



# 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



**2019**  
INTERIM REPORT



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. HAN Weibing (*Chairman and Chief Executive Officer*)

Mr. HU Lubao

Mr. TAM Cheuk Ho

Mr. WONG Wah On Edward

Mr. YUE Ming Wai Bonaventure

#### Independent Non-executive Directors

Mr. LO Kin Cheung

Mr. HUANG Zuye

Mr. WANG Xiufeng

### AUTHORISED REPRESENTATIVES

Mr. WONG Wah On Edward

Mr. YUE Ming Wai Bonaventure

### COMPANY SECRETARY

Mr. YUE Ming Wai Bonaventure

### AUDIT COMMITTEE

Mr. LO Kin Cheung (*Chairman*)

Mr. HUANG Zuye

Mr. WANG Xiufeng

### NOMINATION COMMITTEE

Mr. HUANG Zuye (*Chairman*)

Mr. LO Kin Cheung

Mr. WANG Xiufeng

Mr. TAM Cheuk Ho

### REMUNERATION COMMITTEE

Mr. WANG Xiufeng (*Chairman*)

Mr. HUANG Zuye

Mr. LO Kin Cheung

Mr. HAN Weibing

### CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. WANG Xiufeng (*Chairman*)

Mr. HU Lubao

Mr. HAN Weibing

### AUDITORS

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower

1 Tim Mei Avenue

Central

Hong Kong

### REGISTERED OFFICE

Maples Corporate Services (BVI) Limited

Kingston Chambers, P.O. Box 173

Road Town, Tortola

British Virgin Islands

### HONG KONG OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2205, Shun Tak Centre

200 Connaught Road Central

Sheung Wan

Hong Kong

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Facsimile: +852 28106963

### COMPANY'S WEBSITE

<http://www.fsanthracite.com>

### COMPANY'S STOCK CODE

1738.HK

## CORPORATE INFORMATION

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### LEGAL ADVISERS

*(As to Hong Kong Law)*  
MinterEllison LLP

*(As to PRC Law)*  
Commerce & Finance Law Offices

*(As to British Virgin Islands Law)*  
Maples and Calder

### PRINCIPAL BANKERS

China Minsheng Banking Corp., Ltd.  
Baoshang Bank Co., Ltd.  
Bank of Chongqing  
Bank of Guiyang  
China Everbright Bank Co., Ltd.



## FINANCIAL HIGHLIGHTS

### 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



# MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board (the “Board”) of directors (the “Directors”) of Feishang Anthracite Resources Limited (the “Company”), I have pleasure to present 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”).

## 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.

## SUMMARY OF EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

- During the Reporting Period, total production volume of the Group was approximately 1.30 million tonnes. As at 30 June 2019, the total proved and probable reserve of the six coal mines under Australian Code prepared by the Joint Ore Reserves Committee (the “JORC Code”) was approximately 192.04 million tonnes (calculated as if all the coal mines (excluding Gouchang Coal Mine) were wholly owned by the Group and adjusted by deducting those reserves extracted by the Group’s mining activities from 1 August 2013 to 30 June 2019). For details, please refer to the Summary of Mine Properties as set out on page 60 of this report.

## Compliance

During the Reporting Period, as far as the Company is aware, there was no material breach of and/or non-compliance with applicable laws and regulations by the Group that had a significant impact on the business and operations of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Risk Management and Internal Control

The Board has overall responsibility for the effective risk management and internal control systems of the Group and is committed to the maintenance of good corporate governance, practices and procedures of the Group. In accordance with 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”), the Group continuously improves the risk management and internal control systems, and updates a number of policies. The Board believes that these measures will strengthen the risk management and internal control systems of the Group. As far as the Group is aware, there were no fraudulent practices brought to the Group’s attention during the Reporting Period.

## 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *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 mine faces with the unit construction costs 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, which mainly consisted of ad valorem resource tax, 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 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Breakdown of the Group's Unit Cost of Sales

<b>Cost Items for Coal Mining Activities</b>	<b>Six months ended 30 June</b>	
	<b>2019</b> 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
<b>Total unit cost of sales for coal mining</b>	<b>189.0</b>	165.4

<b>Cost Items for Coal Processing Activities</b>	<b>Six months ended 30 June</b>	
	<b>2019</b> 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
<b>Total unit cost of sales for coal processing</b>	<b>52.4</b>	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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### *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 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 discontinued operation.

#### *(b) Discontinued operation of Guizhou Nayong Dayuan Coal Mining Co., Ltd. ("Guizhou Dayuan")*

On 24 May 2019, Guizhou Puxin Energy Co., Ltd. ("Guizhou Puxin"), a wholly-owned subsidiary of the Group, entered into an equity transfer agreement with Guiyang Baoshun Energy Co., Ltd. ("Baoshun"), an independent third party, to dispose its entire equity interest in Guizhou Dayuan, a wholly-owned subsidiary of Guizhou Puxin, at an aggregate consideration of CNY55.0 million. Guizhou Dayuan is mainly engaged in extraction and sales of anthracite coal in Nayong County, Guizhou Province, the People's Republic of China (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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SUBSEQUENT EVENTS

On 17 July 2019, 27 August 2019, 28 August 2019 and 30 August 2019, Guizhou Puxin received and fully drew down the loan facilities 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.

### 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## AUDIT COMMITTEE

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.

## 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



## OTHER INFORMATION

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

As at 30 June 2019, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Long/short position	Capacity	Number of shares	Notes	Percentage of the issued shares (%)
Mr. LI Feilie	Long position	Beneficial owner	15,000,000		
	Long position	Interest held by his controlled corporations	724,029,650	1	
			739,029,650		53.53
Laitan Investments Limited	Long position	Interest held by its controlled corporation	724,029,650	1	52.44
Feishang Group Limited	Long position	Beneficial owner	724,029,650	1	52.44
Mr. KWAN Pak Hoo Bankee	Long position	Interest held by his controlled corporation	125,000,000	2	9.05
Poly Shine Investment Limited	Long position	Beneficial owner	125,000,000	2	9.05

*Notes:*

- The 724,029,650 ordinary shares were held by Feishang Group Limited, which is wholly owned by Laitan Investments Limited, which is in turn wholly owned by Mr. LI Feilie. According to the SFO, both Mr. LI Feilie and Laitan Investments Limited are deemed to have interests in the 724,029,650 ordinary shares held by Feishang Group Limited.
- Mr. KWAN Pak Hoo Bankee is the sole director and sole shareholder of Poly Shine Investment Limited. According to the SFO, Mr. KWAN Pak Hoo Bankee is deemed to have interests in the 125,000,000 ordinary shares held by Poly Shine Investment Limited.

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under Section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), were set out below:

#### (I) The Company

<b>Name of Director</b>	<b>Long/short position</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Percentage of the issued shares (%)</b>
Mr. WONG Wah On Edward	Long position	Beneficial owner	20,000,000	1.45
Mr. TAM Cheuk Ho	Long position	Beneficial owner	14,096,300	1.02

#### (II) Associated Corporations (within the meaning of the SFO)

*China Natural Resources, Inc.*

<b>Name of Director</b>	<b>Long/short position</b>	<b>Capacity</b>	<b>Number of shares</b>	<b>Percentage of the issued shares (%)</b>
Mr. WONG Wah On Edward	Long position	Beneficial owner	400,000	1.60
Mr. TAM Cheuk Ho	Long position	Beneficial owner	281,926	1.13

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## OTHER INFORMATION

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY AND OTHER CORPORATION

Other than the share option as disclosed under the heading of "Share Option Scheme of the Company" below, at no time during the period under review was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

### CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Company has complied with the code provisions as set out in the CG Code, save and except for code provision A.2.1 as set out below.

#### Chairman and Chief Executive

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 interest 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.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all 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.

### 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.

### DISCLOSURE OF CHANGE OF DIRECTORS' INFORMATION

The Directors are not aware of any change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2018 Annual Report of the Company.

## OTHER INFORMATION

### SHARE OPTION SCHEME OF THE COMPANY

A share option scheme was adopted by shareholders of the Company on 23 December 2013 (the “Date of Adoption”) (the “Share Option Scheme”), under which the Board may, at its discretion, offer any Eligible Persons (as hereinafter defined) options to subscribe for shares in the Company (the “Shares”) subject to the terms and conditions stipulated therein. The Share Option Scheme is valid and for an effective period of 10 years from the Date of Adoption. The Share Option Scheme is an incentive scheme and is established to enable the Group to recognise the contribution that certain individuals have made to the Company, to attract and retain the best available personnel and to promote the success of the Company’s business and that of its subsidiaries. The Eligible Persons include (a) any employee, director or consultant of the Company or any subsidiary; or (b) any other person who has contributed to the success of the listing of the Company on the Stock Exchange, in each case, as determined by the Board. The eligibility of an Eligible Person will be determined by the Board with reference to his or her past and expected commitment and contribution to the Company and/or the subsidiaries.

The share options are exercisable at any time for a period to be determined by the Directors, which shall not be more than 10 years from the offer date. The minimum period for which a share option must be held before it can be exercised would be determined by the Board.

The total number of Shares in respect of which options may be granted under the Share Option Scheme as refreshed was 138,054,580 Shares (the “Refreshed Scheme Mandate Limit”), representing 10% of the Shares in issue as at the date of approval of the Refreshed Scheme Mandate Limit. The Refreshed Scheme Mandate Limit was approved by shareholders of the Company on 31 May 2017 by ordinary resolution. The listing approval in respect of the Shares which may be issued on exercise of the options under the Share Option Scheme was granted by the Listing Committee of the Stock Exchange on 2 June 2017. The number of Shares in respect of which options may be granted to any Eligible Person in any 12-month period is not permitted to exceed 1% of the Shares in issue at any point in time, unless approved by the Company’s shareholders. In addition, the number of Shares in respect of which options may be granted to any Eligible Person (who is a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates (within the meaning as ascribed under the Listing Rules)) in any 12-month period is not permitted to exceed 0.1% of the total number of Shares in issue and HK\$5,000,000 in an aggregate value, based on the closing price of the Shares at the date of each grant, unless approved by the Company’s shareholders.

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board at its sole discretion and notified to the Eligible Persons (subject to any adjustments made pursuant to the terms and conditions of the Share Option Scheme) and shall be the higher of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the offer date; (ii) the average closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five trading days immediately preceding the offer date; and (iii) the nominal value of a Share.

Consideration of HK\$1 is payable by each Eligible Person for the grant of option.

As at 30 June 2019, no options were granted or agreed to be granted since the Date of Adoption. The Company had a total of 138,054,580 Shares available for issue under the Share Option Scheme (representing 10.0% of the existing issued Shares of the Company as at the date of this report).

# INDEPENDENT REVIEW REPORT

For the six months ended 30 June 2019



Ernst & Young  
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## To the Board of Directors of Feishang Anthracite Resources Limited

(Incorporated in the British Virgin Islands with limited liability)

### INTRODUCTION

We have reviewed the interim financial information set out on pages 19 to 59, which comprises the interim condensed consolidated statement of financial position of Feishang Anthracite Resources Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2019 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board (“IASB”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### 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 CNY1,536.1 million and shareholders’ deficit of 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.

Ernst & Young  
Certified Public Accountants  
Hong Kong  
30 August 2019

# 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)
<b>CONTINUING OPERATIONS</b>			
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	7	636	93
Share of loss of an associate		(263)	–
Non-operating income/(expenses), net	6	1,093	(7)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	54,858	93,646
Income tax expense	9	(27,519)	(34,230)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		27,339	59,416
<b>DISCONTINUED OPERATIONS</b>			
LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS	3	(3,830)	(2,935)
PROFIT FOR THE PERIOD		23,509	56,481
ATTRIBUTABLE TO:			
Owners of the parent			
From continuing operations	10	10,763	47,457
From discontinued operations	10	(3,826)	(2,935)
		6,937	44,522
Non-controlling interests			
From continuing operations		16,576	11,959
From discontinued operations		(4)	–
		16,572	11,959
		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)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic (CNY per share)			
– For profit from continuing operations	10	0.01	0.03
– For loss from discontinued operations	10	*	*
– Net earnings per share		0.01	0.03
Diluted (CNY per share)			
– For profit from continuing operations	10	0.01	0.03
– For loss from discontinued operations	10	*	*
– Net earnings per share		0.01	0.03

\* Insignificant

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2019

	Notes	30 June 2019 CNY'000 (Unaudited)	31 December 2018 CNY'000 (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	2,787,231	2,878,820
Right-of-use assets	1.2	138,588	–
Rehabilitation fund	13	12,123	13,610
Prepayments and other receivables	16	82,424	103,625
Investment in an associate		2,285	2,548
Deferred tax assets	9	8,927	18,904
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,031,578</b>	3,017,507
<b>CURRENT ASSETS</b>			
Inventories	14	51,637	45,155
Trade and bills receivables	15	163,800	166,793
Due from an associate	25(c)	954	1,092
Prepayments and other receivables	16	118,838	109,026
Pledged deposits	17	110,000	70,000
Financial assets at fair value through profit or loss		5,019	5,000
Cash and cash equivalents	17	78,149	54,468
		<b>528,397</b>	451,534
Assets of a disposal group classified as held for sale	3(b)	57,876	–
<b>TOTAL CURRENT ASSETS</b>		<b>586,273</b>	451,534
<b>TOTAL ASSETS</b>		<b>3,617,851</b>	3,469,041
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	18	669,574	545,602
Other payables and accruals	19	348,079	331,290
Interest-bearing bank and other borrowings	20	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	21	2,249	1,570
		<b>2,099,356</b>	2,084,381
Liabilities directly associated with the assets classified as held for sale	3(b)	23,050	–
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,122,406</b>	2,084,381

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2019

	Notes	30 June 2019 CNY'000 (Unaudited)	31 December 2018 CNY'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Due to a related company	25(c)	1,339,334	1,244,118
Interest-bearing bank and other borrowings	20	48,500	17,000
Obligations under finance leases		–	74,194
Lease liabilities	1.2	57,347	–
Deferred tax liabilities	9	110,855	138,275
Deferred income	21	16,309	10,511
Asset retirement obligations	22	12,110	13,036
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,584,455</b>	1,497,134
<b>TOTAL LIABILITIES</b>		<b>3,706,861</b>	3,581,515
<b>EQUITY</b>			
Share capital	23	1,081	1,081
Reserves		(270,254)	(277,146)
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>(269,173)</b>	(276,065)
<b>NON-CONTROLLING INTERESTS</b>		<b>180,163</b>	163,591
<b>TOTAL EQUITY</b>		<b>(89,010)</b>	(112,474)
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,617,851</b>	3,469,041

**Han Weibing***Chairman and Executive Director***Yue Ming Wai Bonaventure***Executive Director*

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the parent								Total equity CNY'000
	Share capital CNY'000	Share premium account* CNY'000	Safety fund and production maintenance fund* CNY'000	Special reserve* CNY'000	Accumulated losses* CNY'000	Exchange fluctuation reserve* CNY'000	Total CNY'000	Non-controlling interests CNY'000	
	Note 23 (Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
At 1 January 2018	1,081	204,524	136,935	30,724	(855,026)	4,506	(477,256)	112,934	(364,322)
Profit for the period	-	-	-	-	44,522	-	44,522	11,959	56,481
Foreign currency translation adjustments	-	-	-	-	-	96	96	-	96
Total comprehensive income for the period	-	-	-	-	44,522	96	44,618	11,959	56,577
Appropriation and utilisation of safety fund and production maintenance fund, net	-	-	31,866	-	(31,866)	-	-	-	-
At 30 June 2018	1,081	204,524	168,801	30,724	(842,370)	4,602	(432,638)	124,893	(307,745)
At 1 January 2019	1,081	204,524	213,344	30,724	(730,806)	5,068	(276,065)	163,591	(112,474)
Profit for the period	-	-	-	-	6,937	-	6,937	16,572	23,509
Foreign currency translation adjustments	-	-	-	-	-	(45)	(45)	-	(45)
Total comprehensive income for the period	-	-	-	-	6,937	(45)	6,892	16,572	23,464
Appropriation and utilisation of safety fund and production maintenance fund, net	-	-	25,571	-	(25,571)	-	-	-	-
At 30 June 2019	1,081	204,524	238,915	30,724	(749,440)	5,023	(269,173)	180,163	(89,010)

\* These reserve accounts comprise the consolidated negative reserves of CNY270.3 million (30 June 2018: consolidated negative reserves of CNY433.7 million) as at 30 June 2019.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 CNY'000 (Unaudited)	2018 CNY'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations		256,599	339,730
Interest received		636	93
Interest paid		(35,000)	(39,113)
Income tax paid		(30,105)	(55,120)
Net cash generated from operating activities		192,130	245,590
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of items of property, plant and equipment		(101,062)	(259,811)
Investment in an associate		–	(1,000)
Proceeds from disposal of a subsidiary (Note 3(b))		10,000	–
Net cash used in investing activities		(91,062)	(260,811)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from interest-bearing bank and other borrowings		128,000	318,000
Repayments of interest-bearing bank and other borrowings		(233,375)	(174,898)
Increase in restricted bank deposits	17	(40,000)	(70,000)
Advances from a related company		417,510	200,850
Repayments to a related company		(322,294)	(250,000)
Payment of principal portion of lease liabilities		(23,326)	–
Payment of interest expenses of lease liabilities		(3,582)	–
Net cash (used in)/generated from financing activities		(77,067)	23,952
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>24,001</b>	<b>8,731</b>
Net foreign exchange difference		(45)	96
Cash and cash equivalents at the beginning of the period		54,468	77,639
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>78,424</b>	<b>86,466</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents as stated in the consolidated statement of financial position	17	78,149	86,466
Cash and bank balance attributed to a disposal group classified as held for sale	3(b)	275	–
<b>CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS</b>		<b>78,424</b>	<b>86,466</b>

# 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 six months ended 30 June 2019 has been prepared in accordance with 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 CNY1,536.1 million (31 December 2018: CNY1,632.8 million) and total assets less current liabilities of 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 CNY1,536.1 million and shareholders' deficit of CNY89.0 million. In view of these circumstances, the directors of the Company 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 of the Company 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.



# 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 (continued)

### 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 IFRS 16	<i>Prepayment Features with Negative Compensation Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28 IFRIC 23	<i>Long-term Interests in Associates and Joint Ventures Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	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.

# 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 (continued)

### 1.2 Changes in Accounting Policies and Disclosures (continued)

#### *IFRS 16 Leases (continued)*

##### *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.

# 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 (continued)

### 1.2 Changes in Accounting Policies and Disclosures (continued)

*IFRS 16 Leases (continued)*

*As a Lessee – Leases Previously Classified as Operating Leases (continued)*

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



# 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 (continued)

### 1.2 Changes in Accounting Policies and Disclosures (continued)

*IFRS 16 Leases (continued)*

*As a Lessee – Leases Previously Classified as Operating Leases (continued)*

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

	<b>Increase/ (decrease) CNY'000 (Unaudited)</b>
<b>Assets</b>	
Increase in right-of-use assets	126,848
Decrease in property, plant and equipment	(124,567)
<b>Increase in total assets</b>	<b>2,281</b>
<b>Liabilities</b>	
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)
<b>Increase in total liabilities</b>	<b>2,281</b>

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
<b>Lease liabilities as at 1 January 2019</b>	<b>115,580</b>

# 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 (continued)

### 1.2 Changes in Accounting Policies and Disclosures (continued)

*IFRS 16 Leases (continued)*

*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.

# 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 (continued)

### 1.2 Changes in Accounting Policies and Disclosures (continued)

*IFRS 16 Leases (continued)*

#### *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.

# 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 (continued)

### 1.2 Changes in Accounting Policies and Disclosures (continued)

#### *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 six months ended 30 June 2019, 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 six months ended 30 June 2019, 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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 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 six months ended 30 June 2019, 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 six months ended 30 June 2019.

\* For identification purpose only

The results of Gouchang Coal Mine for the six months ended 30 June 2019 and 2018 are presented below:

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>CNY'000</b>	CNY'000
	<b>(Unaudited)</b>	(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)	–

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 3. DISCONTINUED OPERATIONS (continued)

### (a) Discontinued Operation of Gouchang Coal Mine (continued)

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>CNY'000</b>	CNY'000
	<b>(Unaudited)</b>	(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 Nayong 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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 3. DISCONTINUED OPERATIONS (continued)

### (b) Discontinued Operation of Guizhou Dayuan (continued)

The results of Guizhou Dayuan for the six months ended 30 June 2019 and 2018 are presented below:

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 3. DISCONTINUED OPERATIONS (continued)

### (b) Discontinued Operation of Guizhou Dayuan (continued)

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)
<b>Assets</b>	
Property, plant and equipment	54,205
Rehabilitation fund	1,500
Prepayments and other receivables	1,896
Cash and cash equivalents	275
<b>Assets of a disposal group classified as held for sale</b>	<b>57,876</b>
<b>Liabilities</b>	
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
<b>Liabilities directly associated with the assets classified as held for sale</b>	<b>23,050</b>
<b>Net assets directly associated with the disposal group</b>	<b>34,826</b>

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 3. DISCONTINUED OPERATIONS (continued)

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

	Six months ended 30 June	
	2019 CNY'000 (Unaudited)	2018 CNY'000 (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 CNY'000 (Unaudited)	2018 CNY'000 (Unaudited)
Revenue from contracts with customers		
Sale of coal	597,713	422,964

### (i) Disaggregated Revenue Information

	Six month ended 30 June	
	2019 CNY'000 (Unaudited)	2018 CNY'000 (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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 4. REVENUE FROM CONTINUING OPERATIONS (continued)

### (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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>CNY'000</b>	CNY'000
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
Interest on interest-bearing bank and other borrowings	<b>32,493</b>	39,267
Interest on lease liabilities (Note 1.2)	<b>3,582</b>	–
Interest on payables for mining rights	<b>1,073</b>	1,073
Total interest expense	<b>37,148</b>	40,340
Bank charges	<b>683</b>	146
Discount interest	<b>8,090</b>	6,565
Accretion expenses	<b>557</b>	507
	<b>46,478</b>	47,558

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>CNY'000</b>	CNY'000
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
Government grant (Note 7)	<b>1,284</b>	7,329
Surcharges for late tax payments	<b>(1,063)</b>	(226)
Safety security fines	<b>(890)</b>	(3,437)
Value added tax output arising from internal interest income	–	(3,197)
Compensation income	<b>1,900</b>	–
Others	<b>(138)</b>	(476)
	<b>1,093</b>	(7)

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 7. 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 CNY'000 (Unaudited)	2018 CNY'000 (Unaudited) (Restated)
Crediting:		
Interest income on bank deposits	636	93
Government grant (Note 6)	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 (Note 8)	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 15)	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 CNY241.5 million for the six months ended 30 June 2019 (six months ended 30 June 2018: 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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 8. EMPLOYEE BENEFITS FROM CONTINUING OPERATIONS

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>CNY'000</b>	CNY'000
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
Wages, salaries and allowances	<b>126,337</b>	83,088
Contribution to pension plans (a)	<b>5,191</b>	3,641
Housing funds (a)	<b>1,671</b>	1,252
Welfare and other expenses	<b>9,418</b>	11,507
Subtotal	<b>142,617</b>	99,488

- (a) According to the PRC state regulations, the employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government and government-sponsored housing funds. These subsidiaries are required to contribute certain percentages of their payroll costs for those qualified urban employees to the central pension scheme as well as the housing funds.

Employee benefits charged to the profit from continuing operations are analysed as follows:

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>CNY'000</b>	CNY'000
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
Total employee benefits accrued for the period	<b>142,617</b>	99,488
Less:		
Amount included in inventories	<b>(1,282)</b>	(1,036)
Amount included in property, plant and equipment	<b>(2,849)</b>	(7,792)
Amount charged to profit from continuing operations (Note 7)	<b>138,486</b>	90,660

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 9. 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 six months ended 30 June 2019 (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 six months ended 30 June 2019 and 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 six months ended 30 June 2019 (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:

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 9. INCOME TAX AND DEFERRED TAX (continued)

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

	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
	<b>49,653</b>	42,045
Deferred tax liabilities		
Depreciation and fair value adjustment of property, plant and equipment*	(151,581)	(161,416)
Net deferred tax liabilities	<b>(101,928)</b>	(119,371)
Classification in the interim condensed consolidated statement of financial position:		
Deferred tax assets	8,927	18,904
Deferred tax liabilities	<b>(110,855)</b>	(138,275)

\* Included in the deferred tax liabilities were deferred tax liabilities of CNY114.0 million and 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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 10. 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:

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

\* Insignificant

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 11. DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the additions of property, plant and equipment (excluding transferred from construction in progress) and construction in progress amounted to CNY36.0 million (six months ended 30 June 2018: CNY25.0 million) and CNY194.7 million (six months ended 30 June 2018: CNY206.3 million), respectively.

During the six months ended 30 June 2019, the total depreciation accrued was CNY143.5 million (six months ended 30 June 2018: CNY78.3 million).

As at 30 June 2019, certain mining rights with a carrying amount of CNY575.1 million (31 December 2018: CNY582.8 million) were pledged to secure bank loans with a carrying amount of CNY823.0 million (31 December 2018: CNY835.0 million) (Note 20).

As at 30 June 2019, no machinery and equipment (31 December 2018: CNY102.8 million) were pledged to secure loans (31 December 2018: CNY96.1 million) (Note 20).

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

## 13. REHABILITATION FUND

The rehabilitation fund represents restricted cash set aside by the Group in banks and cash placed with authorities for the purpose of future environmental rehabilitation as well as the settlement of asset retirement obligations.



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 14. INVENTORIES

	<b>At 30 June 2019 CNY'000 (Unaudited)</b>	At 31 December 2018 CNY'000 (Audited)
Spare parts and consumables	44,385	41,040
Coal	9,062	7,119
Less: Provision for impairment (a)	(1,810)	(3,004)
	<b>51,637</b>	45,155

- (a) Provision for impairment of inventories of Guizhou Dayuan at an amount of CNY1.2 million was reclassified to assets of a disposal group classified as held for sale as at 30 June 2019.

## 15. TRADE AND BILLS RECEIVABLES

	<b>At 30 June 2019 CNY'000 (Unaudited)</b>	At 31 December 2018 CNY'000 (Audited)
Trade receivables	193,165	175,849
Less: Provision for impairment	(47,395)	(47,294)
	<b>145,770</b>	128,555
Bills receivable	18,030	38,238
	<b>163,800</b>	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 dates of less than one year.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 15. TRADE AND BILLS RECEIVABLES (continued)

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:

	<b>At 30 June 2019 CNY'000 (Unaudited)</b>	<b>At 31 December 2018 CNY'000 (Audited)</b>
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
	<b>145,770</b>	<b>128,555</b>

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

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

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.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 16. PREPAYMENTS AND OTHER RECEIVABLES

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

	<b>At 30 June 2019 CNY'000 (Unaudited)</b>	At 31 December 2018 CNY'000 (Audited)
Current:		
Prepaid spare parts and consumables purchases	<b>38,939</b>	28,326
Deposits	<b>20,461</b>	18,471
Staff advances	<b>11,350</b>	9,713
Withheld social security	<b>17,559</b>	16,490
Value-added tax recoverable	<b>12,111</b>	11,624
Prepaid transportation fee	<b>5,952</b>	5,158
Coal sales subsidies	<b>3,315</b>	11,615
Prepaid coals for trading purpose	<b>6,218</b>	6,218
Others	<b>7,087</b>	7,044
Less: Provision for impairment (a)	<b>(4,154)</b>	(5,633)
	<b>118,838</b>	109,026
Non-current:		
Prepayments for land use rights	–	743
Prepayments for construction related work	<b>22,282</b>	36,747
Prepayments for equipment purchases	<b>60,772</b>	67,613
Prepayments for mining plan design	<b>721</b>	891
Others	<b>1,661</b>	1,335
Less: Provision for impairment (a)	<b>(3,012)</b>	(3,704)
	<b>82,424</b>	103,625
	<b>201,262</b>	212,651

- (a) Provision for impairment of prepayments and other receivables of Guizhou Dayuan at an amount of CNY2.2 million was reclassified to assets of a disposal group classified as held for sale as at 30 June 2019.

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 16. PREPAYMENTS AND OTHER RECEIVABLES (continued)

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

	<b>At 30 June 2019 CNY'000 (Unaudited)</b>	At 31 December 2018 CNY'000 (Audited)
Current:		
At the beginning of the period/year	5,633	5,519
Impairment losses recognised	–	114
Reclassified to assets of a disposal group classified as held for sale	(1,479)	–
Sub-total	4,154	5,633
Non-current:		
At the beginning of the period/year	3,704	3,704
Reclassified to assets of a disposal group classified as held for sale	(692)	–
Sub-total	3,012	3,704
At the end of the period/year	7,166	9,337

## 17. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<b>At 30 June 2019 CNY'000 (Unaudited)</b>	At 31 December 2018 CNY'000 (Audited)
Cash and bank balances	188,149	124,468
	188,149	124,468
Less: Pledged time deposits:		
Pledged and restricted for bank bills (Note 18)	(110,000)	(70,000)
Cash and cash equivalents	78,149	54,468

- (i) Restricted bank deposits mainly include deposits of CNY110.0 million (31 December 2018: CNY70.0 million) held as security for bank bills as at 30 June 2019.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 17. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

(ii) Deposits and cash and cash equivalents are denominated in the following currencies:

	<b>At 30 June 2019 CNY'000 (Unaudited)</b>	At 31 December 2018 CNY'000 (Audited)
CNY	180,348	113,662
Hong Kong dollar	7,801	10,806
	<b>188,149</b>	124,468

Cash and cash equivalents are principally CNY-denominated deposits placed with banks in the PRC. The CNY is not freely convertible into other currencies, however, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange CNY into other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

## 18. TRADE AND BILLS PAYABLES

	<b>At 30 June 2019 CNY'000 (Unaudited)</b>	At 31 December 2018 CNY'000 (Audited)
Trade payables (a)	509,674	425,602
Bills payable	159,900	120,000
	<b>669,574</b>	545,602

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 18. TRADE AND BILLS PAYABLES (continued)

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

	<b>At 30 June 2019 CNY'000 (Unaudited)</b>	<b>At 31 December 2018 CNY'000 (Audited)</b>
Within one year	392,612	340,093
More than one year	117,062	85,509
	<b>509,674</b>	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 (Note 17).

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.

## 19. OTHER PAYABLES AND ACCRUALS

	<b>At 30 June 2019 CNY'000 (Unaudited)</b>	<b>At 31 December 2018 CNY'000 (Audited)</b>
Deposits from contractors	107,878	105,007
Receipts from disposal of a subsidiary	10,000	–
Social security payable (a)	61,480	51,422
Payroll payable	32,243	23,858
Contract liabilities (b)	74,554	46,049
Other taxes payable	31,201	58,097
Professional fee	1,758	1,716
Payables for emergency rescue of the coal mine	3,667	3,667
Geological hazard compensation	916	378
Transportation fee	9,282	13,281
Others	15,100	27,815
	<b>348,079</b>	331,290

(a) The social security payable consists of employee retirement insurance, medical insurance, maternity insurance, employment injury insurance and unemployment insurance and housing funds for the Group's employees.

(b) Contract liabilities include short-term advances received to deliver coal.

Other payables are non-interest-bearing and have an average term of three months.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 30 June 2019 CNY'000 (Unaudited)	At 31 December 2018 CNY'000 (Audited)
<b>Current</b>		
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
	<b>911,250</b>	1,048,125
<b>Non-current</b>		
Bank and other borrowings – guaranteed	8,500	17,000
Bank and other borrowings – secured and guaranteed	40,000	–
	<b>48,500</b>	17,000
	<b>959,750</b>	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 CNY575.1 million (31 December 2018: CNY582.8 million) as at 30 June 2019 (Note 12);
- (2) No pledges over machinery and equipment (31 December 2018: 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 12);
- (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 CNY882.8 million (31 December 2018: 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 CNY782.8 million (31 December 2018: CNY895.1 million) as at 30 June 2019.

All borrowings are denominated in CNY.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 21. DEFERRED INCOME

	At 30 June 2019 CNY'000 (Unaudited)	At 31 December 2018 CNY'000 (Audited)
At beginning of period/year	12,081	2,113
Additions	7,761	10,760
Amortised during the period/year	(1,284)	(792)
At the end of period/year	18,558	12,081
Portion classified as current liabilities	(2,249)	(1,570)
Non-current portion	16,309	10,511

During the six months ended 30 June 2019, government grants at the amounts of CNY2.7 million and CNY5.1 million were received for certain underground construction projects in Jinsha Baiping Mining Co., Ltd. and Liuzhi Xinsong Coal Mining Co., Ltd., respectively. The amounts were included in deferred income in the interim condensed consolidated statement of financial position, which was recognised in the interim condensed consolidated statement of profit or loss along with the depreciation of related assets over their useful lives.

Nil of government grants (six months ended 30 June 2018: CNY6.5 million) have been recognised in the interim condensed consolidated statement of profit or loss directly since there was no unfulfilled condition for the six months ended 30 June 2019.

## 22. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations primarily relate to the closure of mines, which includes dismantling mining-related structures and the reclamation of land upon exhaustion of coal reserves.

The following table describes the changes to the Group's asset retirement obligation liability:

	Amount CNY'000
At 1 January 2018 (Audited)	11,888
Accretion expenses	1,148
At 31 December 2018 and 1 January 2019 (Audited)	13,036
Accretion expenses	631
Reclassified to liabilities directly associated with the assets classified as held for sale (Note 3(b))	(1,557)
At 30 June 2019 (Unaudited)	12,110

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 23. SHARE CAPITAL

	<b>At 30 June 2019 CNY'000 (Unaudited)</b>	At 31 December 2018 CNY'000 (Audited)
Authorised:		
100,000,000,000 ordinary shares of HK\$0.001 each (31 December 2018: 100,000,000,000 ordinary shares of HK\$0.001 each)	<b>79,960</b>	79,960
Issued and fully paid:		
1,380,545,800 ordinary shares of HK\$0.001 each (31 December 2018: 1,380,545,800 ordinary shares of HK\$0.001 each)	<b>1,081</b>	1,081

## 24. COMMITMENTS

### Capital Commitments

The Group had the following capital commitments at the end of the reporting period:

	<b>At 30 June 2019 CNY'000 (Unaudited)</b>	At 31 December 2018 CNY'000 (Audited)
Contracted, but not provided for		
– Construction and purchase of items of property, plant and equipment	<b>77,256</b>	80,808
– Capital contribution to the associate	<b>1,600</b>	1,600
	<b>78,856</b>	82,408

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 25. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the interim condensed consolidated financial information, the Group had the following transactions with related parties during the period:

### (a) Commercial Transactions with Related Parties

Commercial transactions with related parties are summarised as follows:

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>CNY'000</b>	CNY'000
	<b>(Unaudited)</b>	(Unaudited)
Payment of its share of office rental, rates and others to Anka Consultants Limited (“Anka”) (i)/(ii)	405	370
Purchase of materials and equipment maintenance from Guizhou Longfei Technology Development Co., Ltd. (“Longfei”) (iii)	2,139	–
Share of office rental to Feishang Enterprise Group Co., Ltd. (“Feishang Enterprise”) (i)/(iv)	85	–

- (i) The related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.
- (ii) On 1 July 2018, the Company and China Natural Resources, Inc. (“CHNR”), a related company which is controlled by the controlling shareholder of the Group, signed the office sharing agreement with Anka, a Hong Kong private company that is owned by certain Directors. Pursuant to the agreement, the office premises of 119 square meters were shared by the Company, and 184 square meters were shared by CHNR. The agreement also provided that the Company and CHNR shared certain costs and expenses in connection with their use of the office, in addition to some of the accounting and secretarial services and day-to-day office administration provided by Anka. In 2018, Anka’s lease with the unrelated landlord was extended for two years, from 1 July 2018 to 30 June 2020.
- (iii) Longfei, an associate, provides materials and equipment maintenance services for the Group.
- (iv) On 1 January 2019, Shenzhen Chixin Information and Consulting Co., Ltd. (“Chixin”), a wholly-owned subsidiary of the Group, entered into an office sharing leasing agreement with Feishang Enterprise, which is under the control of Mr. Li Feilie. Pursuant to the agreement, the office premises of 40 square meters were shared by the Company. The agreement will expire in September 2021.

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and on normal commercial terms or in accordance with the agreements governing such transactions.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 25. RELATED PARTY TRANSACTIONS (continued)

### (b) Compensation of Key Management Personnel of The Group

	Six months ended 30 June	
	2019	2018
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Wages, salaries and allowances	1,453	811
Contribution to pension plans	51	42
Housing funds	29	19
Welfare and other expenses	28	29
	1,561	901

### (c) Outstanding Balance with Related Parties

The Group's payables with related parties, which are all unsecured and non-interest-bearing, are summarised as follows:

	At	At
	30 June	31 December
	2019	2018
	CNY'000	CNY'000
	(Unaudited)	(Audited)
Payables due to a related company:		
Feishang Enterprise	1,339,334	1,244,118
Lease liabilities due to related companies:		
Anka	716	–
Feishang Enterprise	438	–
	1,154	–

	At	At
	30 June	31 December
	2019	2018
	CNY'000	CNY'000
	(Unaudited)	(Audited)
Due from an associate:		
Longfei	954	1,092

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

### Financial Liabilities

	As at 30 June 2019		As at 31 December 2018	
	Carrying amount CNY'000 (Unaudited)	Fair value CNY'000 (Unaudited)	Carrying amount CNY'000 (Audited)	Fair value CNY'000 (Audited)
Interest-bearing bank and other borrowings				
– non-current	48,500	45,041	17,000	16,374
Obligations under finance leases				
– non-current	–	–	74,194	71,082
Lease liabilities				
– non-current	57,347	56,211	–	–
<b>Total</b>	<b>105,847</b>	<b>101,252</b>	<b>91,194</b>	<b>87,456</b>

The fair values of the non-current portion of interest-bearing loans and bank borrowings and the non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risks for interest-bearing bank and other borrowings, obligations under finance leases and lease liabilities as at the end of each period/year were assessed to be insignificant.

### Fair value hierarchy

The table below analyses financial instruments carried at fair value by the valuation method. The different levels have been defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 30 June 2019

	Fair value measurement using			Total CNY'000 (Unaudited)
	Quoted prices in active markets (Level 1) CNY'000 (Unaudited)	Significant observable inputs (Level 2) CNY'000 (Unaudited)	Significant unobservable inputs (Level 3) CNY'000 (Unaudited)	
Financial assets at fair value through profit or loss	–	5,019	–	5,019
Total	–	5,019	–	5,019

As at 31 December 2018

	Fair value measurement using			Total CNY'000 (Audited)
	Quoted prices in active markets (Level 1) CNY'000 (Audited)	Significant observable inputs (Level 2) CNY'000 (Audited)	Significant unobservable inputs (Level 3) CNY'000 (Audited)	
Financial assets at fair value through profit or loss	–	5,000	–	5,000
Total	–	5,000	–	5,000

The fair values of financial assets at fair value through profit or loss were calculated by discounting future cash flows based on expected rate of return of comparable products.

During the period/year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

## 27. EVENTS AFTER THE REPORTING PERIOD

On 17 July 2019, 27 August 2019, 28 August 2019 and 30 August 2019, Guizhou Puxin received and fully drew down the loan facilities 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.

## 28. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 30 August 2019.



## SUMMARY OF MINE PROPERTIES

The following table sets forth certain information relating to each of the Group's six anthracite coal mines as of the date of this report:

Mine	Commercial Production					Discontinued Operations	
	Baiping Coal Mine	Yongsheng Coal Mine	Dayun Coal Mine	Liujiaba Coal Mine (Note 3)	Zhulinzhai Coal Mine (Note 3)	Dayuan Coal Mine (Note 2)	Gouchang Coal Mine (Note 1)
Location (within Guizhou province, the PRC)	Jinsha County, Qianbei Coal District	Jinsha County, Qianbei Coal District	Jinsha County, Qianbei Coal District	Liuzhi Special District, Zhina Coal District	Liuzhi Special District, Zhina Coal District	Nayong County, Zhina Coal District	Nayong County, Zhina Coal District
Equity interest held by the Group	70%	70%	100%	100%	100%	100%	99%
Date of initial commercial production	June 2009	February 2014	July 2015	December 2012	April 2012	November 2013	n/a
<b>Reserve data (as of 31 July 2013) (Note 4)</b>							
Proved reserve (million tonnes)	3.44	3.77	12.50	2.08	2.15	2.99	1.87
Probable reserve (million tonnes)	19.04	48.19	84.79	11.52	7.41	5.27	3.85
<b>Total proved and probable reserve (million tonnes)</b>	<b>22.48</b>	<b>51.96</b>	<b>97.29</b>	<b>13.60</b>	<b>9.56</b>	<b>8.26</b>	<b>5.72</b>
<b>Reserve data (as of 30 June 2019) (Note 5)</b>							
Proved reserve (million tonnes)	1.93	-	9.14	1.11	2.07	2.92	n/a
Probable reserve (million tonnes)	19.04	46.84	84.79	11.52	7.41	5.27	n/a
<b>Total proved and probable reserve (million tonnes)</b>	<b>20.97</b>	<b>46.84</b>	<b>93.93</b>	<b>12.63</b>	<b>9.48</b>	<b>8.19</b>	<b>n/a</b>
<b>Capital expenditure for the six months ended 30 June 2019 (CNY in millions)</b>	<b>34.53</b>	<b>30.70</b>	<b>4.40</b>	<b>15.49</b>	<b>-</b>	<b>-</b>	<b>n/a</b>

### Notes:

- (1) The Group has planned to close down Gouchang Coal Mine in accordance with relevant Guizhou province's coal mine consolidation policy. The credit of the coal resource and reserve of Gouchang Coal Mine will be retained and utilised by Baiping Coal Mine in future.
- (2) Operations have been suspended at Dayuan Coal Mine since June 2014 pending the passing of verification and acceptance procedures conducted by the Nayong County Administration Bureau of Work Safety. The Group's original plan to acquire a nearby coal mine to achieve the consolidation of Dayuan Coal Mine was suspended in 2016. On 24 May 2019, Guizhou Puxin entered into an equity transfer agreement with Baoshun (an independent third party), to dispose its entire equity interest in Guizhou Dayuan. Up to 30 June 2019, the transaction was not yet completed.
- (3) On 26 January 2015, the first batch of the restructuring proposal has been approved by the Energy Bureau of Guizhou Province and the Leading Group Office of Guizhou Province on Coal Enterprises Consolidation. Under the first batch of the restructuring proposal, the Group would integrate Zhulinzhai Coal Mine and Liujiaba Coal Mine, both located in Xinhua, Liuzhi Special District, Zhina Coal District, Guizhou province, into a single coal mine under the name of Liujiaba Coal Mine.
- (4) The reserve data as of 31 July 2013 is extracted from competent person's report dated 7 December 2013 prepared by Behre Dolbear Asia, Inc. under the JORC Code.
- (5) The reserve data as of 30 June 2019 has been substantiated by the Group's internal expert by adjusting those reserves extracted by the Group's mining activities from August 2013 to June 2019 from the proved reserve figure as of 31 July 2013. All assumptions and technical parameters set out in the competent person's report as shown in the listing document of the Company dated 31 December 2013 have not been materially changed and are continued to apply to the reserve data as of 30 June 2019 (except those of Gouchang Coal Mine).
- (6) There was no exploration activity for the Group during the Reporting Period.