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 2019

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

- Revenue from continuing operations increased by approximately 41.3% to approximately CNY597.7 million for the six months ended 30 June 2019 from approximately CNY423.0 million for the six months ended 30 June 2018
- Gross profit from continuing operations decreased by approximately 2.4% to approximately CNY225.3 million for the six months ended 30 June 2019 from approximately CNY230.8 million for the six months ended 30 June 2018
- Profit attributable to owners of the parent from continuing operations decreased by approximately 77.3% to approximately CNY10.8 million for the six months ended 30 June 2019 from approximately CNY47.5 million for the six months ended 30 June 2018
- Basic earnings per share from continuing operations was approximately CNY0.01

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Feishang Anthracite Resources Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2019 (the "**Reporting Period**"), together with the comparative figures for the corresponding six months ended 30 June 2018 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	Six months ended 30 June 2019 CNY'000 (Unaudited)	2018 CNY'000 (Unaudited) (Restated)
CONTINUING OPERATIONS			
Revenue	4	**597,713**	422,964
Cost of sales		**(372,460)**	(192,161)
Gross profit		**225,253**	230,803
Selling and distribution expenses		**(38,655)**	(13,478)
Administrative expenses		**(67,888)**	(61,734)
Other operating expenses		**(18,840)**	(14,473)
OPERATING PROFIT		**99,870**	141,118
Finance costs	5	**(46,478)**	(47,558)
Finance income		**636**	93
Share of loss of an associate		**(263)**	–
Non-operating income/(expenses), net		**1,093**	(7)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**54,858**	93,646
Income tax expense	7	**(27,519)**	(34,230)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**27,339**	59,416
DISCONTINUED OPERATIONS			
LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS	3	**(3,830)**	(2,935)
PROFIT FOR THE PERIOD		**23,509**	56,481

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	Six months ended 30 June 2019 CNY'000 (Unaudited)	2018 CNY'000 (Unaudited) (Restated)
ATTRIBUTABLE TO:			
Owners of the parent			
From continuing operations	*8*	**10,763**	47,457
From discontinued operations	*3,8*	**(3,826)**	(2,935)
		6,937	44,522
Non-controlling interests			
From continuing operations		**16,576**	11,959
From discontinued operations	*3*	**(4)**	–
		16,572	11,959
		23,509	56,481
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic (CNY per share)			
– For profit from continuing operations	*8*	**0.01**	0.03
– For loss from discontinued operations	*8*	*	*
– Net earnings per share		**0.01**	0.03
Diluted (CNY per share)			
– For profit from continuing operations	*8*	**0.01**	0.03
– For loss from discontinued operations	*8*	*	*
– Net earnings per share		**0.01**	0.03

* *Insignificant*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019	2018
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
		(Restated)
PROFIT FOR THE PERIOD	**23,509**	56,481
Other comprehensive (loss)/income		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(80)**	96
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**35**	–
Other comprehensive (loss)/income for the period, net of tax	**(45)**	96
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**23,464**	56,577
ATTRIBUTABLE TO:		
Owners of the parent		
From continuing operations	**10,718**	47,553
From discontinued operations	**(3,826)**	(2,935)
	6,892	44,618
Non-controlling interests		
From continuing operations	**16,576**	11,959
From discontinued operations	**(4)**	–
	16,572	11,959
	23,464	56,577

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	**30 June 2019** *CNY'000* **(Unaudited)**	31 December 2018 *CNY'000* (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**2,787,231**	2,878,820
Right-of-use assets	*1.2*	**138,588**	–
Rehabilitation fund		**12,123**	13,610
Prepayments and other receivables		**82,424**	103,625
Investment in an associate		**2,285**	2,548
Deferred tax assets	*7*	**8,927**	18,904
TOTAL NON-CURRENT ASSETS		**3,031,578**	3,017,507
CURRENT ASSETS			
Inventories		**51,637**	45,155
Trade and bills receivables	*11*	**163,800**	166,793
Due from an associate		**954**	1,092
Prepayments and other receivables		**118,838**	109,026
Pledged deposits		**110,000**	70,000
Financial assets at fair value through profit or loss		**5,019**	5,000
Cash and cash equivalents		**78,149**	54,468
		528,397	451,534
Assets of a disposal group classified as held for sale	*3(b)*	**57,876**	–
TOTAL CURRENT ASSETS		**586,273**	451,534
TOTAL ASSETS		**3,617,851**	3,469,041
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and bills payables	*12*	**669,574**	545,602
Other payables and accruals		**348,079**	331,290
Interest-bearing bank and other borrowings	*13*	**911,250**	1,048,125
Obligations under finance leases		**–**	39,105
Lease liabilities	*1.2*	**53,826**	–
Interest payable		**30,519**	31,953
Income tax payable		**40,079**	42,956
Mining right payables		**43,780**	43,780
Deferred income		**2,249**	1,570
		2,099,356	2,084,381
Liabilities directly associated with the assets classified as held for sale	*3(b)*	**23,050**	–
TOTAL CURRENT LIABILITIES		**2,122,406**	2,084,381

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2019

	Notes	**30 June 2019** *CNY'000* **(Unaudited)**	31 December 2018 *CNY'000* (Audited)
NON-CURRENT LIABILITIES			
Due to a related company		**1,339,334**	1,244,118
Interest-bearing bank and other borrowings	*13*	**48,500**	17,000
Obligations under finance leases		**–**	74,194
Lease liabilities	*1.2*	**57,347**	–
Deferred tax liabilities	*7*	**110,855**	138,275
Deferred income		**16,309**	10,511
Asset retirement obligations		**12,110**	13,036
TOTAL NON-CURRENT LIABILITIES		**1,584,455**	1,497,134
TOTAL LIABILITIES		**3,706,861**	3,581,515
EQUITY			
Share capital		**1,081**	1,081
Reserves		**(270,254)**	(277,146)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**(269,173)**	(276,065)
NON-CONTROLLING INTERESTS		**180,163**	163,591
TOTAL EQUITY		**(89,010)**	(112,474)
TOTAL LIABILITIES AND EQUITY		**3,617,851**	3,469,041

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 statements do 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 2018.

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 2019, the Group had net current liabilities of approximately CNY1,536.1 million (31 December 2018: CNY1,632.8 million) and total assets less current liabilities of approximately CNY1,495.4 million (31 December 2018: CNY1,384.7 million).

Going concern

As at 30 June 2019, the Group had net current liabilities of approximately CNY1,536.1 million and shareholders' deficit of approximately CNY89.0 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.

Based on a review of the forecasted cashflows, the availability of unutilised banking facility amounted to CNY700.0 million and confirmations of continuous financial support from Feishang Group Limited ("**Feishang**" or the "**controlling shareholder**") and one entity controlled by Mr. LI Feilie, who is the beneficial owner of Feishang, 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 followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Other than as explained below regarding the impact of IFRS 16 *Leases,* IFRIC 23 *Uncertainty over Income Tax Treatments* and *Annual improvements 2015-2017 Cycle* – Amendments to IAS 23, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standalone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, machinery and office buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities and other payables and accruals (current part).

The right-of-use assets for most leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of CNY124.6 million that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) ***CNY'000*** **(Unaudited)**
Assets	
Increase in right-of-use assets	126,848
Decrease in property, plant and equipment	(124,567)
Increase in total assets	2,281
Liabilities	
Increase in the non-current portion of lease liabilities	75,216
Increase in the current portion of lease liabilities	40,364
Decrease in obligations under finance leases	(113,299)
Increase in total liabilities	2,281

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	CNY'000 **(Unaudited)**
Operating lease commitments as at 31 December 2018	2,640
Weighted average incremental borrowing rate as at 1 January 2019	6.60%
Discounted operating lease commitments as at 1 January 2019	2,281
Add: Commitments relating to leases previously classified as finance leases	113,299
Lease liabilities as at 1 January 2019	115,580

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

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

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of certain offices and apartments for employees (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below CNY35,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the interim condensed consolidated statements of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follows:

	Right-of-use assets				
	Mining structures *CNY'000*	**Machinery and equipment** *CNY'000*	**Buildings** *CNY'000*	**Total** *CNY'000*	**Lease liabilities** *CNY'000*
As at 1 January 2019	**27,768**	**96,799**	**2,281**	**126,848**	**115,580**
Additions	**–**	**18,488**	**431**	**18,919**	**18,919**
Depreciation expense	**(1,515)**	**(5,349)**	**(315)**	**(7,179)**	**–**
Interest expense	**–**	**–**	**–**	**–**	**3,582**
Payments	**–**	**–**	**–**	**–**	**(26,908)**
As at 30 June 2019	**26,253**	**109,938**	**2,397**	**138,588**	**111,173**

The Group recognised no rental expense from short-term leases for the six months ended 30 June 2019.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

Amendments under Annual Improvements to IFRSs 2015-2017 Cycle

IAS 23 *Borrowing Costs* clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendments did not have any 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 largest customer amounted to 46.7% of the consolidated revenue. During the six months ended 30 June 2018, revenue derived from sales to the largest customer amounted to 28.7% 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, 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 2018 are presented below:

	Six months ended 30 June	
	2019	2018
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Finance costs	**(1)**	–
Non-operating expenses, net	**(400)**	–
LOSS BEFORE INCOME TAX	**(401)**	–
Income tax expense	**–**	–
LOSS FOR THE PERIOD FROM A DISCONTINUED OPERATION	**(401)**	–
Attributable to:		
Owners of the parent	**(397)**	–
Non-controlling interests	**(4)**	–
	(401)	–

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

	Six months ended 30 June	
	2019	2018
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Operating activities	**(401)**	–
Investing activities	**–**	–
Financing activities	**850**	–
Net cash inflow	**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. On 30 May 2019, Guizhou Puxin received the first tranche of CNY10.0 million from Baoshun. Up to 30 June 2019, 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 2018 are presented below:

	Six months ended 30 June	
	2019	2018
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Revenue	**–**	–
Cost of sales	**–**	–
Gross profit	**–**	–
Selling and distribution expenses	**–**	–
Administrative expenses	**(1,832)**	(1,668)
OPERATING LOSS	**(1,832)**	(1,668)
Finance costs	**(75)**	(67)
Non-operating expenses, net	**(337)**	(3)
LOSS BEFORE INCOME TAX	**(2,244)**	(1,738)
Income tax expense	**(1,185)**	(1,197)
LOSS FOR THE PERIOD FROM A DISCONTINUED OPERATION	**(3,429)**	(2,935)
Attributable to:		
Owners of the parent	**(3,429)**	(2,935)
Non-controlling interests	**–**	–
	(3,429)	(2,935)

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

	30 June 2019
	CNY'000
	(Unaudited)
Assets	
Property, plant and equipment	**54,205**
Rehabilitation fund	**1,500**
Prepayments and other receivables	**1,896**
Cash and cash equivalents	**275**
Assets of a disposal group classified as held for sale	**57,876**
Liabilities	
Trade and bills payables	**1,133**
Other payables and accruals	**1,441**
Income tax payable	**18**
Deferred tax liabilities	**18,901**
Asset retirement obligations	**1,557**
Liabilities directly associated with the assets classified as held for sale	**23,050**
Net assets directly associated with the disposal group	**34,826**

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

	Six months ended 30 June	
	2019	2018
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Operating activities	**(2,193)**	(523)
Investing activities	**–**	–
Financing activities	**1,074**	639
Net cash (outflow)/inflow	**(1,119)**	116

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

	Six months ended 30 June	
	2019	2018
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
		(Restated)
Loss for the period attributable to ordinary equity holders of the parent from discontinued operations	**(3,826)**	(2,935)
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	
	2019	2018
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of coal	**597,713**	422,964

(i) Disaggregated revenue information

	Six month ended 30 June	
	2019	2018
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Types of goods		
Sale of coal	**597,713**	422,964
Geographic market		
Mainland China	**597,713**	422,964
Timing of revenue recognition		
Goods transferred at a point of time	**597,713**	422,964

(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.

5. FINANCE COSTS FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2019	2018
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
		(Restated)
Interest on interest-bearing bank and other borrowings	**32,493**	39,267
Interest on lease liabilities *(Note1.2)*	**3,582**	–
Interest on payables for mining rights	**1,073**	1,073
Total interest expense	**37,148**	40,340
Bank charges	**683**	146
Discount interest	**8,090**	6,565
Accretion expenses	**557**	507
	46,478	47,558

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Six months ended 30 June	
	2019	2018
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
		(Restated)
Crediting:		
Interest income on bank deposits	**636**	93
Government grant	**1,284**	7,329
Charging:		
Cost of inventories sold[(a)]	**285,040**	154,773
Sales tax and surcharge	**36,718**	25,389
Utilisation of safety fund and production maintenance fund	**50,702**	11,999
Cost of sales	**372,460**	192,161
Employee benefit expenses	**138,486**	90,660
Depreciation, depletion and amortisation:		
– Property, plant and equipment	**143,459**	78,293
– Right-of-use assets	**7,179**	–
Impairment of inventories	**–**	303
Reversal of impairment of prepayments and other receivables	**–**	(447)
Impairment of trade and bills receivables *(Note 11)*	**101**	1,032
Gains from financial assets at fair value through profit or loss	**277**	–
Repairs and maintenance	**9,899**	7,518
Losses arising from temporary suspension of production	**–**	11,905

(a) Included in the cost of inventories sold was approximately CNY241.5 million for the Reporting Period (six months ended 30 June 2018: approximately CNY102.7 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 expense.

7. INCOME TAX 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 2018: 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 2018. 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 for PRC group entities was 25% during the Reporting Period (six months ended 30 June 2018: 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 2019, 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 aggregate loss of these subsidiaries.

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

	Six months ended 30 June	
	2019	2018
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
		(Restated)
Current – Mainland China	**27,246**	23,148
Deferred – Mainland China	**273**	11,082
	27,519	34,230

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

	At 30 June 2019 *CNY'000* **(Unaudited)**	At 31 December 2018 *CNY'000* (Audited)
Deferred tax assets		
Accrued liabilities and other payables	**3,655**	3,302
Capitalised pilot run income	**12,623**	13,056
Tax losses	**23,228**	16,913
Depreciation of property, plant and equipment	**4,709**	3,336
Bad debt provision	**5,438**	5,438
	49,653	42,045
Deferred tax liabilities		
Depreciation and fair value adjustment of property, plant and equipment*	**(151,581)**	(161,416)
Net deferred tax liabilities	**(101,928)**	(119,371)
Classification in the interim condensed consolidated statement of financial position:		
Deferred tax assets	**8,927**	18,904
Deferred tax liabilities	**(110,855)**	(138,275)

* Included in the deferred tax liabilities were deferred tax liabilities of approximately CNY114.0 million and approximately CNY115.1 million recognised relating to the fair value adjustment on property, plant and equipment as at 30 June 2019 and 31 December 2018, 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. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic and diluted earnings per share amounts for the period were calculated as follows:

	Six months ended 30 June	
	2019	2018
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited) (Restated)
Profit for the period attributable to ordinary equity holders of the parent:		
from continuing operations	**10,763**	47,457
from discontinued operations	**(3,826)**	(2,935)
	6,937	44,522
Weighted average number of ordinary shares ('000 shares):		
Basic	**1,380,546**	1,380,546
Diluted	**1,380,546**	1,380,546
Earnings per share attributable to ordinary equity holders of the parent (CNY per share):		
Basic		
from continuing operations	**0.01**	0.03
from discontinued operations	*****	*
	0.01	0.03
Diluted		
from continuing operations	**0.01**	0.03
from discontinued operations	*****	*
	0.01	0.03

* *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 2018: 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 CNY36.0 million (six months ended 30 June 2018: approximately CNY25.0 million) and approximately CNY194.7 million (six months ended 30 June 2018: approximately CNY206.3 million), respectively.

During the Reporting Period, the total depreciation accrued was approximately CNY143.5 million (six months ended 30 June 2018: approximately CNY78.3 million).

As at 30 June 2019, certain mining rights with a carrying amount of approximately CNY575.1 million (31 December 2018: approximately CNY582.8 million) were pledged to secure bank loans with a carrying amount of approximately CNY823.0 million (31 December 2018: approximately CNY835.0 million) (Note 13).

As at 30 June 2019, no machinery and equipment (31 December 2018: approximately CNY102.8 million) were pledged to secure loans (31 December 2018: approximately CNY96.1 million) (Note 13).

As at 30 June 2019, certain buildings with a carrying amount totalling approximately CNY72.0 million (31 December 2018: approximately CNY79.0 million) were without title certificates.

11. TRADE AND BILLS RECEIVABLES

	At 30 June 2019 *CNY'000* **(Unaudited)**	At 31 December 2018 *CNY'000* (Audited)
Trade receivables	**193,165**	175,849
Less: Provision for impairment	**(47,395)**	(47,294)
	145,770	128,555
Bills receivable	**18,030**	38,238
	163,800	166,793

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

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

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 2019 *CNY'000* **(Unaudited)**	At 31 December 2018 *CNY'000* (Audited)
Within 3 months	**92,741**	68,367
3 to 6 months	**30,684**	26,167
6 to 12 months	**5,660**	5,397
Over 12 months	**16,685**	28,624
	145,770	128,555

The movements in provision for impairment of trade receivables are as follows:

	At 30 June 2019	At 31 December 2018
	CNY'000	*CNY'000*
	(Unaudited)	(Audited)
At the beginning of the period/year	**47,294**	44,003
Impairment losses, net	**101**	3,291
At the end of the period/year	**47,395**	47,294

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 2019	At 31 December 2018
	CNY'000	*CNY'000*
	(Unaudited)	(Audited)
Trade payables[(a)]	**509,674**	425,602
Bills payable	**159,900**	120,000
	669,574	545,602

(a) Included in trade payables was approximately CNY265.0 million (31 December 2018: approximately CNY160.3 million) due to construction related contractors as at 30 June 2019.

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

	At 30 June 2019	At 31 December 2018
	CNY'000	*CNY'000*
	(Unaudited)	(Audited)
Within one year	**392,612**	340,093
More than one year	**117,062**	85,509
	509,674	425,602

Bills payable are bills of exchange with maturity of less than one year. Time deposits of CNY110.0 million (31 December 2018: CNY70.0 million) were pledged to secure the bank bills as at 30 June 2019.

The trade payables are non-interest-bearing and are normally settled on a term of three to six months other than 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 2019 *CNY'000* (Unaudited)	At 31 December 2018 *CNY'000* (Audited)
Current		
Bank and other borrowings – guaranteed	**100,000**	100,000
Bank and other borrowings – unsecured	**7,000**	–
Bank and other borrowings – secured and guaranteed	**170,000**	220,000
Current portion of long-term bank and other borrowings – secured and guaranteed	**613,000**	711,125
Current portion of long-term bank and other borrowings – guaranteed	**21,250**	17,000
	911,250	1,048,125
Non-current		
Bank and other borrowings – guaranteed	**8,500**	17,000
Bank and other borrowings – secured and guaranteed	**40,000**	–
	48,500	17,000
	959,750	1,065,125

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 CNY575.1 million (31 December 2018: approximately CNY582.8 million) as at 30 June 2019 (Note 10);

(2) No pledges over machinery and equipment (31 December 2018: approximately CNY102.8 million) owned by Guizhou Dayun Mining Co., Ltd., Jinsha Juli Energy Co., Ltd. and Guizhou Yongfu Mining Co., Limited as at 30 June 2019 (Note 10);

(3) Pledges over the Company's equity interests in Guizhou Puxin and Guizhou Dayuan as at 30 June 2019 and 31 December 2018; and

(4) Pledges of shares of Jiangsu Shagang Co., Ltd. owned by Mr. LI Feiwen, an associate of Mr. LI Feilie, in favour of the Group as at 31 December 2018.

In addition, Mr. LI Feilie has guaranteed certain of the Group's interest-bearing bank and other borrowings up to approximately CNY882.8 million (31 December 2018: approximately CNY995.1 million) as at 30 June 2019. Also, the Group's fellow subsidiaries have guaranteed certain of the Group's interest-bearing bank and other borrowings up to approximately CNY782.8 million (31 December 2018: approximately CNY895.1 million) as at 30 June 2019.

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 financial information which indicates that the Group had net current liabilities of approximately CNY1,536.1 million and shareholders' deficit of approximately CNY89.0 million as at 30 June 2019. This condition indicates that 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 2019, external uncertainties such as the intensified China-US trade dispute continued to create challenges for China's economy and Chinese enterprises. Nevertheless, under several fiscal and monetary stabilising policies by the Chinese government, China's economy, despite slowing down, remained generally stable and grew at a year-on-year rate of 6.3%. Although external demand decreased significantly, domestic consumption, investment and government spending all witnessed positive growth.

Within the coal industry, overall coal demand in the first half of 2019 was not strong but reasonable. Downstream industries grew at comparatively healthy rates. Despite a slowing thermal power sector due to stronger contribution by hydropower generation, crude steel and cement production both grew at higher rates. On the supply side, several coal mine safety accidents in northern coal-producing provinces occurred in late 2018 and early 2019, so environmental and safety supervision remained tough as ever and restricted output. Deepening supply-side reform and industry consolidation also continued to dampen capacity and production growth, but capacity release did accelerate in June. Overall, demand and supply of coal were both weak and roughly in balance, and the coal price was generally weakly supported and faced downward pressure. For the first half of 2019, the average overall price of thermal coal in ports was CNY605.3 per ton, representing a year-on-year decrease of approximately 8.8%.

During the first half of 2019, the Group faced intensified market competition. The average selling price of the Group's anthracite products decreased compared to the same period last year. Apart from the impact of the decrease in overall market price of coal, the Group also faced temporary deteriorating quality of coal due to geological complexities of current mining faces. All of these had downward pressures on the average selling price of the Group's coal products in the first half of 2019.

FINANCIAL REVIEW

Continuing Operations

Revenue

The Group's revenue increased by approximately 41.3% from approximately CNY423.0 million for the six months ended 30 June 2018 to approximately CNY597.7 million for the Reporting Period. The approximate CNY174.7 million increase in revenue during the Reporting Period was mainly attributable to the increase in sales volume of self-produced anthracite coal, which was partially offset by the drop in the average selling price of self-produced anthracite coal. The sales volume of self-produced anthracite coal increased from approximately 1.07 million tonnes for the six months ended 30 June 2018 to approximately 1.82 million tonnes for the Reporting Period, representing a rise of approximately 70.1%. The increase in sales volume was mainly contributed by (i) the increased production volume of Liujiaba Coal Mine which resumed production in August 2018; and (ii) the enlarged market share and customer base by supplying customised coal products to various customers to meet their specific requirements. However, the average selling price of self-produced anthracite coal dropped from CNY394.1 per tonne for the six months ended 30 June 2018 to CNY327.5 per tonne for the Reporting Period, representing a decrease of approximately 16.9%, mainly as a result of (i) the drop in overall price of coal market; as well as (ii) the lower coal quality of the current mine faces at Baiping Coal Mine and Dayun Coal Mine 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 46.7% of total revenue, increased from approximately CNY249.6 million with sales volume of approximately 0.43 million tonnes for the six months ended 30 June 2018 to approximately CNY279.0 million with sales volume of approximately 0.53 million tonnes during the Reporting Period. The increase in revenue from sales of processed coal was mainly due to the increase of approximately 23.3% in sales volume, which was partially offset by the drop in the average selling price of processed coal. The reasons have been discussed above.

Cost of Sales

The Group's cost of sales increased by approximately 93.8% from approximately CNY192.2 million for the six months ended 30 June 2018 to approximately CNY372.5 million for the Reporting Period, mainly due to the increase of approximately 70.1% in sales volume of self-produced anthracite coal and the increase in depreciation and labour cost per tonne.

Cost of Sales for Coal Mining

Labour costs for the Reporting Period were approximately CNY100.6 million, representing an increase of approximately CNY48.7 million, or approximately 93.8%, as compared with approximately CNY51.9 million for the six months ended 30 June 2018. The increase in labour costs was proportionally higher than the rise in sales volume of self-produced anthracite coal during the Reporting Period, because the geological complexities of current mine faces of the Group resulted in the rise in labour cost per tonne of coal mining.

Material, fuel and energy costs for the Reporting Period were approximately CNY66.3 million, representing an increase of approximately CNY25.2 million, or approximately 61.3%, as compared with approximately CNY41.1 million for the six months ended 30 June 2018. The increase in material, fuel and energy costs was lower than the increase in sales volume of the Group's self-produced anthracite products for the Reporting Period, mainly due to the decrease in the repair and maintenance of mining machinery and equipment.

Depreciation and amortisation for the Reporting Period were approximately CNY137.0 million, representing an increase of approximately CNY79.1 million, or approximately 136.6%, as compared with approximately CNY57.9 million for the six months ended 30 June 2018. The increase in depreciation and amortisation for the Reporting Period was caused by (i) the larger depreciable base arising from the increase in property, plant and equipment at Baiping Coal Mine and Liujiaba Coal Mine; (ii) the increase in production volume; and (iii) the unit construction costs of mine faces which were higher than those of the same period last year due to the complicated geological factors having been fully depreciated during the Reporting Period.

Taxes and levies for the Reporting Period were approximately CNY35.5 million, representing an increase of approximately CNY12.1 million, or approximately 51.7%, as compared with approximately CNY23.4 million for the six months ended 30 June 2018 due to the increase in revenue. The decrease in unit taxes and levies, which mainly consisted of ad valorem resource tax, was mainly due to the drop in the average selling price of anthracite coal.

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 CNY15.5 million for the six months ended 30 June 2018 to approximately CNY27.7 million for the Reporting Period. This was mainly due to (i) the increase in coal processing volume; (ii) the increase in material, fuel and energy costs resulting from the increase in repair and maintenance of equipment and transport belts; and (iii) 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 **2019** ***CNY/tonne***	 2018 *CNY/tonne*
Labour costs	**55.2**	48.6
Raw materials, fuel and energy	**36.3**	38.5
Depreciation and amortisation	**75.1**	54.2
Taxes & levies payable to governments	**19.5**	21.9
Other production-related costs	**2.9**	2.2
Total unit cost of sales for coal mining	**189.0**	165.4

Cost Items for Coal Processing Activities	Six months ended 30 June **2019** ***CNY/tonne***	 2018 *CNY/tonne*
Labour costs	**12.5**	15.3
Materials, fuel and energy	**25.2**	6.3
Depreciation	**6.8**	8.7
Taxes & levies payable to governments	**2.3**	4.5
Other coal processing related costs	**5.6**	0.8
Total unit cost of sales for coal processing	**52.4**	35.6

Gross Profit and Gross Margin

As a result of the foregoing, the overall gross profit decreased by approximately 2.4% from approximately CNY230.8 million for the six months ended 30 June 2018 to approximately CNY225.3 million for the Reporting Period. The overall gross margin, which is equal to gross profit divided by revenue, decreased from approximately 54.6% for the six months ended 30 June 2018 to approximately 37.7% for the Reporting Period. This was mainly due to the decrease in the average selling price of anthracite coal and the increase in depreciation and labour cost per tonne as discussed above.

Profit for the Reporting Period from Continuing Operations

The profit from continuing operations decreased from approximately CNY59.4 million for the six months ended 30 June 2018 to approximately CNY27.3 million for the Reporting Period. This was mainly caused by (i) the increase of approximately CNY25.2 million in selling expenses mainly due to the increase in transportation fee and staff cost during the Reporting Period; (ii) the increase of approximately CNY6.2 million in administrative expenses mainly due to the increase in staff cost during the Reporting Period; (iii) the decrease of approximately CNY5.6 million in gross profit resulting from the decrease in the average selling price of anthracite coal and the increase in depreciation and labour cost per tonne during the Reporting Period; and (iv) the increase of approximately CNY4.4 million in other operating expenses mainly due to the 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. The decrease in profit was partially offset by the decrease of approximately CNY6.7 million in income tax expense mainly due to the increase in deferred income tax benefit resulting from the increase in unutilised tax losses.

Profit Attributable to Owners of the Parent from Continuing Operations

The profit attributable to owners of the parent from continuing operations decreased from approximately CNY47.5 million for the six months ended 30 June 2018 to approximately CNY10.8 million for the Reporting Period. The reasons for the decrease in the profit 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. On 30 May 2019, Guizhou Puxin received the first tranche of CNY10.0 million from Baoshun. Up to 30 June 2019, 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 2018 and 30 June 2019, the Group had net current liabilities of approximately CNY1,632.8 million and approximately CNY1,536.1 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 2019, the Group had cash and cash equivalents of approximately CNY78.1 million.

The interest-bearing loans consist of short-term and long-term bank and other borrowings. As at 30 June 2019, 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 CNY911.3 million. The Group had total outstanding long-term bank borrowings (excluding the current portion) of approximately CNY48.5 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 in Guizhou Puxin and equity interests in Guizhou Puxin and Guizhou Dayuan. As at 30 June 2019, the Group had loans amounting to approximately CNY177.0 million with fixed interest rates ranging from 5.00% to 7.50% per annum. The remaining loans held by the Group as at 30 June 2019 had floating interest rates ranging from 4.75% to 6.96% per annum.

Pledge of Assets of the Group

As at 31 December 2018 and 30 June 2019, the amount of outstanding bank borrowings that were guaranteed by Mr. LI Feilie were approximately CNY995.1 million and approximately CNY882.8 million, respectively and the amount of outstanding bank borrowings that were guaranteed by certain associates of Mr. LI Feilie were approximately CNY895.1 million and approximately CNY782.8 million, respectively.

As at 31 December 2018 and 30 June 2019, certain mining rights of the Group with carrying amounts of approximately CNY582.8 million and approximately CNY575.1 million, respectively were pledged to secure bank loans with carrying amounts of approximately CNY835.0 million and approximately CNY823.0 million, respectively.

As at 31 December 2018 and 30 June 2019, the Company's equity interest in Guizhou Puxin and Guizhou Dayuan were pledged to secure bank loans with carrying amounts of approximately CNY665.0 million and approximately CNY653.0 million, respectively.

As at 31 December 2018, certain machinery and equipment owned by the Group with carrying amounts of approximately CNY102.8 million were pledged to secure loans with carrying amounts of approximately CNY96.1 million, and as at 30 June 2019, no machinery and equipment 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 2019, 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 CNY78.9 million.

Contingent Liabilities

As at 30 June 2019, 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 2018 and 30 June 2019, 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 110.1% and 108.7%, respectively. The gearing ratio decreased in 2019 as the Group continuously recorded a profit for the Reporting Period.

INTERIM DIVIDEND

The Board does not declare an interim dividend for the Reporting Period (six months ended 30 June 2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group employed 1,160 full time employees (not including 1,276 workers provided by third party labour agencies) from continuing operations for its principal activities. Employees' costs (including Directors' emoluments) amounted to approximately CNY142.6 million (including payment to workers provided by third party labour agencies) for the Reporting Period (six months ended 30 June 2018: approximately CNY99.5 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

Affected by events such as mine safety accidents in northern China and import regulations, the coal industry in 2019 seems to have exhibited some different trends. Impact of the mine safety accidents is expected to continue, which means safety supervision will continue to restrict capacity release and overall production output, especially in those provinces with the accidents. Coal import increased during the first half of 2019, but with import regulations in place, it is expected that coal import will stabilise and decrease in the second half. Meanwhile, due to China's west-to-east electricity transmission project as well as substitution by new energy, data has indicated weakening coal demand from major coastal power plants. The growth of the thermal power sector is slowing down. The higher growth rates in crude steel and cement production are also expected to be temporary, as demand is expected to weaken along with a slowing economy. In the first half of 2019, demand and supply have both been relatively weak and are expected to remain so in the second half. However, it is inevitable that the gradual release of high-quality production capacity in the near future will increase market supply and create more intensified market competition. With the policies of guaranteeing coal supply and stabilising coal price, it is expected that demand and supply in the coal market will be closely monitored, and the coal price will slowly decrease while fluctuating within a reasonable range.

Guizhou province is an important base of the west-to-east electricity transmission project and a target province of China's transportation infrastructure development strategy, so coal demand in Guizhou province should be better supported. The Group intends to actively focus on coal quality management and product mix adjustment to improve the competitiveness and average selling price of its coal products. Meanwhile, the Group will, during the current period of a weak market and deteriorating 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 ensure that the Group enjoys an advantageous position in the future market competition of high-quality coal. The Group will also continue to improve production efficiency and intelligence, 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 as and 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 17 July 2019, 27 August 2019, 28 August 2019, and 30 August 2019, Guizhou Puxin received and fully drew down the bank loans amounting to CNY90.0 million, CNY200.0 million, CNY300.0 million and CNY110.0 million, respectively, out of the total CNY700.0 million long-term bank loan from China Minsheng Banking Corp., Ltd., to be repaid on 30 December 2019, 12 September 2019, 15 July 2022 and 30 December 2019, respectively. The purpose of the loans is to finance the working capital. The loans all bear a fixed interest rate of 7.00% 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. 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, 30 August 2019

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.