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 2022

## INTERIM RESULTS

*FOR THE SIX MONTHS ENDED 30 JUNE 2022*

- Revenue from continuing operations increased by approximately 56.0% to approximately CNY698.8 million for the six months ended 30 June 2022 from approximately CNY447.9 million for the six months ended 30 June 2021
- Gross profit from continuing operations increased by approximately 117.8% to approximately CNY270.7 million for the six months ended 30 June 2022 from approximately CNY124.3 million for the six months ended 30 June 2021
- Loss attributable to owners of the parent from continuing operations decreased by approximately 82.5% to approximately CNY15.8 million for the six months ended 30 June 2022 from approximately CNY90.1 million for the six months ended 30 June 2021
- Basic loss 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**") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2022 (the "**Reporting Period**"), together with the comparative figures for the corresponding six months ended 30 June 2021 as follows:

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*FOR THE SIX MONTHS ENDED 30 JUNE 2022*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2022** | 2021 |
| | *Notes* | ***CNY'000*** | *CNY'000* |
| | | **(Unaudited)** | (Unaudited) |
| **CONTINUING OPERATIONS** | | | |
| Revenue | *4* | **698,848** | 447,905 |
| Cost of sales | | **(428,180)** | (323,566) |
| Gross profit | | **270,668** | 124,339 |
| Selling and distribution expenses | | **(60,933)** | (50,132) |
| Administrative expenses | | **(79,719)** | (60,424) |
| Other operating expenses, net | | **(24,813)** | (8,164) |
| **OPERATING PROFIT** | | **105,203** | 5,619 |
| Finance costs | *5* | **(79,005)** | (80,928) |
| Interest income | | **432** | 1,830 |
| Share of loss of an associate | | **(77)** | (248) |
| Non-operating expenses, net | | **(9,524)** | (2,859) |
| **PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS** | *6* | **17,029** | (76,586) |
| Income tax expense | *7* | **(15,680)** | (15,265) |
| **PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS** | | **1,349** | (91,851) |
| **DISCONTINUED OPERATIONS** | | | |
| **PROFIT/(LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATIONS** | *3* | **27,471** | (2,108) |
| **PROFIT/(LOSS) FOR THE PERIOD** | | **28,820** | (93,959) |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)**
*FOR THE SIX MONTHS ENDED 30 JUNE 2022*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2022** | 2021 |
| | *Notes* | ***CNY'000*** | *CNY'000* |
| | | **(Unaudited)** | (Unaudited) |
| **ATTRIBUTABLE TO:** | | | |
| Owners of the parent | | | |
| From continuing operations | | **(15,801)** | (90,121) |
| From discontinued operations | | **27,475** | (2,103) |
| | | **11,674** | (92,224) |
| Non-controlling interests | | | |
| From continuing operations | | **17,150** | (1,730) |
| From discontinued operations | | **(4)** | (5) |
| | | **17,146** | (1,735) |
| | | **28,820** | (93,959) |
| **PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:** | | | |
| Basic and diluted (CNY per share) | | | |
| – For loss from continuing operations | *8* | **(0.01)** | (0.07) |
| – For profit from discontinued operations | *8* | **0.02** | * |
| – Net profit/(loss) per share | | **0.01** | (0.07) |

* *Insignificant*

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 30 JUNE 2022*

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***CNY'000*** | *CNY'000* |
| | **(Unaudited)** | (Unaudited) |
| **PROFIT/(LOSS) FOR THE PERIOD** | **28,820** | (93,959) |
| Other comprehensive income | | |
| Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **(6,250)** | 1,750 |
| Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | **5,745** | (1,701) |
| Other comprehensive (loss)/income for the period, net of tax | **(505)** | 49 |
| **TOTAL COMPREHENSIVE INCOME/(LOSS), NET OF TAX** | **28,315** | (93,910) |
| **ATTRIBUTABLE TO:** | | |
| Owners of the parent | | |
| From continuing operations | **(16,306)** | (90,072) |
| From discontinued operations | **27,475** | (2,103) |
| | **11,169** | (92,175) |
| Non-controlling interests | | |
| From continuing operations | **17,150** | (1,730) |
| From discontinued operations | **(4)** | (5) |
| | **17,146** | (1,735) |
| | **28,315** | (93,910) |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
*AS AT 30 JUNE 2022*

| | Notes | **30 June 2022** *CNY'000* **(Unaudited)** | 31 December 2021 *CNY'000* (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *10* | **2,556,555** | 2,485,772 |
| Right-of-use assets | *11(a)* | **300,351** | 330,238 |
| Rehabilitation fund | | **11,953** | 10,112 |
| Prepayments and other receivables | | **65,022** | 66,035 |
| Investment in an associate | | **–** | 797 |
| Deferred tax assets | *7* | **47,115** | 54,745 |
| **TOTAL NON-CURRENT ASSETS** | | **2,980,996** | 2,947,699 |
| **CURRENT ASSETS** | | | |
| Inventories | | **33,443** | 31,527 |
| Trade and bills receivables | *12* | **38,036** | 91,866 |
| Prepayments and other receivables | | **117,604** | 120,359 |
| Financial assets at fair value through profit or loss | | **6,850** | 6,431 |
| Pledged deposits | | **35,019** | 61,300 |
| Cash and cash equivalents | | **28,739** | 23,952 |
| | | **259,691** | 335,435 |
| Assets of a disposal group classified as held for sale | *3(b)* | **–** | 83,310 |
| **TOTAL CURRENT ASSETS** | | **259,691** | 418,745 |
| **TOTAL ASSETS** | | **3,240,687** | 3,366,444 |
| **LIABILITIES AND EQUITY** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | *13* | **762,426** | 722,964 |
| Other payables and accruals | | **684,984** | 647,352 |
| Interest-bearing bank and other borrowings | *14* | **1,533,761** | 1,605,764 |
| Lease liabilities | *11(b)* | **88,722** | 100,332 |
| Due to an associate | | **104** | 164 |
| Interest payable | | **39,503** | 37,391 |
| Income tax payable | | **75,033** | 91,798 |
| Mining right payables | | **43,780** | 43,780 |
| Deferred income | | **2,851** | 2,851 |
| | | **3,231,164** | 3,252,396 |
| Liabilities directly associated with the assets classified as held for sale | *3(b)* | **–** | 62,710 |
| **TOTAL CURRENT LIABILITIES** | | **3,231,164** | 3,315,106 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*AS AT 30 JUNE 2022*

| | Notes | 30 June 2022 CNY'000 (Unaudited) | 31 December 2021 CNY'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Due to a related company | | **194,878** | 233,278 |
| Due to the Shareholder | | **8,537** | 6,521 |
| Interest-bearing bank and other borrowings | *14* | **263,351** | 288,998 |
| Lease liabilities | *11(b)* | **57,110** | 77,755 |
| Deferred tax liabilities | *7* | **76,843** | 63,350 |
| Deferred income | | **14,280** | 15,706 |
| Asset retirement obligations | | **14,283** | 13,804 |
| **TOTAL NON-CURRENT LIABILITIES** | | **629,282** | 699,412 |
| **TOTAL LIABILITIES** | | **3,860,446** | 4,014,518 |
| **EQUITY** | | | |
| Share capital | | **1,081** | 1,081 |
| Reserves | | **(839,117)** | (850,286) |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** | | **(838,036)** | (849,205) |
| **NON-CONTROLLING INTERESTS** | | **218,277** | 201,131 |
| **TOTAL EQUITY** | | **(619,759)** | (648,074) |
| **TOTAL LIABILITIES AND EQUITY** | | **3,240,687** | 3,366,444 |

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

### 1.1 BASIS OF PREPARATION

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

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

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 2022, the Group had net current liabilities of approximately CNY2,971.5 million (31 December 2021: CNY2,896.4 million) and total assets less current liabilities of approximately CNY9.5 million (31 December 2021: CNY51.3 million).

***Going concern***

As at 30 June 2022, the Group had net current liabilities of approximately CNY2,971.5 million and shareholders' deficit of approximately CNY619.8 million. In view of these circumstances, the Directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Feishang Enterprise Group Co., Ltd., controlled by Mr. Li Feilie, has undertaken to provide continuous financial support to the Group to enable it to have sufficient liquidity to finance its operations.

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 2021, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

| | |
|---|---|
| Amendments to IFRS 3 | *Reference to the Conceptual Framework* |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use* |
| Amendments to IAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract* |
| *Annual Improvements to IFRS Standards 2018-2020* | Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 |

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

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss, the amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

*IFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

*IFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

## 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 three largest customers amounted to 22.7%, 13.9% and 12.6% of the consolidated revenue, respectively. During the six months ended 30 June 2021, revenue derived from sales to the three largest customers amounted to 35.3%, 13.1% and 10.4% 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. There was no significant impact of the discontinued operation on the interim 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 2021 are presented below:

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***CNY'000*** | *CNY'000* |
| | **(Unaudited)** | (Unaudited) |
| Finance costs | **(1)** | (1) |
| Non-operating expenses, net | **(352)** | (392) |
| **LOSS BEFORE INCOME TAX** | **(353)** | (393) |
| Income tax expense | **–** | – |
| **LOSS FOR THE PERIOD FROM A DISCONTINUED OPERATION** | **(353)** | (393) |
| Attributable to: | | |
| Owners of the parent | **(349)** | (388) |
| Non-controlling interests | **(4)** | (5) |
| | **(353)** | (393) |

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

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***CNY'000*** | *CNY'000* |
| | **(Unaudited)** | (Unaudited) |
| Operating activities | **(376)** | (508) |
| Financing activities | **399** | 560 |
| Net cash inflow | **23** | 52 |

**(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 Nayang 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) |
| **OPERATING PROFIT** | 424 |
| Finance costs | (34) |
| Non-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 details of the net assets of discontinued operation as at 28 March 2022 are as follows:

| | **At 28 March 2022** |
|---|---|
| | ***CNY'000*** |
| | **(Unaudited)** |
| Net assets disposed of: | |
| Property, plant and equipment | 71,051 |
| Inventories | 6,057 |
| Rehabilitation fund | 1,500 |
| Prepayments and other receivables | 6,862 |
| Trade receivables | 27 |
| Cash and cash equivalents | 1,676 |
| Trade payables | (2,274) |
| Other payables and accruals | (37,309) |
| Income tax payable | (1,221) |
| Deferred tax liabilities | (20,363) |
| Asset retirement obligations | (1,884) |
| | 24,122 |
| Gain on disposal of the discontinued operation | 25,878 |
| | 50,000 |
| **Satisfied by:** | |
| Other payable* | 50,000 |

* The cash consideration has been fully received in 2019.

An analysis of the cash flows of cash and cash equivalents in respect of the disposal of the discontinued operation is as follows:

| | **Six months ended 30 June 2022** |
|---|---|
| | ***CNY'000*** |
| | **(Unaudited)** |
| Cash consideration received in 2022 | – |
| Less: Cash and cash equivalents disposed of | (1,676) |
| Net cash outflows from the disposal of the discontinued operation | (1,676) |

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

| | For the period from 1 January 2022 to 28 March 2022 *CNY'000* (Unaudited) |
|---|---|
| Operating activities | 3,216 |
| Investing activities | (964) |
| Financing activities | (1,577) |
| Net cash inflow | 675 |

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

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

## 4. REVENUE FROM CONTINUING OPERATIONS

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***CNY'000*** | *CNY'000* |
| | **(Unaudited)** | (Unaudited) |
| Revenue from contracts with customers | **698,848** | 447,905 |

### (i) Disaggregated revenue information

| | Six month ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***CNY'000*** | *CNY'000* |
| | **(Unaudited)** | (Unaudited) |
| Types of goods | | |
| Sale of coal | **698,673** | 451,034 |
| Coal trading | **175** | (3,129) |
| | **698,848** | 447,905 |
| Geographic market | | |
| Mainland China | **698,848** | 447,905 |
| Timing of revenue recognition | | |
| Goods transferred at a point of time | **698,848** | 447,905 |

### (ii) Performance obligations

Information about the Group's performance obligations is summarised below:

***Sale of coal***

The performance obligation is satisfied upon delivery of the coal and payment is generally due within 30 days from delivery, except for new customers, where payment in advance is normally required.

***Coal trading***

The performance obligation is satisfied upon receipt of the coal and payment is generally due within 30 days from receipt.

## 5. FINANCE COSTS FROM CONTINUING OPERATIONS

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***CNY'000*** | *CNY'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest on interest-bearing bank and other borrowings | **66,717** | 68,351 |
| Interest on lease liabilities | **4,700** | 6,875 |
| Interest on payables for mining rights | **1,073** | 1,073 |
| Total interest expense | **72,490** | 76,299 |
| Bank charges | **1,402** | 550 |
| Discount interest | **4,634** | 3,631 |
| Accretion expenses | **479** | 448 |
| | **79,005** | 80,928 |

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

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

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***CNY'000*** | *CNY'000* |
| | **(Unaudited)** | (Unaudited) |
| Crediting: | | |
| Interest income on bank deposits | **432** | 1,830 |
| Government grant[(a)] | **1,625** | 1,778 |
| Charging: | | |
| Cost of inventories sold[(b)] | **321,480** | 257,639 |
| Sales tax and surcharge | **32,177** | 22,911 |
| Utilisation of the safety fund and production maintenance fund | **74,523** | 43,016 |
| Cost of sales | **428,180** | 323,566 |
| Employee benefit expenses | **180,949** | 152,186 |
| Depreciation, depletion and amortisation: | | |
| – Property, plant and equipment | **131,083** | 107,444 |
| – Right-of-use assets | **14,047** | 15,702 |
| Lease payments not included in the measurement of lease liabilities | **164** | – |
| Impairment/(reversal of impairment) of financial assets, net | **2,536** | (3,114) |
| Impairment of investment in an associate | **720** | – |
| Loss on disposal of property and equipment | **3,253** | – |
| Gains from financial assets at fair value through profit or loss | **458** | 201 |
| Repairs and maintenance | **19,403** | 10,381 |

(a) Included in the government grant was a total amount of approximately CNY1.59 million in non-operating income and approximately CNY0.03 million in other operating income for the Reporting Period.

(b) Included in the cost of inventories sold was approximately CNY264.0 million for the Reporting Period (six months ended 30 June 2021: CNY219.2 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 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 2021: 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 2021. 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 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 2021: 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 2022, 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 expense from the continuing operations are as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2022** | 2021 |
| | ***CNY'000*** | *CNY'000* |
| | **(Unaudited)** | (Unaudited) |
| Current – Mainland China | **(5,443)** | 12,423 |
| Deferred – Mainland China | **21,123** | 2,842 |
| | **15,680** | 15,265 |

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

| | **At 30 June 2022** *CNY'000* **(Unaudited)** | At 31 December 2021 *CNY'000* (Audited) |
|---|---|---|
| Deferred tax assets | | |
| Accrued liabilities and other payables | **6,093** | 5,707 |
| Capitalised pilot run income | **10,025** | 10,458 |
| Tax losses | **50,594** | 65,388 |
| Depreciation of property, plant and equipment | **27,881** | 24,056 |
| Temporary difference related to lease | **4,596** | 4,262 |
| Bad debt provision | **5,664** | 5,664 |
| | **104,853** | 115,535 |
| Deferred tax liabilities | | |
| Depreciation and fair value adjustment of property, plant and equipment | **(134,581)** | (124,140) |
| Net deferred tax liabilities | **(29,728)** | (8,605) |
| Classification in the interim condensed consolidated statement of financial position: | | |
| Deferred tax assets | **47,115** | 54,745 |
| Deferred tax liabilities | **(76,843)** | (63,350) |

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

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

| | Six months ended 30 June | |
|---|---|---|
| | **2022** | 2021 |
| | ***CNY'000*** | *CNY'000* |
| | **(Unaudited)** | (Unaudited) |
| Profit/(loss) for the period attributable to ordinary equity holders of the parent: | | |
| from continuing operations | **(15,801)** | (90,121) |
| from discontinued operations | **27,475** | (2,103) |
| | **11,674** | (92,224) |
| Weighted average number of ordinary shares ('000 shares): | | |
| Basic and diluted | **1,380,546** | 1,380,546 |
| Profit/(loss) per share attributable to ordinary equity holders of the parent (CNY per share): | | |
| Basic and diluted | | |
| from continuing operations | **(0.01)** | (0.07) |
| from discontinued operations | **0.02** | * |
| | **0.01** | (0.07) |

* *Insignificant*

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

## 9. DIVIDEND

No dividend has been paid or declared by the Company for the Reporting Period (six months ended 30 June 2021: 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 CNY17.3 million (six months ended 30 June 2021: approximately CNY20.0 million) and approximately CNY143.2 million (six months ended 30 June 2021: approximately CNY59.8 million), respectively.

During the Reporting Period, the total depreciation accrued was approximately CNY131.1 million (six months ended 30 June 2021: approximately CNY107.4 million).

As at 30 June 2022, certain mining rights with a carrying amount of approximately CNY468.6 million (31 December 2021: approximately CNY478.4 million) were pledged to secure bank loans with a carrying amount of approximately CNY1,570.1 million (31 December 2021: approximately CNY1,612.8 million) (Note 14).

As at 30 June 2022, certain mining structure, machinery and equipment with a carrying amount of approximately CNY110.8 million (31 December 2021: approximately CNY88.4 million) were pledged to secure bank loans with a carrying amount of CNY56.0 million (31 December 2021: CNY37.0 million) (Note 14).

As at 30 June 2022, certain buildings with a carrying amount totalling approximately CNY93.4 million (31 December 2021: approximately CNY94.2 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** | **Machinery and equipment** | **Buildings** | **Total** |
|---|---|---|---|---|
| | *CNY'000* | *CNY'000* | *CNY'000* | *CNY'000* |
| As at 1 January 2021 | 54,283 | 186,094 | 1,100 | 241,477 |
| Additions | 641 | 116,151 | 5,900 | 122,692 |
| Depreciation charge | (410) | (31,722) | (1,541) | (33,673) |
| Reclassified to property, plant and equipment | – | (258) | – | (258) |
| As at 31 December 2021 and 1 January 2022 | **54,514** | **270,265** | **5,459** | **330,238** |
| Additions | **1,027** | **27,843** | **–** | **28,870** |
| Depreciation charge | **(197)** | **(12,808)** | **(1,042)** | **(14,047)** |
| Reclassified to property, plant and equipment | **–** | **(44,710)** | **–** | **(44,710)** |
| As at 30 June 2022 | **55,344** | **240,590** | **4,417** | **300,351** |

### (b) Lease liabilities

| | At 30 June 2022 *CNY'000* (Unaudited) | At 31 December 2021 *CNY'000* (Audited) |
|---|---|---|
| Carrying amount at the beginning of period/year | **178,087** | 130,486 |
| New leases | **27,670** | 122,692 |
| Accretion expense | **4,700** | 12,293 |
| Payments | **(64,625)** | (87,384) |
| Carrying amount at the end of period/year | **145,832** | 178,087 |
| Analysed into: | | |
| Current portion | **88,722** | 100,332 |
| Non-current portion | **57,110** | 77,755 |

## 12. TRADE AND BILLS RECEIVABLES

| | At 30 June 2022 *CNY'000* (Unaudited) | At 31 December 2021 *CNY'000* (Audited) |
|---|---|---|
| Trade receivables | **87,732** | 121,811 |
| Less: Loss allowance for impairment of trade receivables | **(55,893)** | (53,357) |
| | **31,839** | 68,454 |
| Bills receivable | **6,197** | 23,412 |
| | **38,036** | 91,866 |

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

Trade receivables of approximately CNY237.6 million (31 December 2021: approximately CNY61.9 million) were pledged as security for a short-term loan of CNY302.1 million (31 December 2021: CNY50.0 million) as at 30 June 2022 (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 2022** | At 31 December 2021 |
|---|---|---|
| | ***CNY'000*** | *CNY'000* |
| | **(Unaudited)** | (Audited) |
| Within 3 months | **21,789** | 15,324 |
| 3 to 6 months | **1,696** | 15,793 |
| 6 to 12 months | **656** | 28,538 |
| Over 12 months | **7,698** | 8,799 |
| | **31,839** | 68,454 |

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

| | **At 30 June 2022** | At 31 December 2021 |
|---|---|---|
| | ***CNY'000*** | *CNY'000* |
| | **(Unaudited)** | (Audited) |
| At the beginning of the period/year | **53,357** | 55,318 |
| Impairment/(reversal of impairment), net | **2,536** | (1,961) |
| At the end of the period/year | **55,893** | 53,357 |

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 2022** | At 31 December 2021 |
|---|---|---|
| | ***CNY'000*** | *CNY'000* |
| | **(Unaudited)** | (Audited) |
| Trade payables[(a)] | **717,426** | 702,964 |
| Bills payable | **45,000** | 20,000 |
| | **762,426** | 722,964 |

(a) Included in trade payables was approximately CNY445.9 million (31 December 2021: approximately CNY413.0 million) due to construction-related contractors as at 30 June 2022.

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

| | **At 30 June 2022** | At 31 December 2021 |
|---|---|---|
| | ***CNY'000*** | *CNY'000* |
| | **(Unaudited)** | (Audited) |
| Within one year | **230,458** | 285,948 |
| One to two years | **461,712** | 406,888 |
| Two to three years | **21,530** | 6,385 |
| More than three years | **3,726** | 3,743 |
| | **717,426** | 702,964 |

Bills payable are bills of exchange with maturity of less than one year. Pledged deposits of CNY35.0 million (31 December 2021: CNY10.0 million) were pledged to secure the bank bills as at 30 June 2022.

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 2022** *CNY'000* **(Unaudited)** | At 31 December 2021 *CNY'000* (Audited) |
|---|---|---|
| **Current** | | |
| Bank and other borrowings – guaranteed | **90,000** | 90,000 |
| Bank and other borrowings – secured | **50,000** | 100,000 |
| Bank and other borrowings – secured and guaranteed | **283,129** | 55,000 |
| Current portion of long-term bank and other borrowings – secured and guaranteed | **1,110,632** | 1,360,764 |
| | **1,533,761** | 1,605,764 |
| **Non-current** | | |
| Bank and other borrowings – secured and guaranteed | **263,351** | 288,998 |
| | **263,351** | 288,998 |
| | **1,797,112** | 1,894,762 |

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 CNY468.6 million (31 December 2021: CNY478.4 million) (Note 10) and Xingwang mining right of Guizhou Feishang Energy Co., Ltd. (貴州飛尚能源有限公司), which is a related party, as at 30 June 2022;

(2) pledges over the Company's equity interests in Guizhou Puxin, Guizhou Dayun Mining Co., Ltd. ("**Guizhou Dayun**") and Jinsha Baiping Mining Co., Ltd. ("**Baiping Mining**") as at 30 June 2022 and pledges over the Company's equity interests in Guizhou Puxin and Guizhou Dayun as at 31 December 2021;

(3) pledges over trade receivables in Liuzhi Xinsong Coal Mining Co., Ltd. ("**Xinsong Coal**") and Jinsha Juli with a carrying amount of approximately CNY237.6 million (31 December 2021: CNY61.9 million in Jinsha Juli) as at 30 June 2022 (Note 12);

(4) pledges over mining structure, machinery and equipment owned by Guizhou Dayun with a carrying amount of approximately CNY86.8 million and by Baiping Mining with a carrying amount of approximately CNY24.0 million (31 December 2021: CNY88.4 million owned by Guizhou Dayun) (Note 10); and

(5) the pledge of a deposit with a carrying amount of nil (31 December 2021: CNY51.3 million in Guizhou Puxin and Xinsong Coal) as at 30 June 2022.

In addition, Mr. LI Feilie has guaranteed certain of the Group's interest-bearing bank and other borrowings of up to approximately CNY1,716.1 million (31 December 2021: approximately CNY1,739.8 million) as at 30 June 2022. Also, the Group's fellow subsidiaries have guaranteed certain of the Group's interest-bearing bank and other borrowings of up to approximately CNY1,716.1 million (31 December 2021: approximately CNY1,794.8 million) as at 30 June 2022.

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 2022, the Group had net current liabilities of approximately CNY2,971.5 million and shareholders' deficit of approximately CNY619.8 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 2022, the world witnessed the Russia-Ukraine conflict, energy crisis and high inflation. External risks and uncertainties continued to create challenges for China's economy and Chinese enterprises. China continued to fight against the COVID-19 pandemic while making great efforts to achieve economic recovery, but the economy was adversely affected by resurgence of the COVID-19 pandemic in major cities. In the first half of 2022, China's gross domestic product ("GDP") grew at a year-on-year rate of 2.5%, which was below target.

Within the coal industry, in the first half of 2022, coal supply and demand were generally in tight balance, and the risks of serious mismatches were temporarily mitigated. On the supply side, although coal supply still lacked elasticity due to supply-side reform, low capital expenditures and tight safety supervision and environmental inspections, the policy of securing coal supply was quite effective in gradually expanding production capacity and increasing coal supply. Meanwhile, coal imports further decreased and remained at low levels. Overall, coal supply was still constrained and under pressure. On the demand side, except the coal chemical industry which grew at a high rate, other downstream industries, including the thermal power industry, iron and steel industry and cement industry, were relatively weak due to resurgence of the COVID-19 pandemic in major cities in the first half 2022 and regulation of the real estate industry. The economy and coal demand were yet to recover from the impacts of the pandemic. In the first half of 2022, the price of coal increased until mid-March. Then it started to decline until May, when it stabilised at a relatively high level, which was the price ceiling set by the National Development and Reform Commission.

For the six months ended 30 June 2022, the Group recorded a turnaround from consolidated loss attributable to owners of the parent of approximately CNY92.2 million to consolidated profit for the period of approximately CNY11.7 million. As disclosed in the Profit Alert announcement of the Company dated 3 August 2022, thanks to the continued strong coal market sentiment and relatively high market price, the Group recorded an increase in revenue and gross profit for the six months ended 30 June 2022. The average selling price and sales volume of the Group's coal products increased as compared to the corresponding period in 2021. However, 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. Therefore, the average selling price and sales volume of the Group's coal products only benefited to a limited extent from the strong coal market sentiment. If not for the profit from the discontinued operations which included the gain on the disposal of Guizhou Dayuan during the six months ended 30 June 2022, the Group would have expected to record consolidated loss attributable to owners of the parent for the six months ended 30 June 2022. Also, the Group continued to incur financial burden due to the existing interest-bearing loans carried forward from 2021, which further undermined the Group's profitability.

## FINANCIAL REVIEW

### Continuing Operations

#### *Revenue*

The Group's total revenue increased by approximately 56.0% from approximately CNY447.9 million for the six months ended 30 June 2021 to approximately CNY698.8 million for the Reporting Period. The approximate CNY250.9 million increase in revenue during the Reporting Period was mainly contributed by the rise in the average selling price of self-produced anthracite coal and the increase in sales volume of self-produced anthracite coal. The sales volume of self-produced anthracite coal increased from approximately 1.17 million tonnes for the six months ended 30 June 2021 to approximately 1.37 million tonnes for the Reporting Period, representing an increase of approximately 17.1%, and the average selling price net of value-added tax of self-produced anthracite coal rose from CNY385.9 per tonne for the six months ended 30 June 2021 to CNY509.6 per tonne for the Reporting Period, representing an increase of approximately 32.1%, mainly as a result of the notable rebound in coal market sentiment.

The Group's revenue from sales of processed coal (including coal screening and/or coal washing and coal blending), amounting to 49.0% and 54.5% of total revenue for the six months ended 30 June 2021 and the Reporting Period, respectively, increased from approximately CNY219.3 million (0.41 million tonnes sales volume) for the six months ended 30 June 2021 to approximately CNY381.0 million (0.47 million tonnes sales volume) during the Reporting Period. The increase in revenue from sales of processed coal was mainly due to a surge of CNY275.8 per tonne in the average selling price of processed coal. The reason for the increase in the average selling price has been discussed above.

### *Cost of Sales*

The Group's cost of sales increased by approximately 32.3% from approximately CNY323.6 million for the six months ended 30 June 2021 to approximately CNY428.2 million for the Reporting Period. The increase was mainly due to the increase of approximately 17.1% in sales volume of self-produced anthracite coal and the increase in the unit production cost.

*Cost of Sales for Coal Mining*

Labour costs for the Reporting Period were approximately CNY128.4 million, representing an increase of approximately CNY22.9 million, or approximately 21.7%, as compared with approximately CNY105.5 million for the six months ended 30 June 2021. The increase in labour costs were proportionally higher than the increase in sales volume of self-produced anthracite coal during the Reporting Period because of the rise in labour cost per tonne of coal mining caused by the geological complexities of current mine faces and the stringent safety supervision measures in Jinsha County in which the Group's major coal mines were located.

Material, fuel and energy costs for the Reporting Period were approximately CNY92.7 million, representing an increase of approximately CNY39.0 million, or approximately 72.6%, as compared with approximately CNY53.7 million for the six months ended 30 June 2021. The surge in material, fuel and energy costs were proportionally higher than the increase in sales volume of self-produced anthracite coal during the Reporting Period because the Group incurred additional repair and maintenance of mine tunnels and used more materials which were caused by the stringent safety supervision measures imposed by the local government and the geological complexities of current mine faces.

Depreciation and amortisation for the Reporting Period were approximately CNY131.7 million, representing an increase of approximately CNY22.1 million, or approximately 20.2%, as compared with approximately CNY109.6 million for the six months ended 30 June 2021. The increase in depreciation and amortisation for the Reporting Period was mainly caused by the increase in production volume.

Taxes and levies for the Reporting Period were approximately CNY31.4 million, representing an increase of approximately CNY10.1 million, or approximately 47.4%, as compared with approximately CNY21.3 million for the six months ended 30 June 2021. The increase in sales taxes and levies, which mainly consisted of ad valorem resource tax, was mainly due to the increase in revenue arising from the rise in the average selling price 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 CNY27.8 million for the six months ended 30 June 2021 to approximately CNY33.7 million for the Reporting Period. This was mainly due to the increase in material, fuel and energy costs resulting from the increase in repair and maintenance of equipment and transport belts during the Reporting Period, which was partially offset by the decrease in transportation fee from Dayun Coal Mine, Baiping Coal Mine and Yongsheng 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 **2022** *CNY/tonne* | 2021 *CNY/tonne* |
|---|---|---|
| Labour costs | **93.6** | 90.3 |
| Raw materials, fuel and energy | **67.6** | 46.0 |
| Depreciation and amortisation | **96.1** | 93.7 |
| Taxes & levies payable to governments | **22.9** | 18.3 |
| Other production-related costs | **7.5** | 4.8 |
| Total unit cost of sales for coal mining | **287.7** | 253.1 |

| Cost Items for Coal Processing Activities | Six months ended 30 June **2022** *CNY/tonne* | 2021 *CNY/tonne* |
|---|---|---|
| Labour costs | **10.7** | 9.8 |
| Materials, fuel and energy | **28.7** | 21.7 |
| Depreciation | **12.0** | 11.6 |
| Taxes & levies payable to governments | **3.8** | 3.8 |
| Transportation fee | **12.1** | 16.9 |
| Other coal processing related costs | **4.1** | 4.1 |
| Total unit cost of sales for coal processing | **71.4** | 67.9 |

***Gross Profit and Gross Margin***

As a result of the foregoing, the overall gross profit increased by approximately 117.8% from approximately CNY124.3 million for the six months ended 30 June 2021 to approximately CNY270.7 million for the Reporting Period. The overall gross margin, which is equal to gross profit divided by revenue, increased from approximately 27.8% for the six months ended 30 June 2021 to approximately 38.7% for the Reporting Period. The increase in overall gross profit and gross margin was mainly contributed by the rise in the average selling price of anthracite coal as discussed above.

### *Profit/Loss for the Reporting Period from Continuing Operations*

The profit from continuing operations was approximately CNY1.3 million for the Reporting period, compared with the loss of approximately CNY91.9 million for the six months ended 30 June 2021. The decrease in loss from continuing operations for the Reporting Period was mainly caused by the increase of approximately CNY146.4 million in gross profit mainly resulting from the rise in average selling price and the increase in sales volume of self-produced anthracite coal during the Reporting Period. The decrease in loss was partially offset by (i) the increase of approximately CNY19.3 million in administrative expenses mainly due to the increase in staff cost and travel and entertainment expenses as the Group's operation expand; (ii) the increase of approximately CNY16.6 million in other operating expenses mainly due to the increase in the compensation paid to local residents for repairing the damaged houses and/or relocation affected by the mines' operations of the Group; (iii) the increase of approximately CNY10.8 million in selling expenses mainly due to the increase in transportation cost for delivery of thermal coal; and (iv) the increase of approximately CNY6.7 million in non-operating expenses mainly due to the disposal of property, plant and equipment which can't be used for daily operations.

### *Loss Attributable to Owners of the Parent from Continuing Operations*

The loss attributable to owners of the parent from continuing operations decreased to approximately CNY15.8 million during the Reporting Period from approximately CNY90.1 million for the six months ended 30 June 2021. The reasons for the decrease 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. In addition, the gain of approximately CNY25.9 million recognised on the disposal of Guizhou Dayuan is included in the results of the discontinued operation.

## FINANCIAL RESOURCES REVIEW

### Liquidity, Financial Resources and Capital Structure

As at 31 December 2021 and 30 June 2022, the Group had net current liabilities of approximately CNY2,896.4 million and approximately CNY2,971.5 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 2022, the Group had cash and cash equivalents of approximately CNY28.7 million.

The interest-bearing loans consist of short-term and long-term bank and other borrowings. As at 30 June 2022, 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 CNY1,533.8 million. The Group had total outstanding long-term bank borrowings (excluding the current portion) of approximately CNY263.4 million. Some of the outstanding bank and other borrowings are guaranteed by Mr. LI Feilie and/or companies controlled by him, and some of the Group's bank borrowings are secured by pledges of the mining rights of the Group and Xinwang mining right of Guizhou Feishang Energy Co., Ltd. (an associate of Mr. LI Feilie, the controlling shareholder of the Company), equity interests in Guizhou Puxin, Guizhou Dayun and Baiping Mining, certain trade receivables in Jinsha Juli and Xinsong Coal, certain mining structure, machinery and equipment in Guizhou Dayun and Baiping Mining. As at 30 June 2022, the Group had loans amounting to approximately CNY1,094.1 million with fixed interest rates ranging from 5.4625% to 9.26% per annum. The remaining loans held by the Group as at 30 June 2022 had floating interest rates ranging from 7.025% to 7.35% per annum.

### Pledge of Assets of the Group

As at 31 December 2021 and 30 June 2022, the amount of outstanding bank borrowings that were guaranteed by Mr. LI Feilie were approximately CNY1,739.8 million and approximately CNY1,716.1 million, respectively and the amount of outstanding bank borrowings that were guaranteed by certain associates of Mr. LI Feilie were approximately CNY1,794.8 million and approximately CNY1,716.1 million, respectively.

As at 31 December 2021 and 30 June 2022, certain mining rights of the Group with carrying amounts of approximately CNY478.4 million and approximately CNY468.6 million, respectively were pledged to secure bank loans with carrying amounts of CNY1,612.8 million and CNY1,570.1 million, respectively.

As at 31 December 2021, the Company's equity interest in Guizhou Puxin and Guizhou Dayun were pledged to secure bank loans with a carrying amount of CNY669.5 million, and as at 30 June 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 approximately CNY671.0 million.

As at 31 December 2021 and 30 June 2022, certain mining structure, machinery and equipment owned by the Group with carrying amounts of approximately CNY88.4 million and approximately CNY110.8 million, respectively were pledged to secure the loans with carrying amounts of CNY37.0 million and approximately CNY56.0 million, respectively.

As at 31 December 2021 and 30 June 2022, certain trade receivables owned by the Group with carrying amounts of approximately CNY61.9 million and approximately CNY237.6 million, respectively were pledged to secure loans with carrying amounts of CNY50.0 million and CNY302.1 million, respectively.

As at 31 December 2021, certain bank deposits owned by the Group with the carrying amounts of CNY51.3 million were pledged to secure the loans with a carrying amount of CNY50.0 million, and as at 30 June 2022, no bank deposit owned by the Group was 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 2022, the Group had contractual capital commitments in respect of coal mines mainly for construction of new tunnels and purchase of machinery and equipment amounting to approximately CNY18.1 million.

**Contingent Liabilities**

As at 30 June 2022, 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 2021 and 30 June 2022, 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 144.1% and 145.3%, 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 2021: Nil).

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group employed 1,290 full time employees (not including 1,635 workers provided by third party labour agencies) from continuing operations for its principal activities. Employees' costs (including Directors' emoluments) amounted to approximately CNY181.4 million (including payment to workers provided by third party labour agencies) for the Reporting Period (six months ended 30 June 2021: approximately CNY162.1 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 sustained low capital expenditures in the coal industry, long construction cycles, rigorous approval procedures for new production capacity, as well as tight control over mine safety and close monitoring of environmental compliance, the future expansion of production capacity and output in the coal industry is expected to remain mild and constrained. Also, coal imports are expected to remain low under international energy shortage and increasing international coal price. Policies of securing coal supply and price caps are expected to be in place to increase production output and regulate the market.

On the demand side, the targeted and highly supportive fiscal and monetary stabilising policies implemented by the Chinese government are expected to gradually show effects and support China's economy to recover from the impacts of the pandemic, which will lend steady support to overall electricity consumption as well as coal demand. The chemical industry is expected to maintain rapid growth and continue to benefit from the high international oil price, further boosting coal demand. The iron and steel industry and building materials industry are expected to remain relatively weak awaiting the recovery of the depressed real estate industry. In the near future, coal supply and demand are expected to both maintain mild growth and generally stay in a tight balance, but periodic and regional mismatch might still occur from time to time. In the second half of 2022, the price of coal is expected to remain at a relatively high level, which is the price ceiling set by the National Development and Reform Commission.

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.

## 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 14 July 2022, Jinsha Juli and Jiangxi Province Haiji Financial Leasing Co., Ltd. entered into a factoring agreement. Under the factoring agreement, on 18 July 2022, Jinsha Juli received a short-term loan amounting to CNY50.0 million to finance its working capital on security of a pledge over its trade receivables of approximately CNY72.1 million. The short-term loan, which bears a fixed interest rate of 9.291% per annum, is repayable on 17 July 2023.

On 15 July 2022 and 18 July 2022, Guizhou Puxin received and fully drew down the loan facilities amounting to CNY465.0 million and CNY145.0 million from China Minsheng Banking Corp., Ltd., to be repaid on 15 July 2023 and 18 July 2023, respectively. The purpose of the loans is to finance the working capital. The loans bear a fixed annual interest rate 7.0% per annum and 6.0% per annum, respectively.

On 28 July 2022, pursuant to the finance lease agreement entered on 22 April 2022 among Guizhou Puxin and Guizhou Yongfu Mining Co., Ltd. ("**Guizhou Yongfu**"), and CCTEG Financial Leasing Co., Ltd. ("**CCTEG**"), CCTEG agreed to acquire the relevant coal machinery and equipment as per the instructions given by Guizhou Puxin and Guizhou Yongfu and to lease the relevant coal machinery and equipment to Guizhou Puxin and Guizhou Yongfu at a total rental amount of approximately CNY43.1 million. In addition, Guizhou Puxin, Guizhou Yongfu, and CCTEG entered into the sale and purchase agreements with four equipment vendors, respectively, pursuant to which CCTEG agreed to acquire the relevant coal machinery and equipment from the four equipment vendors as per the instructions given by Guizhou Puxin and Guizhou Yongfu at a total consideration of approximately CNY39.0 million. For details of the Group's finance lease arrangement, please refer to the announcement of the Company dated 28 July 2022.

On 18 August 2022, Guizhou Puxin received and fully drew down a CNY80.0 million short-term bank loan from Liupanshui branch of Bank of Guizhou Co., Ltd. to be repaid on 17 August 2023. 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 3.075% (3.7% per annum, resulting in an annual interest rate of 6.775% per annum).

On 30 August 2022, Guizhou Puxin received and fully drew down a CNY70.0 million short-term bank loan from Liupanshui branch of Bank of Guizhou Co., Ltd. to be repaid on 29 August 2023. 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 3.125% (3.65% per annum, resulting in an annual interest rate of 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 2022

*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.*