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 2023

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

- Revenue from continuing operations decreased by approximately 8.2% to approximately CNY641.3 million for the six months ended 30 June 2023 from approximately CNY698.8 million for the six months ended 30 June 2022
- Gross profit from continuing operations decreased by approximately 17.1% to approximately CNY224.3 million for the six months ended 30 June 2023 from approximately CNY270.7 million for the six months ended 30 June 2022
- Loss attributable to owners of the parent from continuing operations increased by approximately 42.6% to approximately CNY22.5 million for the six months ended 30 June 2023 from approximately CNY15.8 million for the six months ended 30 June 2022
- Basic loss per share from continuing operations was approximately CNY0.02

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 2023 (the "**Reporting Period**"), together with the comparative figures for the corresponding six months ended 30 June 2022 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Six months ended 30 June	
	Notes	**2023**	2022
		CNY'000	*CNY'000*
		(Unaudited)	(Unaudited)
			(Restated)
CONTINUING OPERATIONS			
Revenue	*4*	**641,344**	698,848
Cost of sales		**(417,024)**	(428,180)
Gross profit		**224,320**	270,668
Selling and distribution expenses		**(58,246)**	(60,933)
Administrative expenses		**(81,595)**	(79,719)
Other operating expenses, net		**(35,389)**	(34,337)
Finance costs	*5*	**(74,383)**	(79,005)
Interest income	*6*	**808**	432
Share of loss of an associate		**–**	(77)
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*6*	**(24,485)**	17,029
Income tax credit/(expense)	*7*	**7,078**	(15,665)
(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**(17,407)**	1,364
DISCONTINUED OPERATIONS			
(LOSS)/PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS	*3*	**(938)**	27,471
(LOSS)/PROFIT FOR THE PERIOD		**(18,345)**	28,835

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	**Six months ended 30 June** **2023** ***CNY'000*** **(Unaudited)**	2022 *CNY'000* (Unaudited) (Restated)
ATTRIBUTABLE TO:			
Owners of the parent			
From continuing operations		**(22,508)**	(15,786)
From discontinued operations		**(929)**	27,475
		(23,437)	11,689
Non-controlling interests			
From continuing operations		**5,101**	17,150
From discontinued operations		**(9)**	(4)
		5,092	17,146
		(18,345)	28,835
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted (CNY per share)			
– For loss from continuing operations	*8*	**(0.02)**	(0.01)
– For profit from discontinued operations	*8*	*	0.02
– Net (loss)/earnings per share		**(0.02)**	0.01

* *Insignificant*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited) (Restated)
(LOSS)/PROFIT FOR THE PERIOD	**(18,345)**	28,835
Other comprehensive income		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(6,959)**	(6,250)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**6,304**	5,745
Other comprehensive loss for the period, net of tax	**(655)**	(505)
TOTAL COMPREHENSIVE (LOSS)/INCOME, NET OF TAX	**(19,000)**	28,330
ATTRIBUTABLE TO:		
Owners of the parent		
From continuing operations	**(23,163)**	(16,291)
From discontinued operations	**(929)**	27,475
	(24,092)	11,184
Non-controlling interests		
From continuing operations	**5,101**	17,150
From discontinued operations	**(9)**	(4)
	5,092	17,146
	(19,000)	28,330

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Notes	**30 June 2023** *CNY'000* **(Unaudited)**	31 December 2022 *CNY'000* (Audited) (Restated)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**2,596,191**	2,615,683
Right-of-use assets	*11(a)*	**301,525**	286,830
Rehabilitation fund		**19,246**	12,448
Prepayments and other receivables		**86,011**	52,583
Deferred tax assets	*7*	**58,258**	56,071
TOTAL NON-CURRENT ASSETS		**3,061,231**	3,023,615
CURRENT ASSETS			
Inventories		**41,092**	38,688
Trade and bills receivables	*12*	**67,942**	82,042
Prepayments and other receivables		**121,617**	104,554
Financial assets at fair value through profit or loss		**7,031**	7,031
Pledged deposits		**140,014**	37,369
Cash and cash equivalents		**34,452**	24,713
TOTAL CURRENT ASSETS		**412,148**	294,397
TOTAL ASSETS		**3,473,379**	3,318,012
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and bills payables	*13*	**961,004**	906,998
Other payables and accruals		**780,984**	619,205
Interest-bearing bank and other borrowings	*14*	**1,584,854**	1,496,404
Lease liabilities	*11(b)*	**63,975**	84,108
Interest payable		**48,025**	44,032
Income tax payable		**48,916**	85,773
Mining right payables		**77,413**	69,613
TOTAL CURRENT LIABILITIES		**3,565,171**	3,306,133

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2023

	Notes	**30 June 2023** *CNY'000* **(Unaudited)**	31 December 2022 *CNY'000* (Audited) (Restated)
NON-CURRENT LIABILITIES			
Due to a related company		**97,718**	144,686
Due to the Shareholder		**13,700**	12,359
Interest-bearing bank and other borrowings	*14*	**182,551**	214,897
Lease liabilities	*11(b)*	**46,985**	48,551
Deferred tax liabilities	*7*	**88,905**	85,326
Deferred income		**14,281**	15,706
Mining rights payables		**15,600**	23,400
Asset retirement obligations		**15,277**	14,763
TOTAL NON-CURRENT LIABILITIES		**475,017**	559,688
TOTAL LIABILITIES		**4,040,188**	3,865,821
EQUITY			
Share capital		**1,081**	1,081
Reserves		**(822,066)**	(797,974)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**(820,985)**	(796,893)
NON-CONTROLLING INTERESTS		**254,176**	249,084
TOTAL EQUITY		**(566,809)**	(547,809)
TOTAL LIABILITIES AND EQUITY		**3,473,379**	3,318,012

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. BASIS OF PREPARATION AND CHANGES IN 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 for the year ended 31 December 2022.

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 2023, the Group had net current liabilities of approximately CNY3,153.0 million (31 December 2022: CNY3,011.7 million) and total assets less current liabilities of approximately negative CNY91.8 million (31 December 2022: CNY11.9 million).

Going concern

As at 30 June 2023, the Group had net current liabilities of approximately CNY3,153.0 million and shareholders' deficit of approximately CNY566.8 million. In view of these circumstances, the Directors have given consideration to the future liquidity, performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Feishang Enterprise Group Co., Ltd., 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 the 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 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 information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("**IFRSs**") that are applicable to the Group for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 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. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) 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 Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 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 (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The quantitative impact on the financial information is summarised below.

Impact on the interim condensed consolidated statement of financial position:

		Increase/(decrease)		
		As at 30 June 2023	As at 31 December 2022	As at 1 January 2022
		CNY'000	*CNY'000*	*CNY'000*
Assets				
Deferred tax assets	(i)	**120**	288	491
Total non-current assets		**120**	288	491
Total assets		**120**	288	491
Liabilities				
Deferred tax liabilities	(i)	**125**	263	490
Total non-current liabilities		**125**	263	490
Total liabilities		**125**	263	490
Net (liabilities)/assets		**(5)**	25	1
Equity				
Accumulated (loss)/profits (included in reserves)		**(5)**	25	1
Equity attributable to owners of the parent		**(5)**	25	1
Non-controlling interests		**–**	–	–
Total equity		**(5)**	25	1

Note (i): The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

Impact on the interim condensed consolidated statement of profit or loss:

	Increase/(decrease) For the six months ended 30 June	
	2023	2022
	CNY'000	*CNY'000*
Income tax credit from continuing operations	**–**	15
Income tax expense from continuing operations	**(30)**	–
(Loss)/profit for the period from continuing operations	**(30)**	15
(Loss)/profit for the period	**(30)**	15
Attributable to:		
Owners of the parent	**(30)**	15
Non-controlling interests	**–**	–
	(30)	15
Impact on the interim condensed consolidated statement of comprehensive income:		
Total comprehensive (loss)/income for the period	**(30)**	15
Attributable to:		
Owners of the parent	**(30)**	15
Non-controlling interests	**–**	–
	(30)	15

The adoption of amendments to IAS 12 did not have significant impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, and did not have impact on other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

(d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

2. OPERATING SEGMENT INFORMATION

During the Reporting Period, 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.

Geographical 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 largest customer amounted to 21.5% of the consolidated revenue. During the six months ended 30 June 2022, revenue derived from sales to the three largest customers amounted to 22.7%, 13.9% and 12.6% of the consolidated revenue, respectively.

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.

The results of Gouchang Coal Mine for the Reporting Period and six months ended 30 June 2022 are presented below:

	Six months ended 30 June	
	2023	2022
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Finance costs	**–**	(1)
Administrative expenses	**(938)**	(352)
LOSS BEFORE INCOME TAX	**(938)**	(353)
Income tax expense	**–**	–
LOSS FOR THE PERIOD FROM A DISCONTINUED OPERATION	**(938)**	(353)
Attributable to:		
Owners of the parent	**(929)**	(349)
Non-controlling interests	**(9)**	(4)
	(938)	(353)

* *For identification purposes only*

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

	Six months ended 30 June	
	2023	2022
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Operating activities	**(471)**	(376)
Financing activities	**614**	399
Net cash inflow	**143**	23

(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. Guizhou Dayuan is mainly engaged in extraction and sales of anthracite coal in Nayong County, Guizhou Province, the PRC. As at 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.

On 28 March 2022, the disposal of Guizhou Dayuan was completed upon the transfer of Guizhou Puxin's entire equity interest and mining right in Guizhou Dayuan to Baoshun and the adjusted total cash consideration of CNY50.0 million was fully paid by Baoshun in prior years. During the period ended 28 March 2022, Guizhou Dayuan was classified as a discontinued operation. In addition, the gain recognised on the disposal of Guizhou Dayuan is included in the results of the discontinued operation.

The results of the discontinued operation are presented below:

	For the period from 1 January 2022 to 28 March 2022 *CNY'000* (Unaudited)
Revenue	8,140
Cost of sales	(3,117)
Gross profit	5,023
Administrative expenses	(4,599)
Finance costs	(34)
Other operating income, net	1,556
Profit from the discontinued operation	1,946
Gain on disposal of the discontinued operation	25,878
PROFIT BEFORE INCOME TAX FROM THE DISCONTINUED OPERATION	27,824
Income tax expense	–
PROFIT FOR THE PERIOD FROM THE DISCONTINUED OPERATION	27,824
Attributable to:	
Owners of the parent	27,824
Non-controlling interests	–
	27,824

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

	Six months ended 30 June	
	2023	2022
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to ordinary equity holders of the parent from discontinued operations	**(929)**	27,475
Weighted average number of ordinary shares ('000 shares):		
Basic and diluted	**1,380,546**	1,380,546
(Loss)/earnings per share attributable to ordinary equity holders of the parent from discontinued operations (CNY per share):		
Basic and diluted	*	0.02

* *Insignificant*

4. REVENUE FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2023	2022
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**641,344**	698,848

(i) Disaggregated revenue information

	Six month ended 30 June	
	2023	2022
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Types of goods		
Sale of coal	**641,229**	698,673
Coal trading	**115**	175
	641,344	698,848
Geographic market		
Mainland China	**641,344**	698,848
Timing of revenue recognition		
Goods transferred at a point of time	**641,344**	698,848

(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.

As almost all of the Group's contracts provide for a credit period of less than one year after the transfer of the associated goods or services, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

5. FINANCE COSTS FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2023	2022
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank and other borrowings	**61,277**	66,717
Interest on lease liabilities	**3,739**	4,700
Interest on payables for mining rights	**2,278**	1,073
Total interest expense	**67,294**	72,490
Bank charges	**444**	1,402
Discount interest	**6,131**	4,634
Accretion expenses	**514**	479
	74,383	79,005

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	
	2023	2022
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Crediting:		
Interest income on bank deposits	**(808)**	(432)
Government grant[a]	**(3,671)**	(1,625)
Charging:		
Cost of inventories sold[b]	**326,345**	321,480
Sales tax and surcharge	**31,972**	32,177
Utilisation of the safety fund and production maintenance fund	**58,707**	74,523
Cost of sales	**417,024**	428,180
Employee benefit expenses	**164,725**	180,949
Depreciation, depletion and amortisation:		
– Property, plant and equipment	**127,806**	131,083
– Right-of-use assets	**17,221**	14,047
Lease payments not included in the measurement of lease liabilities	**1,096**	164
Impairment of financial assets, net	**530**	2,536
Impairment of investment in an associate	**–**	720
Loss on disposal of property, plant and equipment	**–**	3,253
Gains from financial assets at fair value through profit or loss	**–**	(458)
Repairs and maintenance	**28,917**	19,403
Transportation fee	**43,335**	46,888

(a) The government grant with a total amount of approximately CNY3.7 million was included in other operating income for the Reporting Period (six months ended 30 June 2022: CNY1.6 million).

(b) Included in the cost of inventories sold was approximately CNY246.2 million for the Reporting Period (six months ended 30 June 2022: CNY264.0 million) relating to employee benefit expenses and depreciation, depletion and amortisation, which are also included in the respective amounts disclosed separately above for each type of expenses.

7. INCOME TAX CREDIT/(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 2022: 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 had tax losses during the Reporting Period and six months ended 30 June 2022. 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**"), the tax rate applicable to PRC group entities was 25% during the Reporting Period except that Jinsha Juli Energy Co., Ltd. ("**Jinsha Juli**") was entitled to the preferential tax rate of 15% according to the approval opinion issued by the Guizhou Provincial Development and Reform Commission in June 2022, because the technique adopted by its operating business meets the criterion of "Catalogue of Encouraged Industries in Western Regions (2020 Version)" (six months ended 30 June 2022: 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 2023, 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 credit/(expense) from the continuing operations are as follows:

	Six months ended 30 June	
	2023	2022
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
		(Restated)
Current – Mainland China	**8,470**	5,443
Deferred – Mainland China	**(1,392)**	(21,108)
	7,078	(15,665)

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
	2023	2022
	CNY'000	*CNY'000*
	(Unaudited)	(Audited)
		(Restated)
Deferred tax assets		
Accrued liabilities and other payables	**4,337**	3,989
Dismantled assets	**3,678**	3,554
Capitalised pilot run income	**9,159**	9,592
Tax losses	**49,753**	48,285
Depreciation of property, plant and equipment	**30,642**	30,001
Right-of-use assets	**9,918**	11,338
Bad debt provision	**5,664**	5,664
	113,151	112,423
Deferred tax liabilities		
Asset retirement obligations	**(1,073)**	(1,084)
Lease liabilities	**(5,729)**	(6,319)
Depreciation and fair value adjustment of property, plant and equipment	**(136,996)**	(134,275)
	(143,798)	(141,678)
Net deferred tax liabilities	**(30,647)**	(29,255)
Classification in the interim condensed consolidated statement of financial position:		
Deferred tax assets	**58,258**	56,071
Deferred tax liabilities	**(88,905)**	(85,326)

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	
	2023	2022
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited) (Restated)
(Loss)/profit for the period attributable to ordinary equity holders of the parent:		
from continuing operations	**(22,508)**	(15,786)
from discontinued operations	**(929)**	27,475
	(23,437)	11,689
Weighted average number of ordinary shares ('000 shares):		
Basic and diluted	**1,380,546**	1,380,546
(Loss)/earnings per share attributable to ordinary equity holders of the parent (CNY per share):		
Basic and diluted		
from continuing operations	**(0.02)**	(0.01)
from discontinued operations	*	0.02
	(0.02)	0.01

* *Insignificant*

The Company did not have any potential diluted shares throughout the Reporting Period. Accordingly, the diluted (loss)/earnings per share amounts are the same as the basic (loss)/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 2022: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the additions of property, plant and equipment (excluding the items transferred from construction in progress) and construction in progress amounted to approximately CNY9.7 million (six months ended 30 June 2022: approximately CNY17.3 million) and approximately CNY92.4 million (six months ended 30 June 2022: approximately CNY143.2 million), respectively.

During the Reporting Period, the total depreciation accrued was approximately CNY127.8 million (six months ended 30 June 2022: approximately CNY131.1 million).

As at 30 June 2023, certain mining rights with a carrying amount of approximately CNY500.0 million (31 December 2022: approximately CNY508.1 million) were pledged to secure bank loans with a carrying amount of approximately CNY1,438.6 million (31 December 2022: approximately CNY1,532.6 million) (Note 14).

As at 30 June 2023, certain mining structure, machinery and equipment with a carrying amount of approximately CNY173.9 million (31 December 2022: approximately CNY105.5 million) were pledged to secure bank loans with a carrying amount of CNY127.4 million (31 December 2022: CNY43.7 million) (Note 14).

As at 30 June 2023, certain buildings with a carrying amount totalling approximately CNY93.0 million (31 December 2022: approximately CNY92.5 million) were without title certificates.

11. LEASE

(a) Right-of-use assets

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

	Leasehold land *CNY'000*	**Machinery and equipment** *CNY'000*	**Buildings** *CNY'000*	**Total** *CNY'000*
As at 1 January 2022	54,514	270,265	5,459	330,238
Additions	1,050	63,937	877	65,864
Depreciation charge	(541)	(22,788)	(2,058)	(25,387)
Reclassified to property, plant and equipment	–	(83,885)	–	(83,885)
As at 31 December 2022 and 1 January 2023	**55,023**	**227,529**	**4,278**	**286,830**
Additions	**–**	**31,916**	**–**	**31,916**
Depreciation charge	**(306)**	**(15,912)**	**(1,003)**	**(17,221)**
As at 30 June 2023	**54,717**	**243,533**	**3,275**	**301,525**

(b) Lease liabilities

	At 30 June 2023 ***CNY'000*** **(Unaudited)**	At 31 December 2022 *CNY'000* (Audited)
Carrying amount at the beginning of period/year	**132,659**	178,087
New leases	**31,916**	65,864
Accretion expense	**3,739**	10,581
Payments	**(57,354)**	(121,873)
Carrying amount at the end of period/year	**110,960**	132,659
Analysed into:		
Current portion	**63,975**	84,108
Non-current portion	**46,985**	48,551

12. TRADE AND BILLS RECEIVABLES

	At 30 June 2023	At 31 December 2022
	CNY'000	*CNY'000*
	(Unaudited)	(Audited)
Trade receivables	**106,181**	126,727
Less: Loss allowance for impairment of trade receivables	**(54,031)**	(53,501)
	52,150	73,226
Bills receivable	**15,792**	8,816
	67,942	82,042

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 (including inter-company trade receivables) of approximately CNY363.6 million (31 December 2022: approximately CNY375.5 million) were pledged as security for a short-term loan of approximately CNY314.1 million (31 December 2022: approximately CNY310.1 million) as at 30 June 2023 (Note 14).

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

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

	At 30 June 2023	At 31 December 2022
	CNY'000	*CNY'000*
	(Unaudited)	(Audited)
Within 3 months	**42,363**	69,483
3 to 6 months	**6,286**	373
6 to 12 months	**1,228**	385
Over 12 months	**2,273**	2,985
	52,150	73,226

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

	At 30 June 2023	At 31 December 2022
	CNY'000	*CNY'000*
	(Unaudited)	(Audited)
At the beginning of the period/year	**53,501**	53,357
Impairment loss recognised	**530**	3,715
Reversal of impairment	**–**	(3,571)
At the end of the period/year	**54,031**	53,501

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.

13. TRADE AND BILLS PAYABLES

	At 30 June 2023	At 31 December 2022
	CNY'000	*CNY'000*
	(Unaudited)	(Audited)
Trade payables[a]	**785,004**	861,998
Bills payable[b]	**176,000**	45,000
	961,004	906,998

[a] Included in trade payables was approximately CNY398.9 million (31 December 2022: approximately CNY445.2 million) due to construction-related contractors as at 30 June 2023.

[b] Pledged deposits of CNY138.0 million (31 December 2022: CNY35.0 million) were pledged to secure the bank bills as at 30 June 2023.

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

	At 30 June 2023	At 31 December 2022
	CNY'000	*CNY'000*
	(Unaudited)	(Audited)
Within one year	**280,583**	397,766
One to two years	**468,551**	424,334
More than two years	**35,870**	39,898
	785,004	861,998

Bills payable are bills of exchange with maturity of less than one year.

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.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 30 June 2023 *CNY'000* **(Unaudited)**	At 31 December 2022 *CNY'000* (Audited)
Current		
Bank and other borrowings – guaranteed	**150,920**	85,000
Bank and other borrowings – secured	**50,000**	50,000
Bank and other borrowings – secured and guaranteed	**1,276,106**	1,245,096
Current portion of long-term bank and other borrowings – secured and guaranteed	**107,828**	116,308
	1,584,854	1,496,404
Non-current		
Bank and other borrowings – guaranteed	**477**	–
Bank and other borrowings – secured and guaranteed	**182,074**	214,897
	182,551	214,897
	1,767,405	1,711,301

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 CNY500.0 million (31 December 2022: approximately CNY508.1 million) as at 30 June 2023 (Note 10);

(2) pledges over the Company's equity interests in Guizhou Puxin, Guizhou Dayun Mining Co., Ltd. ("**Guizhou Dayun**"), Jinsha Baiping Mining Co., Ltd. ("**Baiping Mining**"), Liuzhi Xinsong Coal Mining Co., Ltd. ("**Xinsong Coal**") and Guizhou Yongfu Mining Co., Limited ("**Guizhou Yongfu**") as at 30 June 2023, and pledges over the Company's equity interests in Guizhou Puxin, Guizhou Dayun and Baiping Mining as at 31 December 2022;

(3) pledges over trade receivables in Xinsong Coal and Jinsha Juli with a carrying amount of approximately CNY363.6 million (31 December 2022: approximately CNY375.5 million) as at 30 June 2023 (Note 12); and

(4) pledges over mining structure, machinery and equipment owned by Guizhou Dayun, Baiping Mining and Xinsong Coal with a carrying amount of approximately CNY79.8 million, CNY20.6 million and CNY73.5 million, respectively (31 December 2022: CNY83.5 million, CNY22.0 million and nil, respectively) as at 30 June 2023 (Note 10).

In addition, Mr. LI Feilie has guaranteed certain of the Group's interest-bearing bank and other borrowings of up to approximately CNY1,646.0 million (31 December 2022: approximately CNY1,661.3 million) as at 30 June 2023. Also, the Group's fellow subsidiaries have guaranteed certain of the Group's interest-bearing bank and other borrowings of up to approximately CNY1,646.0 million (31 December 2022: approximately CNY1,661.3 million) as at 30 June 2023.

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 2023, the Group had net current liabilities of CNY3,153.0 million and shareholders' deficit of CNY566.8 million. This condition indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter."

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2023, the impacts of the pandemic gradually faded away, but external risks and uncertainties, including the ongoing Russia-Ukraine conflict, interest rate hikes of many major economies and the associated potential recession, and Sino-US friction and technology blockade, continued to create challenges for China's economy and Chinese enterprises. China was committed to pursuing a path of development through industrial transformation and upgrading, and no mass stimulus policy was implemented, especially in the real estate sector. Macroeconomic indicators revealed that the economy was self-repairing and gradually recovering, despite at a pace below expectation. In the first half of 2023, China's gross domestic product ("**GDP**") grew at a year-on-year ("**YOY**") rate of 5.5%.

Within the coal industry, in the first half of 2023, coal supply was strong and sufficient relative to demand, leading to piling up coal industry inventories. On the supply side, although coal supply still lacked elasticity due to supply-side reform, low capital expenditures and tight safety and environmental regulations, the policy of securing coal supply was quite effective in expanding production capacity and increasing coal supply, and domestic raw coal production in the first half of 2023 increased by 4.4% YOY. Meanwhile, due to easing of geopolitical tensions, international coal price advantage, zero import tariffs and reopening of coal import from Australia, coal imports in the first half of 2023 increased at an unexpectedly high rate of 93% YOY. The above contributed to highly sufficient coal supply. On the demand side, total electricity consumption in the first half of 2023 increased by 5% YOY, lending support to a reviving thermal power industry which grew at 7.5% YOY, while hydropower fell by 22.9% YOY. Other downstream industries were relatively weak. Growth of the coal chemical industry was lower than expected. The iron and steel industry and the cement industry were also relatively slow in recovery due to the depressed real estate industry which was yet to recover. The economy and coal demand were self-repairing but at a rate below expectation. In the first half of 2023, the price of coal followed a clear declining trend.

For the six months ended 30 June 2023, the Group recorded consolidated loss attributable to owners of the parent of approximately CNY23.4 million. As disclosed in the Profit Warning announcement of the Company dated 21 July 2023, the Group recorded a decrease in revenue and gross profit for the six months ended 30 June 2023. This was due to the decline in the market price of coal caused by sufficient supply and high inventories in the industry chain in the first half of 2023. Furthermore, the Group's operations were still affected by the geological complexities of current mining faces, the significant proportion of coal products being sold to power plants at regulated price, and the stringent safety and environmental regulatory environment. As a result, the average selling price and sales volume of the Group's coal products decreased as compared to the corresponding period in 2022. Also, while the Group recorded a one-off profit from discontinued operations of approximately CNY27.8 million for the six months ended 30 June 2022, it did not record any profit from discontinued operations for the corresponding period in 2023. Furthermore, the Group continued to incur financial burden due to the existing interest-bearing loans carried forward from 2022, which further undermined the Group's profitability.

FINANCIAL REVIEW

Continuing Operations

Revenue

The Group's total revenue decreased by approximately 8.2% from approximately CNY698.8 million for the six months ended 30 June 2022 to approximately CNY641.3 million for the Reporting Period. This approximately CNY57.5 million decrease in revenue during the Reporting Period was mainly caused by the decline in the average selling price and the decrease in sales volume of self-produced anthracite coal. The sales volume of self-produced anthracite coal decreased from approximately 1.37 million tonnes for the six months ended 30 June 2022 to approximately 1.32 million tonnes for the Reporting Period, representing a decrease of approximately 3.6%, mainly due to the geological complexities of current mining faces encountered by the Group. The average selling price (net of value-added tax) of self-produced anthracite coal fell from CNY509.6 per tonne for the six months ended 30 June 2022 to CNY485.1 per tonne for the Reporting Period, representing a decrease of approximately 4.8%, mainly as a result of the drop in overall price of coal market in mainland China.

The Group's revenue from sales of processed coal (including coal screening and/or coal washing and coal blending), amounting to 54.5% and 62.2% of total revenue for the six months ended 30 June 2022 and the Reporting Period, respectively, increased from approximately CNY381.0 million (0.47 million tonnes sales volume) for the six months ended 30 June 2022 to approximately CNY398.6 million (0.60 million tonnes sales volume) during the Reporting Period. The increase in revenue from sales of processed coal was mainly contributed by the increase of 0.13 million tonnes in sales volume, notwithstanding a drop of CNY140.8 per tonne in the average selling price of processed coal. The reason for the decrease in the average selling price has been discussed above.

Cost of Sales

The Group's cost of sales decreased by approximately 2.6% from approximately CNY428.2 million for the six months ended 30 June 2022 to approximately CNY417.0 million for the Reporting Period. The decrease in cost of sales was mainly due to the decrease of approximately 3.6% in sales volume of self-produced anthracite coal.

Cost of Sales for Coal Mining

Labour costs for the Reporting Period were approximately CNY113.0 million, representing a decrease of approximately CNY15.4 million, or approximately 11.9%, as compared with approximately CNY128.4 million for the six months ended 30 June 2022. The decrease in labour costs were proportionally higher than the decrease in sales volume of self-produced anthracite coal during the Reporting Period mainly because Dayun Coal Mine was able to achieve some economies of scale following the production expansion, which in turn led to the decline in labour cost per tonne of coal mining.

Material, fuel and energy costs for the Reporting Period were approximately CNY90.5 million, representing a decrease of approximately CNY2.2 million, or approximately 2.3%, as compared with approximately CNY92.7 million for the six months ended 30 June 2022. The decrease in material, fuel and energy costs were generally in line with the decrease in sales volume of self-produced anthracite coal during the Reporting Period.

Depreciation and amortisation for the Reporting Period were approximately CNY130.2 million, representing a decrease of approximately CNY1.5 million, or approximately 1.1%, as compared with approximately CNY131.7 million for the six months ended 30 June 2022. The decrease in depreciation and amortisation for the Reporting Period was mainly caused by the decrease in production volume.

Taxes and levies for the Reporting Period were approximately CNY30.3 million, representing a decrease of approximately CNY1.1 million, or approximately 3.5%, as compared with approximately CNY31.4 million for the six months ended 30 June 2022. The slight decrease in sales taxes and levies, which mainly consisted of ad valorem resource tax, was mainly due to the decrease in revenue of anthracite coal 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 CNY33.7 million for the six months ended 30 June 2022 to approximately CNY41.6 million for the Reporting Period. This was mainly due to the increase in coal processing volume, and the increase in transportation fee from Dayun Coal Mine and Baiping Coal Mine to the coal beneficiation plant of Jinsha Juli for coal processing.

Breakdown of the Group's Unit Cost of Sales

Cost Items for Coal Mining Activities	Six months ended 30 June **2023** ***CNY/tonne***	 2022 *CNY/tonne*
Labour costs	**85.5**	93.6
Raw materials, fuel and energy	**68.5**	67.6
Depreciation and amortisation	**98.5**	96.1
Taxes & levies payable to governments	**23.0**	22.9
Other production-related costs	**8.5**	7.5
Total unit cost of sales for coal mining	**284.0**	287.7

Cost Items for Coal Processing Activities	Six months ended 30 June **2023** ***CNY/tonne***	 2022 *CNY/tonne*
Labour costs	**11.8**	10.7
Materials, fuel and energy	**27.2**	28.7
Depreciation	**10.0**	12.0
Taxes & levies payable to governments	**2.7**	3.8
Transportation fee	**16.3**	12.1
Other coal processing related costs	**1.3**	4.1
Total unit cost of sales for coal processing	**69.3**	71.4

Gross Profit and Gross Margin

As a result of the foregoing, the overall gross profit decreased by approximately 17.1% from approximately CNY270.7 million for the six months ended 30 June 2022 to approximately CNY224.3 million for the Reporting Period. The overall gross margin, which is equal to gross profit divided by revenue, decreased from approximately 38.7% for the six months ended 30 June 2022 to approximately 35.0% for the Reporting Period. The decrease in overall gross profit and gross margin was mainly caused by the drop in the average selling price of anthracite coal as discussed above.

Loss/Profit for the Reporting Period from Continuing Operations

The loss from continuing operations was approximately CNY17.4 million for the Reporting period, compared with the profit of approximately CNY1.4 million for the six months ended 30 June 2022. The increase in loss from continuing operations for the Reporting Period was mainly caused by the decrease of approximately CNY46.4 million in gross profit mainly resulting from the drop in average selling price and the decrease in sales volume of self-produced anthracite coal during the Reporting Period. The increase in loss was partially offset by (i) the decrease of approximately CNY22.7 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 CNY4.6 million in finance costs due to the decline in the average interest-bearing bank and other borrowings during the Reporting Period compared with the same period in 2022.

Loss Attributable to Owners of the Parent from Continuing Operations

The loss attributable to owners of the parent from continuing operations increased to approximately CNY22.5 million during the Reporting Period from approximately CNY15.8 million for the six months ended 30 June 2022. 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 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 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 a 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 transfer agreement with Baoshun (an independent third party), to dispose its entire equity interest in Guizhou Dayuan, a wholly-owned subsidiary of Guizhou Puxin,. Guizhou Dayuan is mainly engaged in extraction and sales of anthracite coal in Nayong County, Guizhou Province, the PRC. As at 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. On 28 March 2022, the disposal of Guizhou Dayuan was completed upon the transfer of Guizhou Puxin's entire equity interest and mining right in Guizhou Dayuan to Baoshun and the adjusted total cash consideration of CNY50.0 million was fully paid by Baoshun in prior years. During the period ended 28 March 2022, Guizhou Dayuan was classified as a discontinued operation.

FINANCIAL RESOURCES REVIEW

Liquidity, Financial Resources and Capital Structure

As at 31 December 2022 and 30 June 2023, the Group had net current liabilities of approximately CNY3,011.7 million and approximately CNY3,153.0 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 2023, the Group had cash and cash equivalents of approximately CNY34.5 million.

The interest-bearing loans consist of short-term and long-term bank and other borrowings. As at 30 June 2023, 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 CNY1,584.9 million. The Group had total outstanding long-term bank borrowings (excluding the current portion) of approximately CNY182.6 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, equity interests in Guizhou Puxin, Guizhou Yongfu, Guizhou Dayun, Xinsong Coal and Baiping Mining, certain trade receivables in Jinsha Juli and Xinsong Coal, certain mining structure, machinery and equipment in Guizhou Dayun, Baiping Mining and Xinsong Coal. As at 30 June 2023, the Group had loans amounting to approximately CNY1,172.9 million with fixed interest rates ranging from 4.9% to 10.51% per annum. The remaining loans held by the Group as at 30 June 2023 had floating interest rates ranging from 6.775% to 7.35% per annum.

Pledge of Assets of the Group

As at 31 December 2022 and 30 June 2023, the amount of outstanding bank borrowings that were guaranteed by Mr. LI Feilie were approximately CNY1,661.3 million and approximately CNY1,646.0 million, respectively and the amount of outstanding bank borrowings that were guaranteed by certain associates of Mr. LI Feilie were approximately CNY1,661.3 million and approximately CNY1,646.0 million, respectively.

As at 31 December 2022 and 30 June 2023, certain mining rights of the Group with carrying amounts of approximately CNY508.1 million and approximately CNY500.0 million, respectively were pledged to secure bank loans with carrying amounts of approximately CNY1,532.6 million and approximately CNY1,438.6 million, respectively.

As at 31 December 2022, the Company's equity interest in Guizhou Puxin, Guizhou Dayun and Baiping Mining were pledged to secure bank loans with a carrying amount of CNY638.7 million, and as at 30 June 2023, the Company's equity interest in Guizhou Puxin, Guizhou Yongfu, Guizhou Dayun, Xinsong Coal and Baiping Mining were pledged to secure bank loans with a carrying amount of approximately CNY637.4 million.

As at 31 December 2022 and 30 June 2023, certain mining structure, machinery and equipment owned by the Group with carrying amounts of approximately CNY105.5 million and approximately CNY173.9 million, respectively were pledged to secure the loans with carrying amounts of approximately CNY43.7 million and approximately CNY127.4 million, respectively.

As at 31 December 2022 and 30 June 2023, certain trade receivables (including inter-company trade receivables) owned by the Group with carrying amounts of approximately CNY375.5 million and approximately CNY363.6 million, respectively were pledged to secure loans with carrying amounts of approximately CNY310.1 million and approximately CNY314.1 million, respectively.

Pledge of Shares by the Controlling Shareholder

As at 30 June 2023, working capital facilities of up to CNY200.0 million advanced by Guizhou Province Development Investment Company Limited ("**GPDIC**") from time to time to Guizhou Puxin have been made available by the pledging of 600,000,000 ordinary shares of the Company's issued share capital held by Feishang Group Limited (a controlling shareholder of the Company) in favour of GPDIC. For details of the pledge of shares, please refer to the announcement of the Company dated 19 May 2023. In addition, the above-mentioned advances by GPDIC have been guaranteed by the Company and its four subsidiary companies, Mr. LI Feilie and his associates, and an independent third party.

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 2023, the Group had contractual capital commitments in respect of purchase of materials, machinery and equipment amounting to approximately CNY26.9 million.

Contingent Liabilities

As at 30 June 2023, 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 2022 and 30 June 2023, the gearing ratio (which is calculated by dividing total interest-bearing debt by total equity plus total interest-bearing debt at the end of the year/Reporting Period and multiplying by 100%) was 139.4% and 140.4%, respectively. There was no material fluctuation in the gearing ratio for the Reporting Period.

INTERIM DIVIDEND

The Board does not declare an interim dividend for the Reporting Period (six months ended 30 June 2022: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed 1,843 full time employees (not including 1,422 workers provided by third party labour agencies) from continuing operations for its principal activities. Employees' costs (including Directors' emoluments) amounted to approximately CNY165.3 million (including payment to workers provided by third party labour agencies) for the Reporting Period (six months ended 30 June 2022: approximately CNY181.4 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

Against the backdrop of China's commitment to emission peak and carbon neutrality targets, and due to persistently low capital expenditures in new production capacity, long construction cycles, as well as tight safety and environmental regulations, the future expansion of production capacity and output in the coal industry is expected to remain mild and constrained. The policy of securing coal supply is expected to remain in place to stabilise and increase domestic coal production. Meanwhile, the growth of coal imports is expected to gradually slow down due to narrowing international price advantage. Overall, the increase of coal supply might continue but at a slower rate as compared to the first half of 2023.

On the demand side, the government has determined to step up policy efforts to stimulate the economy. A series of targeted and highly supportive fiscal and monetary stabilising policies and industrial policies are expected to be successively implemented and support China's economy to speed up the current recovery trend, which will lend steady support to total electricity consumption as well as coal demand. The coal chemical industry is expected to continue to benefit from the supportive policies, further boosting coal demand. The iron and steel industry and the building materials industry are expected to slowly recover, as the real estate industry would expect to see more policy supports in various innovative ways. In the near future, coal supply and demand are expected to both enjoy mild growth, and supply might still remain relatively sufficient. In the second half of 2023, the price of coal might gradually bottom out but is not expected to enjoy immediate and notable increase.

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 high-quality production capacity expansion, coal quality management and product mix adjustment to improve the competitiveness and average selling price of its coal products and maintain high-end customers. The Group will also continue to improve production efficiency and intelligence and enhance refined management and cost control. Facing the longer-than-expected 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 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. In particular, against the backdrop of emission peak and carbon neutrality targets, the Company will actively leverage the resources and experience of its major shareholder in the new energy sector to explore investment opportunities in the new energy sector.

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 12 July 2023 and 13 July 2023, Guizhou Puxin received and fully drew down the loan facilities amounting to CNY390.0 million and CNY190.0 million from China Minsheng Banking Corp., Ltd., to be repaid on 12 July 2024 and 13 July 2024, respectively. The purpose of the loans is to finance working capital. The loans bear a fixed annual interest rate at 6.0% per annum and 7.0% per annum, respectively.

On 14 July 2023, Guizhou Puxin received and fully drew down a CNY8.0 million short-term bank loan from Liupanshui branch of Bank of Guizhou Co., Ltd. to be repaid on 13 July 2024. The purpose of the loan is to purchase coal. The loan bears a floating annual interest rate equal to the latest one-year loan prime rate stipulated by the National Interbank Funding Center plus 3.22% (3.55% per annum, resulting in an annual interest rate of 6.77% per annum).

On 31 July 2023, Guizhou Puxin and Baiping Mining, and CCTEG Financial Leasing Co., Ltd. ("**CCTEG**") entered into the sale and leaseback arrangement 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 31 July 2023. On 31 July 2023, Baiping Mining received the aggregate consideration of CNY30.0 million.

On 17 August 2023 and 24 August 2023, Guizhou Puxin received and fully drew down CNY32.0 million and CNY70.0 million short-term bank loans from Liupanshui branch of Bank of Guizhou Co., Ltd. to be repaid on 16 August 2024 and 23 August 2024, respectively. The purpose of the loans is to purchase coal. The loans bear a fixed annual interest rate at 6.775% per annum.

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. CHAN Him Alfred 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 2023

As at the date of this announcement, the executive Directors are Mr. HAN Weibing, Mr. HE Jianhu, Mr. TAM Cheuk Ho, Mr. WANG Weidong, Mr. WONG Wah On Edward and Mr. YANG Guohua; and the independent non-executive Directors are Mr. CHAN Him Alfred, Mr. LO Kin Cheung and Mr. WANG Xiufeng.