS

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

	2021 CNY'000	2020 CNY'000
Crediting:		
Interest income on bank deposits	1,909	2,747
Government grant (a)	17,113	8,758
Charging:		
Cost of inventories sold (b)	563,370	583,304
Sales tax and surcharge	57,852	57,289
Utilisation of safety fund and production maintenance fund	100,996	75,045
Cost of sales (Note 6)	722,218	715,638
Employee benefit expenses (Note 10)	364,057	313,364
Depreciation, depletion and amortisation:		
– Property, plant and equipment (Note 16)	220,067	247,486
– Right-of-use assets (Note 17(c))	33,673	20,978
Lease payments not included in the measurement of lease liabilities (Note 17(c))	1,063	644
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
(Reversal of impairment)/impairment of financial assets, net	(1,961)	7,406
Impairment of prepayments and other receivables	–	3,895
Gains from financial assets at fair value through profit or loss	277	575
Gain on disposal of property, plant and equipment (Note 8)	1,180	51
Repairs and maintenance	42,096	44,808
Losses arising from temporary suspension of production	–	7,660

(a) Included in the government grant is a total amount of CNY3.0 million (2020: CNY2.6 million) in non-operating income and CNY14.1 million (2020: CNY6.2 million) in other operating income for the year ended 31 December 2021.

(b) Included in the cost of inventories sold is a total amount of CNY487.4 million for the year ended 31 December 2021 (2020: CNY536.9 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.

10. EMPLOYEE BENEFITS FROM CONTINUING OPERATIONS

	2021 CNY'000	2020 CNY'000
Wages, salaries and allowances	**336,307**	318,749
Contribution to pension plans (a)	**9,657**	10,189
Housing funds (a)	**3,541**	2,714
Welfare and other expenses	**15,814**	18,537
Sub-total	**365,319**	350,189

(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:

	2021 CNY'000	2020 CNY'000
Total employee benefits accrued for the year	**365,319**	350,189
Less:		
Amount included in inventories	**(1,262)**	(1,626)
Amount included in property, plant and equipment	**–**	(35,199)
Amount charged to loss from continuing operations (Note 9)	**364,057**	313,364

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:

	2021	2020
	CNY'000	CNY'000
Fees	**333**	321
Other emoluments:		
Salaries, allowances and benefits in kind	**839**	947
Pension scheme contributions	**124**	54
	963	1,001
	1,296	1,322

(a) Independent non-executive directors

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

	2021	2020
	CNY'000	CNY'000
Mr. Lo Kin Cheung (i)	**100**	107
Mr. Wang Xiufeng (ii)	**100**	107
Mr. Chan Him Alfred (iii)	**58**	–
Mr. Huang Zuye (iv)	**75**	107
	333	321

There were payables of CNY0.33 million to the independent non-executive directors during the year (2020: CNY0.32 million).

(i) Mr. Lo Kin Cheung was appointed as the Company's non-executive director with effect from 23 December 2013.

(ii) Mr. Wang Xiufeng was appointed as the Company's non-executive director with effect from 29 March 2019.

(iii) Mr. Chan Him Alfred was appointed as the Company's non-executive director with effect from 31 May 2021.

(iv) Mr. Huang Zuye was appointed as the Company's non-executive director with effect from 23 December 2013, and resigned on 27 September 2021.

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
2021				
Executive directors:				
Mr. Han Weibing	–	276	94	370
Mr. Tam Cheuk Ho	–	–	–	–
Mr. Wong Wah On Edward	–	–	–	–
Mr. Wang Weidong (i)	–	176	21	197
Mr. He Jianhu (i)	–	–	–	–
Mr. Yang Guohua (i)	–	187	9	196
Mr. Yue Ming Wai Bonaventure (ii)	–	200	–	200
	–	839	124	963

(i) Mr. Wang Weidong, Mr. He Jianhu and Mr. Yang Guohua were appointed as executive directors with effect from 31 May 2021.

(ii) Mr. Yue Ming Wai Bonaventure was appointed as an executive director with effect from 29 May 2015, and resigned on 27 September 2021.

	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	–	140	7	147
	–	947	54	1,001

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 2021 (2020: Nil).

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees for the year ended 31 December 2021 included one director (2020: one), details of whose remuneration are set out in Note 11 above. Details of the remuneration for the year ended 31 December 2021 of the remaining four (2020: four) highest paid employees who are neither a director nor chief executive officer of the Company are as follows:

	Number of employees	
	2021	2020
Directors	**1**	1
Non-director individuals	**4**	4
	5	5

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

	2021	2020
	CNY'000	CNY'000
Wages, salaries and allowances	**1,563**	1,150
Contribution to pension plans	**13**	14
Housing funds	**6**	14
Welfare and other expenses	**6**	16
	1,588	1,194

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	
	2021	2020
Nil to HK$1,000,000	**4**	4
	4	4

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 2021 (2020: 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 incurred tax losses during the years ended 31 December 2021 and 2020. 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% (2020: 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 expense/(credit) from continuing operations are as follows:

	2021	2020
	CNY'000	CNY'000
Current – Mainland China	**62,366**	17,610
Deferred – Mainland China	**(11,990)**	(58,528)
	50,376	(40,918)

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

	2021	2020
	CNY'000	CNY'000
Loss before income tax from continuing operations	**(42,514)**	(387,851)
Tax at the statutory tax rate of 25%	**(10,629)**	(96,963)
Effect of different tax rates for the Company and the Hong Kong subsidiary	**1,461**	1,494
Non-deductible expenses	**5,237**	6,286
Tax losses not recognised	**54,300**	48,262
Others	**7**	3
Income tax charge/(credit) from continuing operations	**50,376**	(40,918)

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:

	2021 CNY'000	2020 CNY'000
Deferred tax assets		
Accruals and other payables	5,707	4,502
Capitalised pilot run income	10,458	11,324
Tax losses	65,388	41,672
Depreciation of property, plant and equipment	24,056	26,741
Temporary difference related to lease	4,262	–
Bad debt provision	5,664	5,648
	115,535	89,887
Deferred tax liabilities		
Depreciation and fair value adjustment of property, plant and equipment	(124,140)	(110,482)
Net deferred tax liabilities	(8,605)	(20,595)
Classification in the consolidated statement of financial position:		
Deferred tax assets	54,745	41,497
Deferred tax liabilities	(63,350)	(62,092)

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.

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 CNY695.5 million and CNY697.9 million as at 31 December 2021 and 2020, respectively. As at 31 December 2021, unused tax losses not utilised of CNY110.8 million, CNY77.6 million, CNY96.9 million, CNY193.0 million and CNY217.2 million will expire by end of 2022, 2023, 2024, 2025 and 2026, respectively.

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

	2021	2020
	CNY'000	CNY'000
At the beginning of the year	**(20,595)**	(79,123)
Credited to the consolidated statement of profit or loss	**11,990**	58,528
At the end of the year	**(8,605)**	(20,595)

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:

	2021	2020
	CNY'000	CNY'000
Loss for the year attributable to ordinary equity holders of the parent:	**(113,843)**	(356,100)
From continuing operations	**(110,284)**	(345,887)
From discontinued operations	**(3,559)**	(10,213)
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	**(0.08)**	(0.25)
From discontinued operations	*****	(0.01)
	(0.08)	(0.26)
Diluted		
From continuing operations	**(0.08)**	(0.25)
From discontinued operations	*****	(0.01)
	(0.08)	(0.26)

* 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.

15. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2021 (2020: 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 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 and 1 January 2021	132,363	3,295,118	649,999	67,786	460,274	4,605,540
Additions	–	22,432	19,091	1,606	140,174	183,303
Transfers	9,300	228,978	2,598	–	(240,876)	–
Disposals	(10,280)	–	(466)	–	–	(10,746)
Reclassified from right-of-use assets	–	–	258	–	–	258
At 31 December 2021	131,383	3,546,528	671,480	69,392	359,572	4,778,355
Accumulated depreciation						
At 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 and 1 January 2021	(32,781)	(1,003,141)	(345,436)	(35,790)	–	(1,417,148)
Depreciation charge	(1,752)	(175,821)	(25,667)	(16,827)	–	(220,067)
Disposals	2,875	–	431	–	–	3,306
At 31 December 2021	(31,658)	(1,178,962)	(370,672)	(52,617)	–	(1,633,909)
Impairment						
At 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 and 1 January 2021	(5,525)	(620,351)	(27,063)	(437)	(5,298)	(658,674)
Impairment	–	–	–	–	–	–
At 31 December 2021	(5,525)	(620,351)	(27,063)	(437)	(5,298)	(658,674)
Net carrying amount						
At 31 December 2020	94,057	1,671,626	277,500	31,559	454,976	2,529,718
At 31 December 2021	94,200	1,747,215	273,745	16,338	354,274	2,485,772

As at 31 December 2021, certain mining rights with a carrying amount of CNY478.4 million (31 December 2020: CNY545.6 million) were pledged to secure bank loans with a carrying amount of CNY1,612.8 million (31 December 2020: CNY1,734.3 million) (Note 27).

16. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2021, certain mining structure, machinery and equipment with a carrying amount of CNY88.4 million (31 December 2020: CNY36.5 million) and certain buildings with a carrying amount of nil (31 December 2020: CNY7.6 million) were pledged to secure bank loans with a carrying amount of CNY37.0 million (31 December 2020: CNY20.0 million) (Note 27).

As at 31 December 2021, certain buildings with a carrying amount totalling CNY94.2 million (31 December 2020: CNY86.0 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 did not have any significant impact on the Group's financial position as at the end of the year.

Impairment tests for cash-generating unit ("CGU")

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.

No impairment loss of property, plant and equipment was recognised during the year ended 31 December 2021 (2020: CNY160.7 million).

Value-in-use calculations use pre-tax cash flow projections based on the 2022 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 ranging from 9.63% to 10.36% (2020: 9.66% to 9.93%) as the 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.

Impairment for individual 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"). 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 recognised in profit or loss for the year ended 31 December 2020. There was no impairment for individual assets for the year ended 31 December 2021.

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	Machinery and equipment	Buildings	Total
	CNY'000	CNY'000	CNY'000	CNY'000
As at 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 and 1 January 2021	**54,283**	**186,094**	**1,100**	**241,477**
Additions	**641**	**116,151**	**5,900**	**122,692**
Depreciation charge	**(410)**	**(31,722)**	**(1,541)**	**(33,673)**
Reclassified to property, plant and equipment	**–**	**(258)**	**–**	**(258)**
As at 31 December 2021	**54,514**	**270,265**	**5,459**	**330,238**

(b) Lease liabilities

	2021	2020
	CNY'000	CNY'000
Carrying amount at 1 January	**130,486**	84,129
New leases	**122,692**	99,135
Accretion of interest recognised during the year	**12,293**	13,064
Payments	**(87,384)**	(65,842)
Carrying amount at 31 December	**178,087**	130,486
Analysed into:		
Current portion	**100,332**	69,366
Non-current portion	**77,755**	61,120

17. LEASES (continued)

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

	2021 CNY'000	2020 CNY'000
Interest on lease liabilities (Note 7)	**12,293**	13,064
Depreciation charge of right-of-use assets (Note 9)	**33,673**	20,978
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)	**28**	151
Expense relating to leases of low-value assets (included in administrative expenses)	**1,035**	493
Total amount recognised in profit or loss	**47,029**	34,686

(d) The total cash outflow for leases are disclosed in Note 42(c) to the consolidated 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.

19. PREPAYMENTS AND OTHER RECEIVABLES

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

	2021 CNY'000	2020 CNY'000
Current:		
Prepaid spare parts and consumable purchases	42,785	28,102
Deposits	24,286	22,208
Staff advances	7,480	7,172
Withheld social security	27,829	27,373
Value-added tax recoverable	3,486	1,972
Prepaid transportation fee	5,981	8,620
Prepaid coals for trading purposes	5,392	5,213
Others	10,668	6,714
Less: Impairment allowance	(7,548)	(7,548)
	120,359	99,826
Non-current:		
Prepayments for construction-related work	37,409	39,965
Prepayments for equipment purchases	28,382	17,640
Prepayments for mining plan design	1,390	1,419
Others	2,367	3,732
Less: Impairment allowance	(3,513)	(3,513)
	66,035	59,243
	186,394	159,069

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

19. PREPAYMENTS AND OTHER RECEIVABLES (continued)

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

	2021 CNY'000	2020 CNY'000
Current:		
At the beginning of the year	7,548	4,154
Impairment losses recognised	–	3,394
Sub-total	7,548	7,548
Non-current:		
At the beginning of the year	3,513	3,012
Impairment losses recognised	–	501
Sub-total	3,513	3,513
At the end of the year	11,061	11,061

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.

20. INVESTMENTS IN ASSOCIATES

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.

20. INVESTMENTS IN ASSOCIATES (continued)

On 19 July 2021, Zongshang Network (Hainan) Supply Chain Management Co., Ltd. (宗商網(海南)供應鏈管理有限公司，"Zongshang") was established with registered capital of CNY50.0 million. Bijie Feishang subscribed 20% of the capital at an amount of CNY10.0 million. Up to 31 December 2021, Bijie Feishang had not yet paid the subscribed capital of CNY10.0 million.

	2021 CNY'000	2020 CNY'000
Share of net assets:		
– Unlisted investment	797	1,036
	797	1,036

The associates are accounted for using the equity method in the consolidated financial statements.

Particulars of the associates are as follows:

			Percentage of			
Name	Registered capital CNY'000	Place of registration and business	Ownership interest	Voting power	Profit sharing	Principal activities
Longfei	20,000	Guizhou, Mainland China	20.00%	20.00%	20.00%	Trading and repairing of mining facilities and spare parts
Zongshang	50,000	Hainan, Mainland China	20.00%	20.00%	20.00%	Trading and supply chain management

In the opinion of the directors of the Company, the investments in associates are not material to the Group and no further disclosure of the particulars of the associates are presented.

21. INVENTORIES

	2021 CNY'000	2020 CNY'000
Spare parts and consumables	27,548	31,086
Coal	5,789	24,976
	33,337	56,062
Less: Provision for impairment	(1,810)	(1,810)
	31,527	54,252

22. TRADE AND BILLS RECEIVABLES

	2021 CNY'000	2020 CNY'000
Trade receivables	**121,811**	191,709
Less: Provision for impairment	**(53,357)**	(55,318)
	68,454	136,391
Bills receivable	**23,412**	29,504
	91,866	165,895

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 CNY61.9 million (31 December 2020: CNY123.7 million) were pledged as security for short-term loans of CNY50.0 million (31 December 2020: CNY100.0 million) as at 31 December 2021 (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:

	2021 CNY'000	2020 CNY'000
Within 3 months	**15,324**	58,097
3 to 6 months	**15,793**	9,169
6 to 12 months	**28,538**	55,849
Over 12 months	**8,799**	13,276
	68,454	136,391

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

	2021 CNY'000	2020 CNY'000
At the beginning of the year	**55,318**	47,912
Impairment loss recognised	**152**	7,470
Reversal of impairment	**(2,113)**	(64)
At the end of the year	**53,357**	55,318

22. 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 2021

	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
Expected credit loss rate	1%	10%	70%	59%	100%	100%	
Gross carrying amount (CNY'000)	60,243	5,692	1,680	7,814	1,068	45,314	121,811
Expected credit losses (CNY'000)	588	584	1,177	4,626	1,068	45,314	53,357
Net carrying amount (CNY'000)	59,655	5,108	503	3,188	–	–	68,454

As at 31 December 2020

	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
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

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 CNY'000	2020 CNY'000
Financial assets at fair value through profit or loss		
Wealth management products	**6,431**	6,412
	6,431	6,412

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.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2021 CNY'000	2020 CNY'000
Cash and bank balances	**85,252**	122,037
Less: Pledged deposits (i):		
Pledged and restricted for bank bills (Note 25)	**(10,000)**	(40,000)
Restricted bank deposits	**–**	(1,450)
Pledged and restricted for bank loans (Note 27)	**(51,300)**	(51,000)
	(61,300)	(92,450)
Cash and cash equivalents	**23,952**	29,587

(i) Pledged deposits mainly include deposits of CNY10.0 million (31 December 2020: CNY40.0 million) held as security for bank bills and a deposit of CNY51.3 million (31 December 2020: CNY51.0 million) held as security for bank loans.

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

	2021 CNY'000	2020 CNY'000
CNY	**85,099**	121,713
Hong Kong dollar	**153**	324
	85,252	122,037

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.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

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.

25. TRADE AND BILLS PAYABLES

	2021 CNY'000	2020 CNY'000
Trade payables (a)	**702,964**	749,122
Bills payable	**20,000**	80,000
	722,964	829,122

(a) Included in trade payables were amounts of CNY413.0 million (31 December 2020: CNY363.2 million) due to contractors related to construction as at 31 December 2021.

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

	2021 CNY'000	2020 CNY'000
Within one year	**285,948**	360,665
More than one year	**417,016**	388,457
	702,964	749,122

Bills payable are bills of exchange with maturity of less than one year. Time deposits of CNY10.0 million (31 December 2020: CNY40.0 million) were pledged to secure the bank bills as at 31 December 2021 (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

	2021 CNY'000	2020 CNY'000
Deposits from contractors	**243,953**	103,033
Social security payable (a)	**98,484**	90,301
Payroll payable	**39,350**	46,380
Contract liabilities (b)	**87,297**	139,065
Other taxes payable	**77,631**	48,884
Professional fee	**2,388**	3,969
Payables for emergency rescue of the coal mine	**4,000**	3,667
Geological hazard compensation	**10,286**	4,675
Receipts from disposal of a subsidiary	**50,000**	50,000
Others	**33,963**	24,558
	647,352	514,532

(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.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021 CNY'000	2020 CNY'000
Current		
Bank and other borrowings – guaranteed	**90,000**	50,000
Bank and other borrowings – secured	**100,000**	100,000
Bank and other borrowings – secured and guaranteed	**55,000**	20,000
Current portion of long term bank and other borrowings – secured and guaranteed	**1,360,764**	101,500
	1,605,764	271,500
Non-current		
Bank and other borrowings – secured and guaranteed	**288,998**	1,632,750
	1,894,762	1,904,250

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

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 CNY478.4 million (31 December 2020: CNY545.6 million) (Note 16) and Xingwang mining right of Guizhou Feishang Energy Co., Ltd (貴州飛尚能源有限公司), which is a related party (31 December 2020: Nil) as at 31 December 2021;

(2) pledges over the Company's equity interests in Guizhou Puxin and Guizhou Dayun Mining Co., Ltd. ("Guizhou Dayun") as at 31 December 2021 (31 December 2020: Guizhou Puxin and Guizhou Dayuan);

(3) pledges over trade receivables in Jinsha Juli Energy Co., Ltd. ("Jinsha Juli") with carrying amounts of CNY61.9 million as at 31 December 2021 (31 December 2020: CNY123.7 million of Guizhou Yongfu Mining Co., Limited ("Guizhou Yongfu") and Guizhou Puxin) (Note 21);

(4) pledges over mining structure, machinery and equipment owned by Guizhou Dayun with carrying amounts of CNY88.4 million at 31 December 2021 (31 December 2020: machinery and equipment of CNY36.5 million owned by Guizhou Yongfu and buildings of CNY7.6 million owned by Guizhou Puxin) (Note 16); and

(5) the pledge of deposits in Guizhou Puxin and Liuzhi Xinsong Coal Mining Co., Ltd. with a carrying amount of CNY51.3 million as at 31 December 2021 (31 December 2020: CNY51.0 million) (Note 24).

In addition, Mr. Li Feilie has guaranteed certain of the Group's interest-bearing bank and other borrowings up to CNY1,739.8 million (31 December 2020: CNY1,804.3 million) as at 31 December 2021. Also, the Group's fellow subsidiaries have guaranteed certain of the Group's interest-bearing bank and other borrowings up to CNY1,794.8 million (31 December 2020: CNY1,804.3 million) as at 31 December 2021.

All borrowings are denominated in CNY.

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:

	2021 %	2020 %
Fixed-rate bank and other borrowings	5.46~9.26	4.98~7.00
Floating-rate bank and other borrowings	3.85~7.35	4.05~7.35

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

	2021 CNY'000	2020 CNY'000
Bank and other borrowings repayable:		
Within one year or on demand	1,605,764	271,500
In the second year	89,499	1,365,250
In the third to fifth years, inclusive	199,499	229,500
Beyond five years	–	38,000
	1,894,762	1,904,250

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 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:

	2021 CNY'000	2020 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 2021 was 4.90% (2020: 4.90%).

29. DEFERRED INCOME

	2021 CNY'000	2020 CNY'000
At the beginning of the year	**17,833**	17,835
Additions	**3,601**	2,500
Amortised during the year	**(2,877)**	(2,502)
At the end of the year	**18,557**	17,833
Portion classified as current liabilities	**(2,851)**	(2,452)
Non-current portion	**15,706**	15,381

In 2021, government grants in the amount of CNY3.6 million were received for certain underground construction projects of Jinsha Baiping Mining Co., Ltd. ("Baiping Mining") and Guizhou Dayun. The amounts were included in deferred income in the consolidated statement of financial position, and were recognised in the consolidated statement of profit or loss along with the depreciation of related assets over their useful lives.

Government grants of CNY14.2 million (2020: CNY6.2 million) have been recognised in the consolidated statement of profit or loss directly since there was no unfulfilled condition for the year ended 31 December 2021.

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 2020	12,068
Accretion expenses	839
At 31 December 2020 and 1 January 2021	**12,907**
Accretion expenses	**897**
At 31 December 2021	**13,804**

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 2021 and were 2.00%, 6.99% and 6.09% for the year ended 31 December 2020 respectively.

31. SHARE CAPITAL

	2021 CNY'000	2020 CNY'000
Authorised: 100,000,000,000 (2020: 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 (2020: 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 2021, the Company had no share options outstanding under the scheme (31 December 2020: Nil).

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:

	2021	2020
	CNY'000	CNY'000
Contracted, but not provided for		
– Construction and purchase of items of property, plant and equipment	**21,579**	117,736
– Capital contribution to the associates	**11,600**	1,600
	33,179	119,336

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:

	2021 CNY'000	2020 CNY'000
Payment of its share of office rental, rates and others to Anka Consultants Limited ("Anka") (i)/(ii)	617	745
Purchase of materials and equipment maintenance from Longfei (iii)	1,087	12,003
Share of office rental to Feishang Enterprise (i)/(iv)	164	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 2020, 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 2020, Anka's lease with the unrelated landlord was extended for two years, from 1 July 2020 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 ("Shenzhen Chixin"), 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. In September 2021, the agreement expired, and Shenzhen Chixin signed the new contract with Feishang Enterprise for one year, from 1 October 2021 to 30 September 2022.

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.

35. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group

	2021 CNY'000	2020 CNY'000
Wages, salaries and allowances	4,084	3,326
Contribution to pension plans	90	31
Housing funds	55	51
Welfare and other expenses	55	45
	4,284	3,453

Further details of the directors' and chief executive's emoluments are included in Note 11 to the consolidated 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:

	2021 CNY'000	2020 CNY'000
Payables to the Shareholder:		
Feishang Group	6,521	–

	2021 CNY'000	2020 CNY'000
Payables to a related company:		
Feishang Enterprise	233,278	312,552

	2021 CNY'000	2020 CNY'000
Lease liabilities due to related companies:		
Anka	258	331
Feishang Enterprise	–	445
	258	776

	2021 CNY'000	2020 CNY'000
Due to an associate:		
Longfei	164	1,392

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 Direct %	Indirect %	Principal activities
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. (六枝特區林家岙煤業有限公司)	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

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 Direct %	Indirect %	Principal activities
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 2021, 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 CNY145.2 million (31 December 2020: CNY559.3 million) and factored certain bills receivable accepted by banks in Mainland China with a carrying amount in aggregate of CNY316.4 million (31 December 2020: CNY299.9 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 CNY10.7 million (2020: CNY6.9 million) (Note 7). 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.

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 2021

	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	Debt investments CNY'000	CNY'000	CNY'000
Trade and bills receivables	–	23,412	68,454	91,866
Financial assets included in prepayments and other receivables	–	–	42,227	42,227
Pledged deposits	–	–	61,300	61,300
Financial assets at fair value through profit or loss	6,431	–	–	6,431
Cash and cash equivalents	–	–	23,952	23,952
	6,431	23,412	195,933	225,776

Financial liabilities

At 31 December 2021

	Financial liabilities at amortised cost CNY'000	Total CNY'000
Trade and bills payables	722,964	722,964
Financial liabilities in other payables and accruals	344,590	344,590
Interest-bearing bank and other borrowings – current	1,605,764	1,605,764
Interest-bearing bank and other borrowings – non-current	288,998	288,998
Lease liabilities – current	100,332	100,332
Lease liabilities – non-current	77,755	77,755
Mining right payables	43,780	43,780
Due to the Shareholder	6,521	6,521
Due to a related company	233,278	233,278
Due to an associate	164	164
Interest payable	37,391	37,391
	3,461,537	3,461,537

38. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial assets

At 31 December 2020

	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	Debt investments CNY'000	CNY'000	CNY'000
Trade and bills receivables	–	29,504	136,391	165,895
Financial assets included in prepayments and other receivables	–	–	34,837	34,837
Pledged deposits	–	–	92,450	92,450
Financial assets at fair value through profit or loss	6,412	–	–	6,412
Cash and cash equivalents	–	–	29,587	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

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 2021		As at 31 December 2020	
	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
Total	–	–	632,500	611,096

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 2021	**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	–	**6,431**	–	**6,431**
Trade and bills receivables	–	**23,412**	–	**23,412**
Total	–	**29,843**	–	**29,843**

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

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

Liabilities for which fair values are disclosed

As at 31 December 2021	**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	–	–	–	–
Total	–	–	–	–

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

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 (2020: Nil).

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.

	12-month ECLs	Lifetime ECLs			
At 31 December 2021	**Stage 1** **CNY'000**	**Stage 2** **CNY'000**	**Stage 3** **CNY'000**	**Simplified approach** **CNY'000**	**Total** **CNY'000**
Trade and bills receivables*	23,412	–	–	121,811	145,223
Financial assets included in prepayments and other receivables					
– Normal**	42,227	–	–	–	42,227
– Doubtful**	–	–	2,574	–	2,574
Pledged deposits					
– Not yet past due	61,300	–	–	–	61,300
Financial assets at fair value through profit or loss					
– Not yet past due	6,431	–	–	–	6,431
Cash and cash equivalents					
– Not yet past due	23,952	–	–	–	23,952
Total	157,322	–	2,574	121,811	281,707

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Maximum exposure and year-end staging (continued)

	12-month ECLs	Lifetime ECLs			
At 31 December 2020	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	CNY'000	CNY'000	CNY'000	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

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in Note 22 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.

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 reversal of impairment CNY2.0 million of trade receivables was made during the year ended 31 December 2021 (2020: impairment of CNY7.4 million). As at 31 December 2021, receivables due from the five largest customers accounted for 35.5% (31 December 2020: 4.1%) of the trade receivables.

Sales to the five largest customers accounted for 63.1% (2020: 70.2%) of the consolidated revenue for the year ended 31 December 2021. 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 2021, 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.

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 2021, the interest rates for 49.3% (31 December 2020: 43.0%) 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 CNY'000
Year ended 31 December 2021	**100**	**10,397**
	(100)	**(10,397)**
Year ended 31 December 2020	100	11,034
	(100)	(11,034)

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 2021	**Less than 1 year CNY'000**	**1 to 5 years CNY'000**	**More than 5 years CNY'000**	**Total CNY'000**
Trade and bills payables	**722,964**	**–**	**–**	**722,964**
Other payables and accruals	**344,590**	**–**	**–**	**344,590**
Interest-bearing bank and other borrowings	**1,700,494**	**327,302**	**–**	**2,027,796**
Due to the Shareholder	**–**	**–**	**6,521**	**6,521**
Due to a related company	**–**	**–**	**233,278**	**233,278**
Due to an associate company	**164**	**–**	**–**	**164**
Mining right payables	**78,986**	**–**	**–**	**78,986**
Lease liabilities	**107,636**	**81,698**	**–**	**189,334**
	2,954,834	**409,000**	**239,799**	**3,603,633**

31 December 2020	Less than 1 year CNY'000	1 to 5 years CNY'000	More than 5 years CNY'000	Total 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

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:

	2021 **CNY'000**	2020 CNY'000
Interest-bearing debt	**2,116,629**	2,078,516
Total equity	**(648,074)**	(551,823)
Total capital	**1,468,555**	1,526,693
Gearing ratio	**144.1%**	136.1%

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:

	2021	2020
Percentage of equity interest held by non-controlling interests:		
Baiping Mining	30%	30%
Guizhou Yongfu	30%	30%

	2021 CNY'000	2020 CNY'000
(Loss)/profit for the year allocated to non-controlling interests as disclosed in the consolidated financial statements:		
Baiping Mining	(8,106)	(9,723)
Guizhou Yongfu	25,500	8,677
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	22,886	30,992
Guizhou Yongfu	178,631	153,131

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:

2021

	Baiping Mining CNY'000	**Guizhou Yongfu CNY'000**
Revenue	**183,796**	**425,651**
Cost of sales	**(159,378)**	**(242,894)**
Total expenses	**(51,440)**	**(97,754)**
(Loss)/profit for the year	**(27,022)**	**85,003**
Total comprehensive (loss)/income for the year	**(27,022)**	**85,003**
Current assets	**349,948**	**957,195**
Non-current assets	**491,410**	**851,153**
Current liabilities	**710,622**	**1,122,371**
Non-current liabilities	**54,451**	**90,540**
Net cash flows from operating activities	**78,310**	**49,853**
Net cash flows used in investing activities	**(14,938)**	**(40,867)**
Net cash flows used in financing activities	**(63,969)**	**(5,937)**
Net (decrease)/increase in cash and cash equivalents	**(597)**	**3,049**

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)

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 CNY122.7 million and CNY122.7 million, respectively, in respect of lease arrangements for property, plant and equipment (2020: CNY99.1 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	Due to the Shareholder CNY'000
At 1 January 2021	**1,904,250**	**130,486**	**312,552**	**–**
Changes from financing cash flows	**(9,488)**	**(75,091)**	**(79,274)**	**6,521**
New leases	**–**	**122,692**	**–**	**–**
Interest expense	**–**	**12,293**	**–**	**–**
Interest paid classified as operating cash flows	**–**	**(12,293)**	**–**	**–**
At 31 December 2021	**1,894,762**	**178,087**	**233,278**	**6,521**

	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

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

	2021 CNY'000	2020 CNY'000
Within operating activities	13,356	13,708
Within investing activities	–	–
Within financing activities	75,091	52,778
	88,447	66,486

43. EVENTS AFTER THE REPORTING PERIOD

On 19 January 2022, Jinsha Juli 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 2023. The purpose of the loan is to pay the purchase of coal. The loan bears interest at a fixed rate of 6.96% per annum.

On 28 January 2022, Guizhou Puxin and Baiping Mining, and CCTEG Financial Leasing Co., Ltd. ("CCTEG") entered into the sale and leaseback agreement for the sale of the relevant machinery and equipment to CCTEG for an aggregate consideration of CNY30.0 million and the leaseback of the relevant machinery and equipment from CCTEG for an aggregate consideration of CNY33.1 million. For details of the sale and leaseback arrangement, please refer to the announcement of the Company dated 28 January 2022. On 29 January 2022, Baiping Mining received the aggregate consideration of CNY30.0 million.

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 at an aggregate consideration of CNY55.0 million. During the year of 2019, Guizhou Puxin received tranches of CNY50.0 million from Baoshun. In March 2022, Guizhou Puxin's entire equity interest and mining right in Guizhou Dayuan were transferred to Baoshun and the disposal of Guizhou Dayuan was completed.

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:

	2021 **CNY'000**	2020 CNY'000
NON-CURRENT ASSETS		
Property and equipment	**1**	3
Right-of-use assets	**228**	837
TOTAL NON-CURRENT ASSETS	**229**	840
CURRENT ASSETS		
Due from a subsidiary	**130,919**	135,281
Cash and cash equivalents	**76**	239
TOTAL CURRENT ASSETS	**130,995**	135,520
TOTAL ASSETS	**131,224**	136,360
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Other payables and accruals	**2,429**	3,477
Lease liabilities	**292**	571
TOTAL CURRENT LIABILITIES	**2,721**	4,048
NON-CURRENT LIABILITIES		
Lease liabilities	**–**	232
Due to the Shareholder	**6,521**	–
TOTAL NON-CURRENT LIABILITIES	**6,521**	232
TOTAL LIABILITIES	**9,242**	4,280
EQUITY		
Share capital (Note 31)	**1,081**	1,081
Reserves (Note 33)	**120,901**	130,999
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**121,982**	132,080
TOTAL EQUITY	**121,982**	132,080
TOTAL LIABILITIES AND EQUITY	**131,224**	136,360

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

Note:

A summary of the Company's equity movements 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 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 and 1 January 2021	**1,081**	**204,524**	**(83,829)**	**10,304**	**132,080**
Loss for the year	**–**	**–**	**(5,843)**	**–**	**(5,843)**
Foreign currency translation adjustments	**–**	**–**	**–**	**(4,255)**	**(4,255)**
Total comprehensive loss for the year	**–**	**–**	**(5,843)**	**(4,255)**	**(10,098)**
At 31 December 2021	**1,081**	**204,524**	**(89,672)**	**6,049**	**121,982**

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2022.

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:

	Commercial Production				Discontinued Operations	
Mine	**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	n/a	n/a
Probable reserve (million tonnes)	19.04	48.19	84.79	11.52	n/a	n/a
Total proved and probable reserve (million tonnes)	**22.48**	**51.96**	**97.29**	**13.60**	**n/a**	**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 2021) (Note 5)						
Proved reserve (million tonnes)	0.91	–	7.92	–	n/a	n/a
Probable reserve (million tonnes)	19.04	44.87	84.79	11.16	n/a	n/a
Total proved and probable reserve (million tonnes)	**19.95**	**44.87**	**92.71**	**11.16**	**n/a**	**n/a**
Capital expenditure for the year ended 31 December 2021 (CNY in millions) (Note 6)	31.4	27.2	25.7	74.1	n/a	n/a
Output – Commercial run for the year ended 31 December 2021 (million tonnes)	0.45	0.86	0.22	0.48	n/a	n/a

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 2021, the transaction was not yet completed. In March 2022, Guizhou Puxin's entire equity interest and mining right in Guizhou Dayuan were transferred to Baoshun and the disposal of Guizhou Dayuan was 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 2021 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 2021 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 2021 (except those of Gouchang Coal Mine and Dayuan Coal Mine).

(6) Capital expenditure of Jinsha Juli was included in Yongsheng Coal Mine.

(7) There was no exploration activity for the Group during 2021.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2021	2020	2019	2018	2017
	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000
Continuing Operations					
Revenue	**1,121,004**	1,013,074	1,149,726	1,234,151	1,022,950
Cost of sales	**(722,218)**	(715,638)	(832,580)	(577,860)	(492,500)
Gross profit	**398,786**	297,436	317,146	656,291	530,450
Selling and distribution expenses	**(106,479)**	(106,535)	(116,417)	(48,216)	(28,235)
Administrative expenses	**(133,921)**	(139,882)	(135,332)	(121,000)	(106,878)
Impairment losses on property, plant and equipment	**–**	(246,184)	–	–	–
Other operating expenses, net	**(38,911)**	(22,474)	(33,651)	(23,450)	(1,551)
Operating profit/(loss)	**121,436**	(225,045)	31,128	459,432	398,661
Finance costs	**(161,567)**	(164,832)	(92,074)	(93,062)	(74,372)
(Loss)/profit before income tax	**(42,514)**	(387,851)	(58,299)	372,737	337,735
Income tax	**(50,376)**	40,918	(17,536)	(114,887)	(117,178)
(Loss)/profit for the year	**(92,890)**	(346,933)	(75,835)	257,850	220,557
(Loss)/profit attributable to owners of the parent	**(110,284)**	(345,887)	(97,054)	207,193	182,873
Discontinued Operations					
Loss for the year	**(3,570)**	(10,221)	(6,596)	(6,564)	(339)
Loss attributable to owners of the parent	**(3,559)**	(10,213)	(6,588)	(6,564)	(336)
Total (loss)/profit for the year	**(96,460)**	(357,154)	(82,431)	251,286	220,218
Basic (loss)/profit per share (CNY per share)	**(0.08)**	(0.26)	(0.07)	0.15	0.13

	As at 31 December				
	2021	2020	2019	2018	2017
	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000
Assets and Liabilities					
Current assets	**418,745**	524,619	492,354	451,534	371,279
Non-current assets	**2,947,699**	2,882,383	3,130,759	3,017,507	2,671,710
Current liabilities	**3,315,106**	1,862,023	2,121,500	2,084,381	1,154,762
Non-current liabilities	**699,412**	2,096,802	1,696,445	1,497,134	2,252,549
Total equity	**(648,074)**	(551,823)	(194,832)	(112,474)	(364,322)