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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

- Revenue from continuing operations decreased by approximately 28.9% to approximately CNY424.8 million for the six months ended 30 June 2020 from approximately CNY597.7 million for the six months ended 30 June 2019
- Gross profit from continuing operations decreased by approximately 57.3% to approximately CNY96.2 million for the six months ended 30 June 2020 from approximately CNY225.3 million for the six months ended 30 June 2019
- Loss attributable to owners of the parent from continuing operations for the six months ended 30 June 2020 was approximately CNY105.2 million, compared to a profit of approximately CNY10.8 million for the six months ended 30 June 2019
- Basic loss per share from continuing operations was approximately CNY0.08

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Feishang Anthracite Resources Limited (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2020 (the "**Reporting Period**"), together with the comparative figures for the corresponding six months ended 30 June 2019 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
		2020	2019
	Notes	***CNY'000***	*CNY'000*
		(Unaudited)	(Unaudited)
CONTINUING OPERATIONS			
Revenue	*4*	**424,787**	597,713
Cost of sales		**(328,618)**	(372,460)
Gross profit		**96,169**	225,253
Selling and distribution expenses		**(49,829)**	(38,655)
Administrative expenses		**(65,135)**	(67,888)
Other operating expenses, net		**(9,626)**	(18,840)
OPERATING (LOSS)/PROFIT		**(28,421)**	99,870
Finance costs	*5*	**(81,126)**	(46,478)
Interest income		**2,569**	636
Share of loss of an associate		**(387)**	(263)
Non-operating (expenses)/income, net		**(423)**	1,093
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*6*	**(107,788)**	54,858
Income tax benefit/(expense)	*7*	**3,968**	(27,519)
(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**(103,820)**	27,339
DISCONTINUED OPERATIONS			
LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS	*3*	**(1,662)**	(3,830)
(LOSS)/PROFIT FOR THE PERIOD		**(105,482)**	23,509

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	Six months ended 30 June 2020 CNY'000 (Unaudited)	2019 CNY'000 (Unaudited)
ATTRIBUTABLE TO:			
Owners of the parent			
From continuing operations	8	**(105,194)**	10,763
From discontinued operations	8	**(1,659)**	(3,826)
		(106,853)	6,937
Non-controlling interests			
From continuing operations		**1,374**	16,576
From discontinued operations		**(3)**	(4)
		1,371	16,572
		(105,482)	23,509
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic (CNY per share)			
– For (loss)/profit from continuing operations	8	**(0.08)**	0.01
– For loss from discontinued operations	8	*****	*
– Net (loss)/earnings per share		**(0.08)**	0.01
Diluted (CNY per share)			
– For (loss)/profit from continuing operations	8	**(0.08)**	0.01
– For loss from discontinued operations	8	*****	*
– Net (loss)/earnings per share		**(0.08)**	0.01

* *Insignificant*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	2019
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	**(105,482)**	23,509
Other comprehensive (loss)/income		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(2,825)**	(80)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**2,862**	35
Other comprehensive income/(loss) for the period, net of tax	**37**	(45)
TOTAL COMPREHENSIVE (LOSS)/INCOME, NET OF TAX	**(105,445)**	23,464
ATTRIBUTABLE TO:		
Owners of the parent		
From continuing operations	**(105,157)**	10,718
From discontinued operations	**(1,659)**	(3,826)
	(106,816)	6,892
Non-controlling interests		
From continuing operations	**1,374**	16,576
From discontinued operations	**(3)**	(4)
	1,371	16,572
	(105,445)	23,464

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Notes	**30 June 2020** **CNY'000** **(Unaudited)**	31 December 2019 CNY'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	**2,808,730**	2,856,318
Right-of-use assets		**235,084**	185,770
Rehabilitation fund		**10,161**	12,136
Prepayments and other receivables		**59,152**	64,494
Investment in an associate		**2,127**	2,514
Deferred tax assets	7	**21,971**	9,527
TOTAL NON-CURRENT ASSETS		**3,137,225**	3,130,759
CURRENT ASSETS			
Inventories		**38,256**	37,317
Trade and bills receivables	11	**155,763**	126,887
Prepayments and other receivables		**104,433**	106,839
Pledged deposits		**88,488**	116,000
Financial assets at fair value through profit or loss		**6,541**	5,019
Cash and cash equivalents		**94,172**	42,417
		487,653	434,479
Assets of a disposal group classified as held for sale	3(b)	**57,936**	57,875
TOTAL CURRENT ASSETS		**545,589**	492,354
TOTAL ASSETS		**3,682,814**	3,623,113
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and bills payables	12	**820,475**	881,993
Other payables and accruals		**392,912**	417,971
Interest-bearing bank and other borrowings	13	**730,500**	622,000
Lease liabilities		**20,718**	47,930
Due to an associate company		**1,992**	1,727
Interest payable		**33,891**	32,955
Income tax payable		**49,760**	45,994
Mining right payables		**43,780**	43,780
Deferred income		**2,252**	2,202
		2,096,280	2,096,552
Liabilities directly associated with the assets classified as held for sale	3(b)	**26,074**	24,948
TOTAL CURRENT LIABILITIES		**2,122,354**	2,121,500

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2020

	Notes	**30 June 2020** *CNY'000* **(Unaudited)**	31 December 2019 *CNY'000* (Audited)
NON-CURRENT LIABILITIES			
Due to a related company		**396,350**	317,395
Interest-bearing bank and other borrowings	*13*	**1,262,500**	1,226,500
Lease liabilities		**86,368**	36,199
Deferred tax liabilities	*7*	**88,124**	88,650
Deferred income		**14,907**	15,633
Asset retirement obligations		**12,488**	12,068
TOTAL NON-CURRENT LIABILITIES		**1,860,737**	1,696,445
TOTAL LIABILITIES		**3,983,091**	3,817,945
EQUITY			
Share capital		**1,081**	1,081
Reserves		**(487,531)**	(380,715)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**(486,450)**	(379,634)
NON-CONTROLLING INTERESTS		**186,173**	184,802
TOTAL EQUITY		**(300,277)**	(194,832)
TOTAL LIABILITIES AND EQUITY		**3,682,814**	3,623,113

1. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the Reporting Period have been prepared in accordance with the International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

The interim condensed consolidated financial information has been prepared on the historical cost basis. The interim condensed consolidated financial information is presented in Chinese Yuan ("**CNY**") and all values are rounded to the nearest thousand except when otherwise indicated.

As at 30 June 2020, the Group had net current liabilities of approximately CNY1,576.8 million (31 December 2019: CNY1,629.1 million) and total assets less current liabilities of approximately CNY1,560.5 million (31 December 2019: CNY1,501.6 million).

Going concern

As at 30 June 2020, the Group had net current liabilities of approximately CNY1,576.8 million and shareholders' deficit of approximately CNY300.3 million. In view of these circumstances, the Directors have 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. Feishang Enterprise Group Co., Ltd., 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. Subsequent to the period end, the Group has secured additional loan facilities totalling CNY50.0 million. Besides, according to the existing banking facility agreement, on repayment of short-term bank borrowings amounted to CNY430.0 million in the second half of 2020, and the Group shall be able to draw down the same amount of short-term bank borrowings for another one year.

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

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

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions*
Amendments to IAS 1 and IAS 8	*Definition of Material*
Conceptual Framework for Financial Reporting issued on 29 March 2018	

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

(a) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. During the period ended 30 June 2020, the Group had no rent concessions granted by the lessors. Therefore, the amendment did not have any impact on the Group's interim condensed consolidated financial information.

(d) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

(e) The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The amendments had no impact on the Group's interim condensed consolidated financial information.

2. OPERATING SEGMENT INFORMATION

During the Reporting Period, the Group had only one operating segment: the construction and development of anthracite coal mines, extraction and sale of anthracite coal, and trading of anthracite coal.

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

Geographic information

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

Information about major customers

During the Reporting Period, revenue derived from sales to the three largest customers amounted to 43.5%, 12.8% and 10.2% of the consolidated revenue, respectively. During the six months ended 30 June 2019, revenue derived from sales to the largest customer amounted to 46.7% of the consolidated revenue.

3. DISCONTINUED OPERATIONS

(a) Discontinued operation of Gouchang Coal Mine

Gouchang Coal Mine is a coal mine located in Guizhou Province, the People's Republic of China (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 proposals 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. During the Reporting Period, 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 interim condensed consolidated statement of profit or loss. There was no significant impact of the discontinued operations on the condensed consolidated statement of profit or loss during the Reporting Period.

* *For identification purpose only*

The results of Gouchang Coal Mine for the Reporting Period and six months ended 30 June 2019 are presented below:

	Six months ended 30 June	
	2020	2019
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Finance costs	**(1)**	(1)
Non-operating expenses, net	**(297)**	(400)
LOSS BEFORE INCOME TAX	**(298)**	(401)
Income tax expense	**–**	–
LOSS FOR THE PERIOD FROM A DISCONTINUED OPERATION	**(298)**	(401)
Attributable to:		
Owners of the parent	**(295)**	(397)
Non-controlling interests	**(3)**	(4)
	(298)	(401)

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

	Six months ended 30 June	
	2020	2019
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Operating activities	**(238)**	(401)
Financing activities	**222**	850
Net cash (outflow)/inflow	**(16)**	449

(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 at an aggregate cash consideration of CNY55.0 million. Guizhou Dayuan is mainly engaged in extraction and sales of anthracite coal in Nayang 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 30 June 2020, the transaction was not yet completed, and Guizhou Dayuan was classified as a disposal group held for sale and as a discontinued operation.

The results of Guizhou Dayuan for the Reporting Period and six months ended 30 June 2019 are presented below:

	Six months ended 30 June	
	2020	2019
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Administrative expenses	**(133)**	(1,832)
OPERATING LOSS	**(133)**	(1,832)
Finance costs	**(58)**	(75)
Non-operating expenses, net	**–**	(337)
LOSS BEFORE INCOME TAX	**(191)**	(2,244)
Income tax expense	**(1,173)**	(1,185)
LOSS FOR THE PERIOD FROM A DISCONTINUED OPERATION	**(1,364)**	(3,429)
Attributable to:		
Owners of the parent	**(1,364)**	(3,429)
Non-controlling interests	**–**	–
	(1,364)	(3,429)

The major classes of assets and liabilities of Guizhou Dayuan classified as held for sale as at 31 December 2019 and 30 June 2020 are as follows:

	At 30 June 2020 *CNY'000* **(Unaudited)**	At 31 December 2019 *CNY'000* (Audited)
Assets		
Property, plant and equipment	**54,206**	54,206
Rehabilitation fund	**1,500**	1,500
Prepayments and other receivables	**2,028**	2,027
Cash and cash equivalents	**202**	142
Assets of a disposal group classified as held for sale	**57,936**	57,875
Liabilities		
Trade and bills payables	**1,133**	1,133
Other payables and accruals	**1,982**	2,088
Income tax payable	**23**	21
Deferred tax liabilities	**21,263**	20,090
Asset retirement obligations	**1,673**	1,616
Liabilities directly associated with the assets classified as held for sale	**26,074**	24,948
Net assets directly associated with the disposal group	**31,862**	32,927

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

	Six months ended 30 June	
	2020 *CNY'000* **(Unaudited)**	2019 *CNY'000* (Unaudited)
Operating activities	**(240)**	(2,193)
Financing activities	**300**	1,074
Net cash inflow/(outflow)	**60**	(1,119)

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

	Six months ended 30 June	
	2020	2019
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Loss for the period attributable to ordinary equity holders of the parent from discontinued operations	**(1,659)**	(3,826)
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 from discontinued operations (CNY per share):		
Basic	*	*
Diluted	*	*

* *Insignificant*

4. REVENUE FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2020	2019
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**424,787**	597,713

(i) Disaggregated revenue information

	Six month ended 30 June	
	2020	2019
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Types of goods		
Sale of coal	**424,597**	597,401
Coal trading	**190**	312
	424,787	597,713
Geographic market		
Mainland China	**424,787**	597,713
Timing of revenue recognition		
Goods transferred at a point of time	**424,787**	597,713

(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.

5. FINANCE COSTS FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2020	2019
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank and other borrowings	**69,984**	32,493
Interest on lease liabilities	**6,814**	3,582
Interest on payables for mining rights	**1,073**	1,073
Total interest expense	**77,871**	37,148
Bank charges	**925**	683
Discount interest	**1,910**	8,090
Accretion expenses	**420**	557
	81,126	46,478

6. (LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Six months ended 30 June	
	2020	2019
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Crediting:		
Interest income on bank deposits	**2,569**	636
Government grant	**1,200**	1,284
Charging:		
Cost of inventories sold[a]	**275,494**	285,040
Sales tax and surcharge	**21,296**	36,718
Utilisation of the safety fund and production maintenance fund	**31,828**	50,702
Cost of sales	**328,618**	372,460
Employee benefit expenses	**127,097**	138,486
Depreciation, depletion and amortisation:		
– Property, plant and equipment	**138,470**	143,459
– Right-of-use assets	**9,813**	7,179
Impairment of trade and bills receivables *(Note 11)*	**2,808**	101
Gains from financial assets at fair value through profit or loss	**305**	277
Repairs and maintenance	**24,567**	9,899
Losses arising from temporary suspension of production	**7,660**	–

[a] Included in the cost of inventories sold was approximately CNY224.4 million for the Reporting Period (six months ended 30 June 2019: approximately CNY241.5 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.

7. INCOME TAX (BENEFIT)/EXPENSE FROM CONTINUING OPERATIONS AND DEFERRED TAX

The Company is a limited liability company incorporated in the British Virgin Islands ("**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 Reporting Period (six months ended 30 June 2019: 16.5%). The Company's Hong Kong subsidiary has both Hong Kong-sourced and non-Hong Kong-sourced income. The latter is not subject to Hong Kong profits tax and the related expenses are non-tax-deductible. For the Hong Kong-sourced income, no provision for Hong Kong profits tax was made as this operation sustained tax losses during the Reporting Period and six months ended 30 June 2019. Furthermore, there are no withholding taxes in Hong Kong on the remittance of dividends.

Under the Law of the PRC on corporate income tax ("**CIT**") and Implementation Regulation of the Corporate Income Tax Law (the "**CIT Law**") collectively, the tax rate applicable to PRC group entities was 25% during the Reporting Period (six months ended 30 June 2019: 25%).

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

As of 30 June 2020, the Group did not recognise deferred tax liabilities for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China as there were no undistributed earnings available due to the aggregate loss of these subsidiaries.

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

	Six months ended 30 June	
	2020	2019
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Current – Mainland China	**9,002**	27,246
Deferred – Mainland China	**(12,970)**	273
	(3,968)	27,519

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

	At 30 June	At 31 December
	2020	2019
	CNY'000	*CNY'000*
	(Unaudited)	(Audited)
Deferred tax assets		
Accrued liabilities and other payables	**4,563**	3,927
Capitalised pilot run income	**11,757**	12,190
Tax losses	**49,368**	43,239
Depreciation of property, plant and equipment	**21,736**	14,328
Bad debt provision	**5,397**	5,397
	92,821	79,081
Deferred tax liabilities		
Depreciation and fair value adjustment of property, plant and equipment*	**(158,974)**	(158,204)
Net deferred tax liabilities	**(66,153)**	(79,123)
Classification in the interim condensed consolidated statement of financial position:		
Deferred tax assets	**21,971**	9,527
Deferred tax liabilities	**(88,124)**	(88,650)

* Included in the deferred tax liabilities were deferred tax liabilities of approximately CNY111.0 million and approximately CNY112.4 million recognised relating to the fair value adjustment on property, plant and equipment as at 30 June 2020 and 31 December 2019, respectively.

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 the profitability of these coal mining subsidiaries based on their production plans, product mix, forecasted selling prices, and the related production and operational costs, where strong profits are expected.

Accordingly, management considered that it is probable that the Group, in the 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.

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic and diluted (loss)/earnings per share amounts for the period were calculated as follows:

	Six months ended 30 June	
	2020	2019
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
(Loss)/Profit for the period attributable to ordinary equity holders of the parent:		
from continuing operations	**(105,194)**	10,763
from discontinued operations	**(1,659)**	(3,826)
	(106,853)	6,937
Weighted average number of ordinary shares ('000 shares):		
Basic	**1,380,546**	1,380,546
Diluted	**1,380,546**	1,380,546
(Loss)/Earnings per share attributable to ordinary equity holders of the parent (CNY per share):		
Basic		
from continuing operations	**(0.08)**	0.01
from discontinued operations	*	*
	(0.08)	0.01
Diluted		
from continuing operations	**(0.08)**	0.01
from discontinued operations	*	*
	(0.08)	0.01

* *Insignificant*

The Company did not have any potential diluted shares throughout the Reporting Period. Accordingly, the diluted earnings per share amounts are the same as the basic earnings per share amounts.

9. DIVIDEND

No dividend has been paid or declared by the Company for the Reporting Period (six months ended 30 June 2019: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the additions of property, plant and equipment (excluding transferred from construction in progress) and construction in progress amounted to approximately CNY12.9 million (six months ended 30 June 2019: approximately CNY36.0 million) and approximately CNY79.2 million (six months ended 30 June 2019: approximately CNY194.7 million), respectively.

During the Reporting Period, the total depreciation accrued was approximately CNY139.7 million (six months ended 30 June 2019: approximately CNY143.5 million).

As at 30 June 2020, certain mining rights with a carrying amount of approximately CNY714.6 million (31 December 2019: approximately CNY722.6 million) were pledged to secure bank loans with a carrying amount of approximately CNY1,794.5 million (31 December 2019: approximately CNY1,729.5 million) (Note 13).

As at 30 June 2020, certain machinery and equipment with carrying amounts of approximately CNY40.1 million (31 December 2019: Nil) and certain buildings with carrying amounts of approximately CNY7.8 million (31 December 2019: Nil) were pledged to secure bank loans with a carrying amount of CNY20.0 million (31 December 2019: Nil) (Note 13).

As at 30 June 2020, certain buildings with a carrying amount totalling approximately CNY67.0 million (31 December 2019: approximately CNY74.0 million) were without title certificates.

11. TRADE AND BILLS RECEIVABLES

	At 30 June 2020 *CNY'000* **(Unaudited)**	At 31 December 2019 *CNY'000* (Audited)
Trade receivables	**178,972**	145,620
Less: Loss allowance for impairment of trade receivables	**(50,720)**	(47,912)
	128,252	97,708
Bills receivable	**27,511**	29,179
	155,763	126,887

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

Trade receivables of approximately CNY126.3 million (31 December 2019: Nil) were pledged as security for short-term loans of CNY100.0 million (31 December 2019: Nil) as at 30 June 2020 (Note 13).

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

An ageing analysis of the trade receivables as at the end of the period/year, based on the invoice date, is as follows:

	At 30 June 2020	At 31 December 2019
	CNY'000	*CNY'000*
	(Unaudited)	(Audited)
Within 3 months	**57,968**	46,844
3 to 6 months	**9,485**	34,001
6 to 12 months	**46,551**	2,311
Over 12 months	**14,248**	14,552
	128,252	97,708

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

	At 30 June 2020	At 31 December 2019
	CNY'000	*CNY'000*
	(Unaudited)	(Audited)
At the beginning of the period/year	**47,912**	47,294
Impairment losses, net	**2,808**	618
At the end of the period/year	**50,720**	47,912

The Group applies the simplified approach to provide 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.

12. TRADE AND BILLS PAYABLES

	At 30 June 2020	At 31 December 2019
	CNY'000	*CNY'000*
	(Unaudited)	(Audited)
Trade payables[(a)]	**748,475**	710,093
Bills payable	**72,000**	171,900
	820,475	881,993

(a) Included in trade payables was approximately CNY438.6 million (31 December 2019: approximately CNY414.6 million) due to construction related contractors as at 30 June 2020.

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

	At 30 June 2020	At 31 December 2019
	CNY'000	*CNY'000*
	(Unaudited)	(Audited)
Within one year	**170,954**	466,872
More than one year	**577,521**	243,221
	748,475	710,093

Bills payable are bills of exchange with maturity of less than one year. Pledged deposits of CNY36.0 million (31 December 2019: CNY116.0 million) were pledged to secure the bank bills as at 30 June 2020.

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 30 June 2020 *CNY'000* **(Unaudited)**	At 31 December 2019 *CNY'000* (Audited)
Current		
Bank and other borrowings – guaranteed	**70,000**	100,000
Bank and other borrowings – secured	**100,000**	–
Bank and other borrowings – unsecured	**–**	2,000
Bank and other borrowings – secured and guaranteed	**220,000**	200,000
Current portion of long-term bank and other borrowings – secured and guaranteed	**332,000**	303,000
Current portion of long-term bank and other borrowings – guaranteed	**8,500**	17,000
	730,500	622,000
Non-current		
Bank and other borrowings – secured and guaranteed	**1,262,500**	1,226,500
	1,262,500	1,226,500
	1,993,000	1,848,500

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

(1) pledges over the Group's mining rights with a carrying amount of approximately CNY714.6 million (31 December 2019: approximately CNY722.6 million) as at 30 June 2020 (Note 10);

(2) pledges over the Company's equity interests in Guizhou Puxin and Guizhou Dayuan as at 30 June 2020 and 31 December 2019;

(3) pledges over trade receivables in Guizhou Yongfu Mining Co., Limited ("**Guizhou Yongfu**") and Guizhou Puxin with carrying amounts of approximately CNY126.3 million (31 December 2019: Nil) as at 30 June 2020 (Note 11);

(4) pledges over machinery and equipment owned by Guizhou Yongfu with carrying amounts of approximately CNY40.1 million (31 December 2019: Nil) and buildings owned by Guizhou Puxin with carrying amounts of approximately CNY7.8 million (31 December 2019: Nil) as at 30 June 2020 (Note 10); and

(5) the pledge of a deposit in Guizhou Puxin with a carrying amount of CNY51.0 million (31 December 2019: Nil) as at 30 June 2020.

In addition, Mr. LI Feilie has guaranteed certain of the Group's interest-bearing bank and other borrowings of up to CNY1,823.0 million (31 December 2019: CNY1,776.5 million) as at 30 June 2020. Also, the Group's fellow subsidiaries have guaranteed certain of the Group's interest-bearing bank and other borrowings of up to CNY1,893.0 million (31 December 2019: CNY1,846.5 million) as at 30 June 2020.

All borrowings are denominated in CNY.

EXTRACT OF REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following is an extract of report on review of interim condensed consolidated financial information for the Reporting Period issued by the Group's independent auditor:

"Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Material Uncertainty Related to Going Concern

We draw attention to Note 1.1 to the interim condensed consolidated financial information which indicates that as at 30 June 2020, the Group had net current liabilities of approximately CNY1,576.8 million and shareholders' deficit of approximately CNY300.3 million. This condition indicates the existence of a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter."

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2020, the world witnessed the global outbreak of the novel coronavirus ("**COVID-19**") amidst a series of other existing or emerging tensions and challenges. Governments and other authorities in China and around the world have taken a slew of unprecedented measures intended to control the spread of COVID-19, including quarantines, restrictions on travel and public gatherings, and the temporary closure of certain businesses and facilities. The pandemic and the efforts to contain it have caused significant economic and financial disruptions around the world, including disruptions to industrial production and global logistical and supply chains, and extreme volatility in the global financial markets. Under clear policy guidance and highly-coordinated efforts nationwide, the outbreak of COVID-19 in China was soon brought under control, and economic activities have gradually resumed. The Chinese government has also promptly implemented targeted and highly supportive fiscal and monetary stabilising policies to mitigate the risk of economic contraction. In the first quarter of 2020, China's gross domestic product ("**GDP**") grew at an unprecedented negative year-on-year rate of -6.8%, while in the second quarter, GDP growth rate saw a turnaround to a positive year-on-year rate of 3.2%.

The outbreak of COVID-19 and its related economic consequences were clearly reflected in the coal industry. In the first half of 2020, the price of coal went through a deep V-shape, capturing demand and supply relationships in four different stages in the coal industry. In early 2020 and before the outbreak of COVID-19, supply and demand were roughly in balance, so the price of coal was relatively stable. Soon after the outbreak of COVID-19 in late January, the Chinese government imposed strict control policies to contain its spread, which inevitably had a material impact on the economy. Coal supply decreased faster than coal consumption, leading to a temporary increase in the price of coal. Since early February, in order to secure energy supply during the pandemic, the coal industry accelerated resumption of production, whereas downstream industries were yet to recover from large-scale quarantines. Coal import also increased due to price advantage and which also led to increase in supply. The above resulted in a serious mismatch between supply and demand, leading to a continuous drop in the price of coal until late April. The price of coal dropped below CNY500 per ton for the first time since 2017. Since May, the coal industry was encouraged to restrict output in order to restore balance to the market and protect coal price. The government also imposed strict restrictions on coal import. Meanwhile, economic activities recovered, with most downstream industries resuming operations, and this boosted electricity consumption and coal demand. The price of coal soon rebounded to pre-COVID-19 levels. For the first half of 2020, the average overall price of thermal coal in ports was CNY536 per ton, representing a year-on-year decline of approximately 11.3%. The year-on-year decline in the price of anthracite coal was close to 15%.

In the first quarter of 2020, the Group's operations were also disrupted by the outbreak of COVID-19 and the efforts to contain it. Some of the Group's employees were unable to return to work until the beginning of April, as they were quarantined in Hubei Province, the critical epicentre of the COVID-19 outbreak. That resulted in under-capacity operation and a decrease in the Group's production output and sales volume in the first half of 2020 as compared to the corresponding period in 2019. The average selling price of the Group's anthracite products for the first half of 2020 also declined as compared to the corresponding period in 2019. Apart from the impact of the overall decline in the market price of coal as a result of the outbreak of COVID-19 and weak market demand, the Group also faced a temporary deterioration in the quality of its coal products due to geological complexities of current mining faces. The above exerted downward pressures on the average selling price of the Group's coal products in the first half of 2020. Meanwhile, since 2020, the Group incurred increased financial burden due to a substantial increase in interest-bearing loans, which further undermined the Group's profitability.

FINANCIAL REVIEW

Continuing Operations

Revenue

The Group's revenue decreased by approximately 28.9% from approximately CNY597.7 million for the six months ended 30 June 2019 to approximately CNY424.8 million for the Reporting Period. The approximate CNY172.9 million decrease in revenue during the Reporting Period was mainly caused by the decrease in sales volume of self-produced anthracite coal and the drop in the average selling price of self-produced anthracite coal. The sales volume of self-produced anthracite coal decreased from approximately 1.82 million tonnes for the six months ended 30 June 2019 to approximately 1.26 million tonnes for the Reporting Period, representing a decline of approximately 30.8%. The decrease in sales volume during the Reporting Period was mainly due to the outbreak of COVID-19 and governmental control measures imposed to contain it, which in turn led to decline in production output and weak market demand. Due to the inclusion of delivery cost in the selling price of thermal coal since July 2019, the average selling price net of value-added tax of self-produced anthracite coal apparently increased slightly from CNY327.5 per tonne for the six months ended 30 June 2019 to CNY336.5 per tonne for the Reporting Period. If delivery cost had not been factored in, the average selling price of self-produced anthracite coal would have dropped. The drop in average selling price was mainly caused by (i) the drop in overall price of coal market; and (ii) the lower coal quality of the current mine faces due to geological complexities.

The Group's revenue from sales of processed coal (including coal screening and/or coal washing and coal blending), amounting to 45.1% of total revenue, decreased from approximately CNY279.0 million (0.53 million tonnes sales volume) for the six months ended 30 June 2019 to approximately CNY191.4 million (0.40 million tonnes sales volume) during the Reporting Period. The decrease in revenue from sales of processed coal was mainly due to the decrease of approximately 24.5% in sales volume and the drop of CNY46.4 per tonne in the average selling price of processed coal. The reasons for the decrease have been discussed above.

Cost of Sales

The Group's cost of sales decreased by approximately 11.8% from approximately CNY372.5 million for the six months ended 30 June 2019 to approximately CNY328.6 million for the Reporting Period. The drop was mainly due to the decrease of approximately 30.8% in sales volume of self-produced anthracite coal, which was partially offset by the increase in depreciation, repair and maintenance cost and labour cost per tonne.

Cost of Sales for Coal Mining

Labour costs for the Reporting Period were approximately CNY84.3 million, representing a decrease of approximately CNY16.3 million, or approximately 16.2%, as compared with approximately CNY100.6 million for the six months ended 30 June 2019. The decrease in labour costs was proportionally lower than the decline in sales volume of self-produced anthracite coal during the Reporting Period, because of the rise in labour cost per tonne of coal mining caused by the geological complexities of current mine faces of the Group.

Material, fuel and energy costs for the Reporting Period were approximately CNY53.2 million, representing a decrease of approximately CNY13.1 million, or approximately 19.8%, as compared with approximately CNY66.3 million for the six months ended 30 June 2019. The decrease in material, fuel and energy costs was lower than the decrease in sales volume of the Group's self-produced anthracite products for the Reporting Period. This was mainly due to the additional repair and maintenance of mine roadways, mining machinery and equipment.

Depreciation and amortisation for the Reporting Period were approximately CNY137.1 million, as compared with approximately CNY137.0 million for the six months ended 30 June 2019. The increase in depreciation and amortisation per tonne for the Reporting Period was caused by (i) the larger depreciable base arising from the increase in property, plant and equipment and right-of-use assets; and (ii) the higher unit construction costs of mine faces of Liujiaba Coal Mine, Dayun Coal Mine and Yongsheng Coal Mine over those of the same period last year due to the complicated geological factors and which were mostly depreciated during the Reporting Period.

Taxes and levies for the Reporting Period were approximately CNY19.8 million, representing a decrease of approximately CNY15.7 million, or approximately 44.2%, as compared with approximately CNY35.5 million for the six months ended 30 June 2019. The decrease in sales taxes and levies, which mainly consisted of ad valorem resource tax, was mainly due to the revenue decline during the Reporting Period.

Cost of Sales for Coal Processing

Coal processing cost, which included coal screening costs and/or coal washing costs and coal blending costs, increased from approximately CNY27.7 million for the six months ended 30 June 2019 to approximately CNY30.2 million for the Reporting Period. This was mainly due to (i) the increase in material, fuel and energy costs resulting from the increase in repair and maintenance of equipment and transport belts; and (ii) the increase in transportation fee from Dayun Coal Mine and Baiping Coal Mine to the coal beneficiation plant for coal processing.

Breakdown of the Group's Unit Cost of Sales

Cost Items for Coal Mining Activities	Six months ended 30 June **2020** ***CNY/tonne***	 2019 *CNY/tonne*
Labour costs	**66.8**	55.2
Raw materials, fuel and energy	**42.2**	36.3
Depreciation and amortisation	**108.6**	75.1
Taxes & levies payable to governments	**15.7**	19.5
Other production-related costs	**3.1**	2.9
Total unit cost of sales for coal mining	**236.4**	189.0

Cost Items for Coal Processing Activities	Six months ended 30 June **2020** ***CNY/tonne***	 2019 *CNY/tonne*
Labour costs	**9.6**	12.5
Materials, fuel and energy	**38.9**	25.2
Depreciation	**9.0**	6.8
Taxes & levies payable to governments	**3.2**	2.3
Other coal processing related costs	**15.4**	5.6
Total unit cost of sales for coal processing	**76.1**	52.4

Gross Profit and Gross Margin

As a result of the foregoing, the overall gross profit decreased by approximately 57.3% from approximately CNY225.3 million for the six months ended 30 June 2019 to approximately CNY96.2 million for the Reporting Period. The overall gross margin, which is equal to gross profit divided by revenue, decreased from approximately 37.7% for the six months ended 30 June 2019 to approximately 22.6% for the Reporting Period. The decrease in overall gross margin was mainly due to the increase in depreciation, repair and maintenance cost and labour cost per tonne as discussed above.

Loss/Profit for the Reporting Period from Continuing Operations

The loss from continuing operations was approximately CNY103.8 million for the Reporting Period, compared to the profit of approximately CNY27.3 million for the six months ended 30 June 2019. The increase in loss from continuing operations for the Reporting Period was mainly caused by (i) the decrease of approximately CNY129.1 million in gross profit mainly resulting from the decrease in sales volume and the increase in depreciation, repair and maintenance cost and labour cost per tonne during the Reporting Period; (ii) an increase of approximately CNY34.6 million in finance costs mainly due to the increase in interest-bearing bank and other borrowings; and (iii) the increase of approximately CNY11.2 million in selling expenses mainly due to the increase in transportation fee incurred mainly because of a change of settlement term with the power producer as a result of which the Group became responsible for delivery cost which has been included in the selling price of thermal coal since July 2019. The increase in loss was partially offset by (i) the decrease of approximately CNY31.5 million in income tax expense mainly due to the decrease in current profit before income tax and the increase in deferred income tax benefit resulting from the increase in unutilised tax losses; and (ii) the decrease of approximately CNY9.2 million in other operating expenses mainly due to the decline in compensation paid to local residents for repairing the damaged houses and/or relocation affected by the mines' operations of the Group during the Reporting Period.

Loss/Profit Attributable to Owners of the Parent from Continuing Operations

The loss attributable to owners of the parent from continuing operations during the Reporting Period was approximately CNY105.2 million, compared to the profit attributable to owners of the parent of approximately CNY10.8 million for the six months ended 30 June 2019. The reasons for the increase in the loss attributable to owners of the parent for the Reporting Period from continuing operations 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 planed to close 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.

During the Reporting Period, works at Gouchang Coal Mine had substantially ceased, therefore the operating results have been reclassified as discontinued operation.

(b) Discontinued operation of Dayuan Coal Mine

On 24 May 2019, Guizhou Puxin, a wholly-owned subsidiary of the Group, entered into an equity transferring agreement with 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 extraction and sales of anthracite coal in Nayong County, Guizhou Province, the PRC. The consideration shall be payable 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 30 June 2020, the transaction was not yet completed, and Guizhou Dayuan was classified as a disposal group held for sale and as a discontinued operation.

FINANCIAL RESOURCES REVIEW

Liquidity, Financial Resources and Capital Structure

As at 31 December 2019 and 30 June 2020, the Group had net current liabilities of approximately CNY1,629.1 million and approximately CNY1,576.8 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 Reporting Period. As at 30 June 2020, the Group had cash and cash equivalents of approximately CNY94.2 million.

The interest-bearing loans consist of short-term and long-term bank and other borrowings. As at 30 June 2020, the total outstanding amount of the Group's short-term bank and other borrowings and the current portion of the Group's outstanding long-term bank borrowings were CNY730.5 million. The Group had total outstanding long-term bank borrowings (excluding the current portion) of CNY1,262.5 million. Some of the outstanding bank and other borrowings are guaranteed by Mr. LI Feilie and/or companies controlled by him, and some of the Group's bank borrowings are secured by pledges of the mining rights, certain buildings, bank deposit and trade receivables in Guizhou Puxin and equity interests in Guizhou Puxin and Guizhou Dayuan and trade receivables and certain machinery and equipment in Guizhou Yongfu. As at 30 June 2020, the Group had loans amounting to CNY732.5 million with fixed interest rates ranging from 6.8835% to 7.00% per annum. The remaining loans held by the Group as at 30 June 2020 had floating interest rates ranging from 4.05% to 7.35% per annum.

Pledge of Assets of the Group

As at 31 December 2019 and 30 June 2020, the amount of outstanding bank borrowings that were guaranteed by Mr. LI Feilie were CNY1,776.5 million and CNY1,823.0 million, respectively and the amount of outstanding bank borrowings that were guaranteed by certain associates of Mr. LI Feilie were CNY1,846.5 million and CNY1,893.0 million, respectively.

As at 31 December 2019 and 30 June 2020, certain mining rights of the Group with carrying amounts of approximately CNY722.6 million and approximately CNY714.6 million, respectively were pledged to secure bank loans with carrying amounts of CNY1,729.5 million and CNY1,794.5 million, respectively.

As at 31 December 2019 and 30 June 2020, the Company's equity interest in Guizhou Puxin and Guizhou Dayuan were pledged to secure bank loans with carrying amounts of CNY737.5 million and CNY722.5 million, respectively.

As at 30 June 2020, certain buildings, machinery and equipment owned by the Group with carrying amounts of approximately CNY47.9 million were pledged to secure the loan with a carrying amount of CNY20.0 million, and as at 31 December 2019, no buildings, machinery and equipment owned by the Group were pledged to secure loans.

As at 30 June 2020, certain trade receivables owned by the Group with carrying amounts of approximately CNY126.3 million were pledged to secure loans with carrying amounts of CNY100.0 million, and as at 31 December 2019, no trade receivables owned by the Group were pledged to secure loans.

As at 30 June 2020, a bank deposit owned by the Group with a carrying amount of CNY51.0 million were pledged to secure the loan with a carrying amount of CNY50.0 million, and as at 31 December 2019, no bank deposit owned by the Group were pledged to secure loans.

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.

Capital Commitments

As at 30 June 2020, the Group had contractual capital commitments in respect of coal mines mainly for construction of new tunnels, roads and purchase of machinery and equipment amounting to approximately CNY141.4 million.

Contingent Liabilities

As at 30 June 2020, except for the bank borrowings, 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.

Gearing Ratio

As at 31 December 2019 and 30 June 2020, the gearing ratio (which is calculated by dividing total interest-bearing debt by total capital at the end of the year/Reporting Period and multiplying by 100%) was 110.9% and 116.3%, respectively. The gearing ratio increased in 2020 as the Group recorded a loss for the Reporting Period.

INTERIM DIVIDEND

The Board does not declare an interim dividend for the Reporting Period (six months ended 30 June 2019: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed 1,236 full time employees (not including 1,406 workers provided by third party labour agencies) from continuing operations for its principal activities. Employees' costs (including Directors' emoluments) amounted to approximately CNY135.3 million (including payment to workers provided by third party labour agencies) for the Reporting Period (six months ended 30 June 2019: approximately CNY142.6 million). 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 various 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 share option scheme adopted by the Company.

PROSPECTS

Supply-side reform in the coal industry continues in 2020. Following the completion of massive overall capacity reduction, the focus of supply-side reform in 2020 has shifted to further encouraging steady and orderly release of high-quality production capacity to ensure energy security, consolidate the achievements of supply-side reform, and improve the safety level of coal mines. Nevertheless, under tight environmental policies and safety supervision, more backward production facilities will be eliminated. The expansion of supply in the future should be mild and steady, and coal mine concentration is expected to increase further. One obvious achievement of the supply-side reform in the coal industry is a marked increase in concentration and elasticity of supply, which will facilitate production management and control. Due to the outbreak of COVID-19 overseas, overseas demand for coal is expected to remain weak, leading to persistently lower prices of imported coal, but with strict import regulations expected to be in place, the domestic coal market should stabilise. Therefore, supply and demand relationship in the coal market is expected to remain healthy in the future, and the fluctuations of coal price will most likely be narrowed and remain within a reasonable range.

In the second half of 2020, as the outbreak of COVID-19 in China has been kept under control, economic activities in China have largely recovered. The targeted and highly supportive fiscal and monetary stabilising policies implemented by the Chinese government are expected to boost China's GDP growth, which will lend steady support to overall electricity consumption as well as coal demand. Investment in fixed assets, real estate and infrastructure construction has clearly picked up, which will also boost coal demand from downstream industries including the production of iron and steel and building materials. The average price of coal in the second half of 2020 is expected to be higher than that in the first half, but the overall average price for the whole year of 2020 is still expected to be lower than that for the prior year. However, the extent to which the evolving COVID-19 pandemic will impact the global economy and the coal industry is highly uncertain. Any wide spread resurgence of COVID-19 in China and globally could prolong the deterioration in economic conditions and cause further declines in demand and prices, which will negatively impact the Group's results of operations.

In view of the highly uncertain business environment and increasingly intensified competition from both local coal producers and coal producers based in the northern parts of China, the Group will continue to expand high-quality production capacity and actively focus on coal quality management and product mix adjustment to improve the competitiveness and average selling price of its coal products. Meanwhile, the Group will, during the current period of a weak market and a temporary deterioration in coal quality caused by geological complexities of current mining faces, continue to make strategic preparations for concentrated mining of high-quality coal in the coming years, in order to place itself in an advantageous position for competing in the high-quality coal market in the future. The Group will also continue to improve production efficiency and intelligence, promote refined management and cost control, and strengthen production safety management, environmental protection efforts and maintenance of high-end customers.

The Company will also consider other business projects that can provide its shareholders with promising returns and benefit the Group as a whole when suitable opportunities arise.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"), save and except for code provision A.2.1 as set out below.

Chairman and Chief Executive

Mr. HAN Weibing is the chairman and chief executive officer of the Company. He is mainly responsible for the Group's overall strategies, planning, management and business development.

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Company deviates from this code provision of the CG Code with Mr. HAN Weibing being the chairman and chief executive officer of the Company concurrently. The Board considers 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 relevant Board committees. The Board is therefore of the view that there are adequate measures in place to balance power and safeguard shareholders' interests.

SUBSEQUENT EVENTS

On 15 July 2020, Guizhou Yongfu and Jiangxi Province Haiji Financial Leasing Co., Ltd. entered into a factoring agreement. Under the factoring agreement, on 17 July 2020, Guizhou Yongfu received a short-term loan amounting to CNY50.0 million to finance its working capital on security of a pledge over its trade receivables of approximately CNY53.5 million. The short-term loan, which bears a fixed interest rate of 4.976% per annum, is repayable on 17 July 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF INTERIM RESULTS

The Company has an audit committee ("**Audit Committee**") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The Audit Committee comprises three independent non-executive Directors. The members of the Audit Committee are Mr. LO Kin Cheung, Mr. HUANG Zuye and Mr. WANG Xiufeng. The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management. The Audit Committee has reviewed the Group's interim condensed consolidated financial information for the Reporting Period.

The interim condensed consolidated financial information of the Group for the Reporting Period has not been audited, but has been reviewed by the Company's auditors, Ernst & Young, in accordance with Hong Kong Standard on Review Engagement 2410 *Review of interim financial information performed by the independent auditor of the entity* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young's independent review report to the Board is included in the interim report to be sent to shareholders.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the Reporting Period containing all the relevant information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange (**www.hkexnews.hk**) and the website of the Company (**www.fsanthracite.com**) in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to all staff and management team of the Group for their devoted efforts and hard work during the Reporting Period. I would also like to express my sincere gratitude to all the shareholders of the Company for their continuous support.

By Order of the Board
Feishang Anthracite Resources Limited
HAN Weibing
Chairman and Chief Executive Officer

Hong Kong, 31 August 2020

As at the date of this announcement, the executive Directors are Mr. HAN Weibing (Chairman and Chief Executive Officer), Mr. HU Lubao, Mr. TAM Cheuk Ho, Mr. WONG Wah On Edward and Mr. YUE Ming Wai Bonaventure; and the independent non-executive Directors are Mr. LO Kin Cheung, Mr. HUANG Zuye and Mr. WANG Xiufeng.