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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

ANNUAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2019

- Revenue from continuing operations down by approximately 6.8% to approximately CNY1,149.7 million
- Gross profit from continuing operations down by approximately 51.7% to approximately CNY317.1 million
- Loss attributable to owners of the parent from continuing operations for the year ended 31 December 2019 was approximately CNY97.1 million, compared to a profit of approximately CNY207.2 million for the prior year
- Basic loss per share from continuing operations was approximately CNY0.07

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Feishang Anthracite Resources Limited (the "**Company**") announces the consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2019

	Notes	**2019** *CNY'000*	2018 *CNY'000* (Restated)
CONTINUING OPERATIONS			
Revenue	*6*	**1,149,726**	1,234,151
Cost of sales		**(832,580)**	(577,860)
Gross profit		**317,146**	656,291
Selling and distribution expenses		**(116,417)**	(48,216)
Administrative expenses		**(135,332)**	(121,000)
Impairment of trade and other receivables, net	*8*	**(618)**	(2,934)
Write-down of inventories to net realisable value	*8*	**–**	(1,259)
Other operating expenses, net		**(33,651)**	(23,450)
OPERATING PROFIT		**31,128**	459,432
Finance costs	*7*	**(92,074)**	(93,062)
Interest income	*8*	**775**	373
Share of profit and loss of an associate		**(34)**	148
Non-operating income, net		**1,906**	5,846
(LOSS)/PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	*8*	**(58,299)**	372,737
Income tax expense	*9*	**(17,536)**	(114,887)
(LOSS)/PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(75,835)**	257,850
DISCONTINUED OPERATIONS			
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	*4,5*	**(6,596)**	(6,564)
(LOSS)/PROFIT FOR THE YEAR		**(82,431)**	251,286

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)
YEAR ENDED 31 DECEMBER 2019

	Notes	**2019** *CNY'000*	2018 *CNY'000* (Restated)
ATTRIBUTABLE TO:			
Owners of the parent			
From continuing operations		**(97,054)**	207,193
From discontinued operations		**(6,588)**	(6,564)
		(103,642)	200,629
Non-controlling interests			
From continuing operations		**21,219**	50,657
From discontinued operations		**(8)**	–
		21,211	50,657
		(82,431)	251,286
(LOSS)/PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic (CNY per share)			
– For (loss)/profit from continuing operations	*10*	**(0.07)**	0.15
– For (loss)/profit from discontinued operations	*10*	*	*
– Net (loss)/profit per share	*10*	**(0.07)**	0.15
Diluted (CNY per share)			
– For (loss)/profit from continuing operations	*10*	**(0.07)**	0.15
– For (loss)/profit from discontinued operations	*10*	*	*
– Net (loss)/profit per share	*10*	**(0.07)**	0.15

* *Insignificant*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2019

	2019	2018
	CNY'000	*CNY'000*
		(Restated)
(LOSS)/PROFIT FOR THE YEAR	**(82,431)**	251,286
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	**(2,503)**	562
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**2,576**	–
Total other comprehensive income for the year, net of tax	**73**	562
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(82,358)**	251,848
ATTRIBUTABLE TO:		
Owners of the parent		
From continuing operations	**(96,981)**	207,755
From discontinued operations	**(6,588)**	(6,564)
	(103,569)	201,191
Non-controlling interests		
From continuing operations	**21,219**	50,657
From discontinued operations	**(8)**	–
	21,211	50,657
	(82,358)	251,848

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2019

	Notes	2019 CNY'000	2018 CNY'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	**2,856,318**	2,878,820
Right-of-use assets	13(a)	**185,770**	–
Rehabilitation fund		**12,136**	13,610
Prepayments and other receivables		**64,494**	103,625
Investment in an associate		**2,514**	2,548
Deferred tax assets	9	**9,527**	18,904
TOTAL NON-CURRENT ASSETS		**3,130,759**	3,017,507
CURRENT ASSETS			
Inventories		**37,317**	45,155
Trade and bills receivables	14	**126,887**	166,793
Due from an associate company		**–**	1,092
Prepayments and other receivables		**106,839**	109,026
Pledged deposits		**116,000**	70,000
Financial assets at fair value through profit or loss		**5,019**	5,000
Cash and cash equivalents		**42,417**	54,468
		434,479	451,534
Assets of a disposal group classified as held for sale	4(b)	**57,875**	–
TOTAL CURRENT ASSETS		**492,354**	451,534
TOTAL ASSETS		**3,623,113**	3,469,041
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and bills payables	15	**881,993**	545,602
Other payables and accruals		**417,971**	331,290
Interest-bearing bank and other borrowings	16	**622,000**	1,048,125
Obligations under finance leases		**–**	39,105
Lease liabilities	13(b)	**47,930**	–
Due to an associate company		**1,727**	–
Interest payable		**32,955**	31,953
Income tax payable		**45,994**	42,956
Mining right payables		**43,780**	43,780
Deferred income		**2,202**	1,570
		2,096,552	2,084,381
Liabilities directly associated with the assets classified as held for sale	4(b)	**24,948**	–
TOTAL CURRENT LIABILITIES		**2,121,500**	2,084,381

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 DECEMBER 2019

	Notes	**2019** *CNY'000*	2018 *CNY'000*
NON-CURRENT LIABILITIES			
Due to a related company		**317,395**	1,244,118
Interest-bearing bank and other borrowings	*16*	**1,226,500**	17,000
Obligations under finance leases		**–**	74,194
Lease liabilities	*13(b)*	**36,199**	–
Deferred tax liabilities	*9*	**88,650**	138,275
Deferred income		**15,633**	10,511
Asset retirement obligations		**12,068**	13,036
TOTAL NON-CURRENT LIABILITIES		**1,696,445**	1,497,134
TOTAL LIABILITIES		**3,817,945**	3,581,515
EQUITY			
Share capital		**1,081**	1,081
Reserves		**(380,715)**	(277,146)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**(379,634)**	(276,065)
NON-CONTROLLING INTERESTS		**184,802**	163,591
TOTAL EQUITY		**(194,832)**	(112,474)
TOTAL LIABILITIES AND EQUITY		**3,623,113**	3,469,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the British Virgin Islands ("**BVI**") on 6 January 2010. The registered office address of the Company is Kingston Chambers, P.O. Box 173, Road Town, Tortola, BVI.

China Natural Resources, Inc. ("**CHNR**") is a BVI holding company incorporated in 1993 with its shares listed on the NASDAQ Capital Market in the United States of America. The Company was a wholly-owned subsidiary of CHNR until CHNR completed the spin-off ("**Spin-off**") of its shareholding in the Company and the shares of the Company were listed by introduction on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 22 January 2014. After the Spin-off, CHNR's shareholders hold the shares of the Company directly.

The Company's principal shareholder is Feishang Group Limited ("**Feishang**" or the "**controlling shareholder**"), a company incorporated in the BVI. Mr. LI Feilie is the beneficial owner of Feishang. In the opinion of the Directors, the ultimate holding company of the Company is Laitan Investments Limited, a company incorporated in the BVI.

The Company is an investment holding company. During the year, the Company's subsidiaries were engaged in the construction and development of anthracite coal mines, extraction and sale of anthracite coal, and trading of anthracite coal in the People's Republic of China (the "**PRC**").

As at 31 December 2019, the Group had net current liabilities of approximately CNY1,629.1 million (2018: CNY1,632.8 million) and total assets less current liabilities of approximately CNY1,501.6 million (2018: CNY1,384.7 million).

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Chinese Yuan ("**CNY**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Going concern

As at 31 December 2019, the Group had net current liabilities of approximately CNY1,629.1 million and shareholders' deficit of approximately CNY194.8 million. In view of these circumstances, the Directors have given consideration to the future liquidity, performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Feishang Enterprise Group Co., Ltd., controlled by Mr. LI Feilie (the beneficial owner of Feishang), has undertaken to provide continuous financial support to the Group to enable it to have sufficient liquidity to finance its operations. Subsequent to the year end, the Group has secured additional loan facilities totaling CNY196.0 million. Besides, according to the existing banking facility agreement, on repayment of short-term bank borrowing amounted to CNY430.0 million in 2020, the Group shall be able to draw down the same amount of short-term bank borrowing for another one year.

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

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

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements to IFRSs 2015-2017 Cycle* – Amendments to IFRS 3, IFRS 11 and IAS 12, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any significant impact on leases where the Group is the lessor.

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

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.

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 leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognizing rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

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. 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.

All these assets were assessed for any impairment based on IAS 36 on that date. 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 approximately 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:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months at the date of initial application;
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- Excluding the initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
- Relying on the entity's assessment of whether leases were onerous by applying IAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under IAS 17.

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

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

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

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

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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 impact on the financial position or performance of the Group.

(d) 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 financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

During the year ended 31 December 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 resources 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 year ended 31 December 2019, revenue derived from sales to two customers accounted for 44.6% and 11.4% of the consolidated revenue, respectively. During the year ended 31 December 2018, revenue derived from sales to two customers accounted for 21.6% and 11.0% of the consolidated revenue, respectively.

4. DISCONTINUED OPERATIONS

(a) Discontinued operation of Gouchang Coal Mine

Gouchang Coal Mine is a coal mine located in Guizhou Province, 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 on 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 proposal 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. In the year of 2019, substantially all the work at Gouchang Coal Mine had ceased, and therefore, the operating results have been reclassified to a discontinued operation for the purpose of preparing the consolidated statement of profit or loss.

The results of Gouchang Coal Mine for the years ended 31 December 2019 and 2018 are presented below:

	2019	2018
	CNY'000	*CNY'000*
Finance costs	**(1)**	(1)
Non-operating expenses, net	**(827)**	–
LOSS BEFORE INCOME TAX	**(828)**	(1)
Income tax expense	**–**	–
LOSS FOR THE YEAR FROM THE DISCONTINUED OPERATION	**(828)**	(1)
Attributable to:		
Owners of the parent	**(820)**	(1)
Non-controlling interest	**(8)**	–
	(828)	(1)

* *For identification purpose only*

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

	2019	2018
	CNY'000	*CNY'000*
Operating activities	**(401)**	(322)
Financing activities	**850**	322
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 the extraction and sale 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. During the year of 2019, Guizhou Puxin received tranches of CNY50.0 million from Baoshun. Up to 31 December 2019, the transaction was not yet completed, and Guizhou Dayuan was classified as a disposal group held for sale and as a discontinued operation.

The results of Guizhou Dayuan for the years ended 31 December 2019 and 2018 are presented below:

	2019	2018
	CNY'000	*CNY'000*
Administrative expenses	**(2,824)**	(2,372)
Impairment of trade and other receivables, net	**–**	(471)
Write-down of inventories to net realisable value	**–**	(1,194)
OPERATING LOSS	**(2,824)**	(4,037)
Finance costs	**(134)**	(135)
Non-operating expenses, net	**(437)**	(3)
LOSS BEFORE INCOME TAX	**(3,395)**	(4,175)
Income tax expense	**(2,373)**	(2,388)
LOSS FOR THE YEAR FROM THE DISCONTINUED OPERATION	**(5,768)**	(6,563)
Attributable to:		
Owners of the parent	**(5,768)**	(6,563)
Non-controlling interests	**–**	–
	(5,768)	(6,563)

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

	31 December 2019 *CNY'000*
Assets	
Property, plant and equipment	**54,206**
Rehabilitation fund	**1,500**
Prepayments and other receivables	**2,027**
Cash and cash equivalents	**142**
Assets of a disposal group classified as held for sale	**57,875**
Liabilities	
Trade and bills payables	**1,133**
Other payables and accruals	**2,088**
Income tax payable	**21**
Deferred tax liabilities	**20,090**
Asset retirement obligations	**1,616**
Liabilities directly associated with the assets classified as held for sale	**24,948**
Net assets directly associated with the disposal group	**32,927**

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

	2019 *CNY'000*	2018 *CNY'000*
Operating activities	**(2,766)**	(1,745)
Financing activities	**1,514**	1,962
Net cash (outflow)/inflow	**(1,252)**	217

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

	2019 *CNY'000*	2018 *CNY'000*
Loss attributable to ordinary equity holders of the parent from discontinued operations	**(6,588)**	(6,564)
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 (CNY per share):		
Basic, from discontinued operations	*	*
Diluted, from discontinued operations	*	*

* *Insignificant*

5. RESTATEMENT

As a result of the reclassification of Guizhou Dayuan to a discontinued operation (Note 4(b)), the comparative amounts reported in the consolidated statement of profit or loss and comprehensive income and related notes for the year ended 31 December 2018 have been re-presented accordingly to reflect the reclassification between continuing operations and the discontinued operation.

The relevant line items in the consolidated statement of profit or loss and comprehensive income for the year ended 31 December 2018 have been restated as follows:

	The Group (as previously reported) *CNY'000*	**Adjustment in relation to reclassification of Guizhou Dayuan** *CNY'000*	**The Group (as restated)** *CNY'000*
Consolidated statement of profit or loss for the year ended 31 December 2018:			
CONTINUING OPERATIONS			
Revenue	1,234,151	–	1,234,151
Cost of sales	(577,860)	–	(577,860)
Gross profit	656,291	–	656,291
Selling and distribution expenses	(48,216)	–	(48,216)
Administrative expenses	(123,372)	2,372	(121,000)
Impairment of trade and other receivables, net	(3,405)	471	(2,934)
Write-down of inventories to net realisable value	(2,453)	1,194	(1,259)
Other operating expenses, net	(23,450)	–	(23,450)
Operating profit	455,395	4,037	459,432
Finance costs	(93,197)	135	(93,062)
Interest income	373	–	373
Share of profit and loss of an associate	148	–	148
Non-operating income, net	5,843	3	5,846
Profit before income tax	368,562	4,175	372,737
Income tax expense	(117,275)	2,388	(114,887)
Profit for the year from continuing operations	251,287	6,563	257,850
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	(1)	(6,563)	(6,564)
Profit for the year	251,286	–	251,286

	The Group (as previously reported) *CNY'000*	Adjustment in relation to reclassification of Guizhou Dayuan *CNY'000*	The Group (as restated) *CNY'000*
ATTRIBUTABLE TO:			
Owners of the parent			
From continuing operations	200,630	6,563	207,193
From discontinued operations	(1)	(6,563)	(6,564)
	200,629	–	200,629
Non-controlling interests			
From continuing operations	50,657	–	50,657
From discontinued operations	–	–	–
	50,657	–	50,657
Profit per share attributable to ordinary equity holders of the parent (CNY per share):			
Basic and diluted			
– From continuing operations	0.15	*	0.15
– From discontinued operations	*	*	*
	0.15	*	0.15

* *Insignificant*

	The Group (as previously reported) *CNY'000*	Adjustment in relation to reclassification of Guizhou Dayuan *CNY'000*	The Group (as restated) *CNY'000*
Consolidated statement of comprehensive income for the year ended 31 December 2018:			
Profit for the year	251,286	–	251,286
Other comprehensive income:			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	562	–	562
Total other comprehensive income for the year, net of tax	562	–	562
Total comprehensive income for the year, net of tax	251,848	–	251,848
ATTRIBUTABLE TO:			
Owners of the parent			
From continuing operations	201,192	6,563	207,755
From discontinued operations	(1)	(6,563)	(6,564)
	201,191	–	201,191
Non-controlling interests			
From continuing operations	50,657	–	50,657
From discontinued operations	–	–	–
	50,657	–	50,657
	251,848	–	251,848

6. REVENUE FROM CONTINUING OPERATIONS

Revenue from continuing operations represents the following:

	2019 ***CNY'000***	2018 *CNY'000*
Revenue from contracts with customers	**1,149,726**	1,234,151

(i) Disaggregated revenue information

	2019 ***CNY'000***	2018 *CNY'000*
Types of goods or services		
Sale of coal	**1,149,061**	1,230,918
Coal trading	**665**	3,233
	1,149,726	1,234,151
Geographic market		
Mainland China	**1,149,726**	1,234,151
Timing of revenue recognition		
Goods transferred at a point of time	**1,149,726**	1,234,151

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2019	2018
	CNY'000	*CNY'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of coal	**46,049**	74,946

(ii) Performance obligations

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

Sale of coal

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

Coal trading

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

7. FINANCE COSTS FROM CONTINUING OPERATIONS

	2019	2018
	CNY'000	*CNY'000*
		(Restated)
Interest on interest-bearing bank and other borrowings	**70,900**	76,336
Interest on lease liabilities *(Note 13(c))*	**5,621**	2,153
Interest on payables for mining rights	**2,145**	2,145
Total interest expense	**78,666**	80,634
Bank charges	**512**	360
Discount coupon	**12,114**	11,054
Accretion expenses	**782**	1,014
	92,074	93,062

8. (LOSS)/PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS

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

	2019	2018
	CNY'000	*CNY'000*
		(Restated)
Crediting:		
Interest income on bank deposits	**775**	373
Government grant	**4,975**	21,999
Charging:		
Cost of inventories sold (a)	**656,747**	432,890
Sales tax and surcharge	**65,131**	73,174
Utilisation of safety fund and production maintenance fund	**110,702**	71,796
Cost of sales	**832,580**	577,860
Employee benefit expenses	**306,877**	192,464
Depreciation, depletion and amortisation:		
–Property, plant and equipment *(Note 12)*	**324,783**	193,283
–Right-of-use assets *(Note 13(c))*	**18,017**	–
Lease payments not included in the measurement of lease liabilities *(Note 13(c))*	**1,827**	–
Operating lease rental:		
– Office properties	**–**	1,019
Auditors' remuneration:		
– Audit fee	**3,400**	3,400
Write-down of inventories to net realisable value	**–**	1,259
Impairment of trade and bills receivables, net	**618**	2,820
Impairment of prepayments and other receivables, net	**–**	114
Gains from financial assets at fair value through profit or loss	**(19)**	(60)
Loss on disposal of property, plant and equipment	**589**	–
Repairs and maintenance	**39,604**	26,092
Losses arising from temporary suspension of production	**–**	12,168

(a) Included in the cost of inventories sold is a total amount of approximately CNY506.6 million for the year ended 31 December 2019 (2018: CNY317.3 million) relating to employee benefit expenses and depreciation, depletion and amortisation, and these amounts are also included in the respective amounts disclosed separately above for each type of expenses.

9. INCOME TAX EXPENSE FROM CONTINUING OPERATIONS AND DEFERRED TAX

The Company is a limited liability company incorporated in the 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 year ended 31 December 2019 (2018: 16.5%). The Company's Hong Kong subsidiary has both Hong Kong sourced and non-Hong Kong sourced incomes. 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 years ended 31 December 2019 and 2018. Furthermore, there are no withholding taxes in Hong Kong on the remittance of dividends.

Under the Law of the PRC on the 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 is 25% (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.

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

	2019	2018
	CNY'000	*CNY'000*
		(Restated)
Current – Mainland China	**40,066**	86,719
Deferred – Mainland China	**(22,530)**	28,168
	17,536	114,887

A reconciliation of the income taxes from continuing operations computed at the PRC statutory tax rate of 25% to the actual income tax charge is as follows:

	2019	2018
	CNY'000	*CNY'000*
		(Restated)
(Loss)/profit before income tax from continuing operations	**(58,299)**	372,737
Tax at the statutory tax rate of 25%	**(14,575)**	93,185
Effect of different tax rates for the Company and the Hong Kong subsidiary	**1,651**	1,510
Non-deductible expenses	**5,568**	4,030
Tax losses not recognised	**24,213**	16,023
Others	**679**	139
Income tax charge from continuing operations	**17,536**	114,887

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

	2019	2018
	CNY'000	*CNY'000*
Deferred tax assets		
Accruals and other payables	**3,927**	3,302
Capitalised pilot run income	**12,190**	13,056
Tax losses	**43,239**	16,913
Depreciation of property, plant and equipment	**14,328**	3,336
Bad debt provision	**5,397**	5,438
	79,081	42,045
Deferred tax liabilities		
Depreciation and fair value adjustment of property, plant and equipment*	**(158,204)**	(161,416)
Net deferred tax liabilities	**(79,123)**	(119,371)
Classification in the consolidated statement of financial position:		
Deferred tax assets	**9,527**	18,904
Deferred tax liabilities	**(88,650)**	(138,275)

* Included in the deferred tax liabilities were approximately CNY112.4 million and CNY115.1 million of deferred tax liabilities recognised relating to the fair value adjustment on property, plant and equipment as at 31 December 2019 and 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 these coal mining subsidiaries' profitability based on their production plans, product mix, forecasted selling prices, and the related production and operational costs, of which strong profits are expected.

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

The total amounts of unused tax losses for which no deferred tax assets were recognised amounted to approximately CNY622.1 million and CNY692.2 million as at 31 December 2019 and 2018, respectively. As at 31 December 2019, unused tax losses not utilised of approximately CNY117.2 million, CNY219.6 million, CNY110.8 million, CNY77.6 million and CNY96.9 million, will expire by end of 2020, 2021, 2022, 2023 and 2024, respectively.

The gross movements on the deferred tax account are as follows:

	2019	2018
	CNY'000	*CNY'000*
At the beginning of the year	**(119,371)**	(88,815)
Charged/(credited) to the consolidated statement of profit or loss	**22,530**	(30,556)
Reclassified to held for sale	**17,718**	–
At the end of the year	**(79,123)**	(119,371)

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

Basic and diluted profit per share for the year were calculated as follows:

	2019 *CNY'000*	2018 *CNY'000* (Restated)
(Loss)/profit for the year attributable to ordinary equity holders of the parent:	**(103,642)**	200,629
From continuing operations	**(97,054)**	207,193
From discontinued operations	**(6,588)**	(6,564)
Weighted average number of ordinary shares ('000 shares):		
Basic	**1,380,546**	1,380,546
Diluted	**1,380,546**	1,380,546
(Loss)/profit per share attributable to ordinary equity holders of the parent (CNY per share):		
Basic		
From continuing operations	**(0.07)**	0.15
From discontinued operations	*	*
	(0.07)	0.15
Diluted		
From continuing operations	**(0.07)**	0.15
From discontinued operations	*	*
	(0.07)	0.15

* *Insignificant*

The Company did not have any potential diluted shares throughout the year. Accordingly, the diluted (loss)/profit per share amount is the same as the basic (loss)/profit per share amount.

11. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2019 (2018: Nil).

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings *CNY'000*	Mining structures and mining rights *CNY'000*	Machinery and equipment *CNY'000*	Motor vehicles *CNY'000*	Construction in progress *CNY'000*	Total *CNY'000*
Cost						
At 1 January 2018	118,561	3,067,527	476,167	39,575	195,407	3,897,237
Additions	–	45,174	179,249	7,694	382,100	614,217
Transfers	–	137,574	25,100	2,518	(165,192)	–
At 31 December 2018	118,561	3,250,275	680,516	49,787	412,315	4,511,454
Effect of adoption of IFRS 16	–	(27,933)	(97,329)	–	–	(125,262)
At 1 January 2019 (restated)	118,561	3,222,342	583,187	49,787	412,315	4,386,192
Additions	1,360	1,802	45,716	15,453	471,443	535,774
Transfers	4,029	339,334	6,650	4,570	(354,583)	–
Disposals	–	–	(2,517)	–	–	(2,517)
Reclassified to held for sale	(14,426)	(323,795)	(23,578)	(1,641)	–	(363,440)
Reclassified to right-of-use assets	–	(56,548)	–	–	–	(56,548)
At 31 December 2019	**109,524**	**3,183,135**	**609,458**	**68,169**	**529,175**	**4,499,461**
Accumulated depreciation						
At 1 January 2018	(12,478)	(478,594)	(168,304)	(16,404)	–	(675,780)
Depreciation charge	(3,235)	(62,832)	(119,713)	(7,607)	–	(193,387)
At 31 December 2018	(15,713)	(541,426)	(288,017)	(24,011)	–	(869,167)
Effect of adoption of IFRS 16	–	165	530	–	–	695
At 1 January 2019 (restated)	(15,713)	(541,261)	(287,487)	(24,011)	–	(868,472)
Depreciation charge	(9,141)	(269,580)	(39,134)	(6,928)	–	(324,783)
Disposals	–	–	1,928	–	–	1,928
Reclassified to held for sale	3,270	3,976	3,463	1,465	–	12,174
Reclassified to right-of-use assets	–	2,417	–	–	–	2,417
At 31 December 2019	**(21,584)**	**(804,448)**	**(321,230)**	**(29,474)**	**–**	**(1,176,736)**
Impairment						
At 1 January 2018	(16,226)	(711,771)	(29,618)	(554)	(5,298)	(763,467)
Impairment	–	–	–	–	–	–
At 31 December 2018	(16,226)	(711,771)	(29,618)	(554)	(5,298)	(763,467)
Impairment	–	–	–	–	–	–
Reclassified to held for sale	11,156	265,613	20,115	176	–	297,060
At 31 December 2019	**(5,070)**	**(446,158)**	**(9,503)**	**(378)**	**(5,298)**	**(466,407)**
Net carrying amount						
At 31 December 2018	86,622	1,997,078	362,881	25,222	407,017	2,878,820
At 31 December 2019	**82,870**	**1,932,529**	**278,725**	**38,317**	**523,877**	**2,856,318**

As at 31 December 2019, certain mining rights with a carrying amount of approximately CNY722.6 million (2018: CNY582.8 million) were pledged to secure bank loans with a carrying amount of approximately CNY1,729.5 million (2018: CNY835.0 million) (Note 16).

As at 31 December 2019, no machinery and equipment (2018: approximately CNY102.8 million) were pledged to secure loans (2018: approximately CNY96.1 million) (Note 16).

As at 31 December 2019, certain buildings with a carrying amount totalling approximately CNY74.0 million (2018: CNY79.0 million) were without title certificates. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of the year.

13. LEASES

(a) Right-of-use assets

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

	Prepaid land lease payments *CNY'000*	**Machinery and equipment** *CNY'000*	**Buildings** *CNY'000*	**Total** *CNY'000*
As at 1 January 2019	–	124,567	2,281	126,848
Additions	2,403	19,974	431	22,808
Depreciation charge	(913)	(16,181)	(923)	(18,017)
Reclassification from property, plant and equipment	54,131	–	–	54,131
As at 31 December 2019	**55,621**	**128,360**	**1,789**	**185,770**

(b) Lease liabilities

	2019 **Lease liabilities** ***CNY'000***	2018 Obligations under finance leases *CNY'000*
Carrying amount at 1 January	**115,580**	–
New leases	**22,808**	117,502
Accretion of interest recognised during the year	**5,621**	2,153
Payments	**(59,880)**	(6,356)
Carrying amount at 31 December	**84,129**	113,299
Analysed into:		
Current portion	**47,930**	39,105
Non-current portion	**36,199**	74,194

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 ***CNY'000***
Interest on lease liabilities *(Note 7)*	**5,621**
Depreciation charge of right-of-use assets *(Note 8)*	**18,017**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	**1,439**
Expense relating to leases of low-value assets (included in administrative expenses)	**388**
Total amount recognised in profit or loss	**25,465**

14. TRADE AND BILLS RECEIVABLES

	2019	2018
	CNY'000	*CNY'000*
Trade receivables	**145,620**	175,849
Less: Provision for impairment	**(47,912)**	(47,294)
	97,708	128,555
Bills receivable	**29,179**	38,238
	126,887	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 are required. Trade receivables are non-interest-bearing.

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

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

	2019	2018
	CNY'000	*CNY'000*
Within 3 months	**46,844**	68,367
3 to 6 months	**34,001**	26,167
6 to 12 months	**2,311**	5,397
Over 12 months	**14,552**	28,624
	97,708	128,555

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

	2019	2018
	CNY'000	*CNY'000*
At the beginning of the year	**47,294**	44,003
Impairment losses, net	**618**	3,291
At the end of the year	**47,912**	47,294

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if the Group is satisfied that recovery of the amount is remote.

The Group applies the simplified approach to the provision 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.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
Expected credit loss rate	**1%**	**5%**	**46%**	**60%**	**98%**	**100%**	
Gross carrying amount (CNY'000)	**83,897**	**12,931**	**1,125**	**2,253**	**38,850**	**6,564**	**145,620**
Expected credit losses (CNY'000)	**741**	**709**	**520**	**1,349**	**38,029**	**6,564**	**47,912**
Net carrying amount (CNY'000)	**83,156**	**12,222**	**605**	**904**	**821**	**–**	**97,708**

As at 31 December 2018

	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
Expected credit loss rate	9%	29%	48%	62%	100%	100%	
Gross carrying amount (CNY'000)	109,865	17,832	2,535	39,053	5,928	636	175,849
Expected credit losses (CNY'000)	9,934	5,233	1,218	24,345	5,928	636	47,294
Net carrying amount (CNY'000)	99,931	12,599	1,317	14,708	–	–	128,555

15. TRADE AND BILLS PAYABLES

	2019	2018
	CNY'000	*CNY'000*
Trade payables (a)	**710,093**	425,602
Bills payable	**171,900**	120,000
	881,993	545,602

(a) Included in trade payables were amounts of approximately CNY414.6 million (2018: CNY160.3 million) due to construction related contractors as at 31 December 2019.

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

	2019	2018
	CNY'000	*CNY'000*
Within one year	**466,872**	340,093
More than one year	**243,221**	85,509
	710,093	425,602

Bills payable are bills of exchange with maturity of less than one year. Time deposits of CNY116.0 million (2018: CNY70.0 million) were pledged to secure the bank bills as at 31 December 2019.

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

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019	2018
	CNY'000	*CNY'000*
Current		
Bank and other borrowings – guaranteed	**100,000**	100,000
Bank and other borrowings – unsecured	**2,000**	–
Bank and other borrowings – secured and guaranteed	**200,000**	220,000
Current portion of long term bank and other borrowings – secured and guaranteed	**303,000**	711,125
Current portion of long term bank and other borrowings – guaranteed	**17,000**	17,000
	622,000	1,048,125
Non-current		
Bank and other borrowings – guaranteed	**–**	17,000
Bank and other borrowings – secured and guaranteed	**1,226,500**	–
	1,226,500	17,000
	1,848,500	1,065,125

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

(1) pledges over the Group's mining rights with a carrying amount of approximately CNY722.6 million (2018: CNY582.8 million) as at 31 December 2019 (Note 12);

(2) pledges over machinery and equipment owned by Guizhou Dayun Mining Co., Ltd., Jinsha Juli Energy Co., Ltd. and Guizhou Yongfu Mining Co., Limited ("**Guizhou Yongfu**") with a carrying amount of nil (2018: approximately CNY102.8 million) as at 31 December 2019 (Note 12); and

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

In addition, Mr. LI Feilie has guaranteed certain of the Group's interest-bearing bank and other borrowings up to approximately CNY1,776.5 million (2018: CNY995.1 million) as at 31 December 2019. Also, the Group's fellow subsidiaries have guaranteed certain of the Group's interest-bearing bank and other borrowings up to approximately CNY1,846.5 million (2018: CNY895.1 million) as at 31 December 2019.

All borrowings are denominated in CNY.

The ranges of the effective interest rates of the Group's bank and other borrowings are as follows:

	2019	2018
	%	*%*
Fixed-rate bank and other borrowings	**7.00~7.50**	4.35~9.34
Floating-rate bank and other borrowings	**4.75~7.35**	5.70~6.96

The maturity profile of the bank and other borrowings as at the end of the reporting period is as follows:

	2019	2018
	CNY'000	*CNY'000*
Bank and other borrowings repayable:		
Within one year or on demand	**622,000**	1,048,125
In the second year	**105,000**	17,000
In the third to seventh years, inclusive	**1,121,500**	–
	1,848,500	1,065,125

EXTRACT FROM INDEPENDENT AUDITORS' REPORT

The auditor's opinion on the Group's consolidated financial statements for the year ended 31 December 2019 is as follows:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs issued by IASB and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to Note 2.1 to the consolidated financial statements which indicates that as at 31 December 2019 the Group had net current liabilities of CNY1,629.1 million and shareholders' deficit of CNY194.8 million. This condition indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During 2019, the Chinese economy further slowed down and the substitution effect of clean energy, especially hydropower, for thermal power was unexpectedly strong. The growth rates of both overall power generation and overall coal consumption continued to follow a declining trend. There were no demand highlights from among the other major coal-consuming industries. On the supply side, as massive overall capacity reduction was mostly completed by the end of 2018, and the release of high-quality production capacity started to accelerate in 2019, overall coal supply in 2019 steadily increased, especially in the second half of the year. Meanwhile, coal import increased sharply due to lower prices associated with imported coal. Demand and supply in the coal market gradually changed from being roughly balanced to excess supply, exerting downward pressure on the price of coal.

As part of the supply-side reform in the coal industry, the Group greatly expanded and upgraded its production capacity. However, during 2019, the Group also faced intensifying competition from both upgraded local producers and high-quality products from northern China. Although the Group achieved further growth in production and sales volume, it suffered from a large decline in the average selling price of its main products and overall profitability deteriorated. This large decline in average selling price was attributable not only to a slowing market and decreasing market price, but also, and probably more, to a temporary deterioration in the quality of the Group's coal products as a result of geological complexities of current mining faces. Meanwhile, due to frequent coal mine safety incidents in northern China as well as within Guizhou province where the Group's operations situated, safety policies and supervision remained extremely tight nation-wide. The Group has as usual remained highly vigilant on mine safety and has taken various precautions to ensure production safety at its coal mines.

The Group, having regard to the importance of product quality in creating sustainable advantage in future competition, has enhanced and will continue to enhance coal quality management. That included further investment in the expansion of coal washing capacity, setting up coal quality control teams and formulating coal quality control policies. Specifically, two newly invested large coal washing plants each with annual production capacity of 0.6 million tons are expected to be completed and put into production in April and July 2020, which will greatly improve the Group's coal washing capacity and its ability to control product quality. Quality control and safety management is core to production management and is embraced throughout the entire production process. The Group believes that, with these measures in place and when the geological conditions improve, its production capacity will be released and product quality will also improve. The high sieving systems and coal washing plants will allow the Group to perform coal screening, coal washing and efficient coal blending and supply customers with customised coal products of controllable quality.

During the year, the Group also continued to expand production capacity and output, bringing about economies of scale and opportunities for better product diversification and market segmentation with increased profitability. However, lower coal quality in 2019 hampered the Group's ability to diversify its products, resulting in a disproportionate amount of coal sold as thermal coal to power plants, and this significantly affected the Group's overall profitability. When coal quality stabilises, the Group will continue to strengthen the brand name of Feishang Anthracite and retain and further penetrate the high-end market.

In addition, the Group has continued to explore and optimise coal mine design and actively apply new technologies and equipment in mine construction to improve operational efficiency, enhance production safety and reduce capital commitment and production cost. The Group has also made solid progress in promoting refined management and cost control to ensure that all investments and expenses were necessary and all mining, production and marketing activities were cost-effective.

As a result of the above internal and external complications, the Group recorded consolidated loss attributable to owners of the parent from continuing operations of approximately CNY97.1 million for the year ended 31 December 2019, compared to a profit of approximately CNY207.2 million for the prior year.

FINANCIAL REVIEW

Continuing Operations

Revenue

The Group's revenue from continuing operations decreased by approximately 6.8% from approximately CNY1,234.2 million in 2018 to approximately CNY1,149.7 million in 2019. The decline in revenue was due to a drop in average selling price of self-produced anthracite coal, notwithstanding an increase in sales volume of self-produced anthracite coal. The sales volume of self-produced anthracite coal increased from approximately 3.17 million tonnes in 2018 to approximately 3.66 million tonnes in 2019, representing a rise of approximately 15.5%. This increase in sales volume was mainly attributable to the increased production volume of Liujiaba Coal Mine, which resumed production in August 2018. However, the average selling price without value-added tax of self-produced anthracite coal decreased from CNY388.1 per tonne in 2018 to CNY314.1 per tonne in 2019, representing a drop of approximately 19.1%, 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, Liujiaba Coal Mine and Dayun Coal Mine due to geological complexities and extremely tight safety policies and supervision.

The Group's revenue from sales of processed coal (including coal screening and/or coal washing and coal blending), amounting to approximately 59.4% and 48.6% of total revenue in 2018 and 2019, respectively, decreased from approximately CNY733.6 million with sales volume of approximately 1.26 million tonnes in 2018 to approximately CNY558.7 million with sales volume of approximately 1.11 million tonnes in 2019. The decrease in revenue from sales of processed coal was mainly due to the drop in average selling price and sales volume. The reasons have been discussed above.

In 2018 and 2019, the Group derived approximately 48.4% and 66.2% of its revenue from anthracite coal sales to its five largest customers, respectively, out of which, one customer and one customer was the power producer in Guizhou province who purchased thermal coal from the Group, respectively. The management of the Group believes that by further expanding the product mix through coal washing and coal blending, the dependency on a limited number of large customers will decrease gradually and the Group's profit margin will increase.

Cost of Sales

The Group's cost of sales from continuing operations increased by approximately 44.1% from approximately CNY577.9 million in 2018 to approximately CNY832.6 million in 2019 mainly due to the increase of approximately 15.5% in sales volume of self-produced anthracite coal and the increase in depreciation and labour cost per tonne.

Cost of Sales for Coal Mining

Labour costs in 2019 were approximately CNY224.9 million, representing an increase of approximately CNY73.9 million, or approximately 48.9%, as compared with approximately CNY151.0 million in 2018. The increase in labour costs was proportionally higher than the rise in sales volume of self-produced anthracite coal in 2019, 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 in 2019 were approximately CNY159.1 million, an increase of approximately CNY33.8 million or approximately 27.0%, as compared with approximately CNY125.3 million in 2018. The increases in material, fuel and energy costs were proportionally higher than the rise in sales volume of the Group's self-produced anthracite products in 2019 because the repair and maintenance costs of mine roadways, mining machinery and equipment increased at Baiping Coal Mine and Dayun Coal Mine.

Depreciation and amortisation in 2019 were approximately CNY311.3 million, representing an increase of approximately CNY131.1 million, or approximately 72.8%, as compared with approximately CNY180.2 million in 2018. The increase in depreciation and amortisation in 2019 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 prior year due to the complicated geological factors having been fully depreciated in 2019.

Taxes and levies in 2019 were approximately CNY61.7 million, a decrease of approximately CNY6.7 million or approximately 9.8% as compared with approximately CNY68.4 million in 2018. The decrease in the sales tax and levies, which mainly consisted of ad valorem resource tax, was mainly due to the drop in the revenue in 2019.

Cost of Sales for Coal Processing

Coal processing costs, which included coal screening costs and/or coal washing costs and coal blending costs, increased from approximately CNY40.6 million in 2018 to approximately CNY60.0 million in 2019. This was mainly due to (i) the increase in repair and maintenance of equipment and transport belts; and (ii) the increase in transportation fee from Dayun Coal Mine and Baiping Coal Mine to the coal beneficiation plant for coal processing.

Breakdown of the Group's Unit Cost of Sales

Cost Items for Coal Mining Activities	**2019**	2018
	CNY/tonne	*CNY/tonne*
Labour costs	**61.5**	47.6
Raw materials, fuel and energy	**43.5**	39.5
Depreciation and amortisation	**85.1**	56.8
Taxes & levies payable to governments	**16.9**	21.6
Other production-related costs	**4.2**	3.9
Total unit cost of sales for coal mining	**211.2**	169.4

Cost Items for Coal Processing Activities	**2019**	2018
	CNY/tonne	*CNY/tonne*
Labour costs	**11.6**	12.2
Materials, fuel and energy	**27.5**	8.7
Depreciation	**6.7**	7.0
Taxes & levies payable to governments	**2.7**	3.7
Other coal processing related costs	**5.7**	0.6
Total unit cost of sales for coal processing	**54.2**	32.2

Gross Profit and Gross Margin

As a result of the foregoing, the overall gross profit from continuing operations decreased by approximately 51.7% from approximately CNY656.3 million in 2018 to approximately CNY317.1 million in 2019. The overall gross margin from continuing operations, which is equal to gross profit divided by revenue, decreased from approximately 53.2% in 2018 to approximately 27.6% in 2019. This was primarily 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.

Selling and Distribution Expenses

The selling and distribution expenses from continuing operations increased by approximately 141.4% from approximately CNY48.2 million in 2018 to approximately CNY116.4 million in 2019, which was primarily attributable to the increase in transportation fee incurred mainly because of the change of settlement term with the power producer, which the Group was responsible for delivery cost which has been included in the selling price of thermal coal since July 2019 and the increase in unit transportation fee raised by the providers of transportation service.

Administrative Expenses

The administrative expenses from continuing operations increased by approximately 11.8% from approximately CNY121.0 million in 2018 to approximately CNY135.3 million in 2019. The increase was mainly due to the increase in staff cost as Guizhou Puxin and its subsidiaries raised remuneration with reference to individual performance in 2019.

Other Operating Expenses

Other operating expenses from continuing operations increased to approximately CNY33.7 million in 2019 from approximately CNY23.5 million in 2018 which was primarily due to the compensation paid to local residents for repairing the damaged houses and/or relocation affected by the mines' operations of the Group in 2019.

Operating Profit

As a result of the foregoing, the operating profit from continuing operations decreased from approximately CNY459.4 million in 2018 to approximately CNY31.1 million in 2019.

Finance Costs

The finance costs from continuing operations slightly decreased by approximately 1.1% from approximately CNY93.1 million in 2018 to approximately CNY92.1 million in 2019, which was principally due to a decrease in interest expenses on interest-bearing bank and other borrowings arising from the decrease in average interest-bearing bank and other borrowings.

Income Tax Expense

The Group had an income tax expense from continuing operations of approximately CNY17.5 million in 2019, compared to approximately CNY114.9 million in 2018. The decrease in income tax expense was mainly due to the decrease in current profit before income tax and the increase in deferred income tax benefit resulting from the increase in unutilised tax losses.

Loss/Profit for the year from Continuing Operations

The loss from continuing operations was approximately CNY75.8 million in 2019, compared to the profit of approximately CNY257.9 million in 2018. The decrease in profit from continuing operations in 2019 was mainly caused by (i) the decrease of approximately CNY339.2 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; (ii) the increase of approximately CNY68.2 million in selling expenses mainly due to the increase in transportation fee; (iii) the increase of approximately CNY14.3 million in administrative expenses mainly due to the increase in staff cost; and (iv) the increase of approximately CNY10.2 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. The decrease in profit was partially offset by the decrease of approximately CNY97.4 million in income tax expense mainly due to the decrease in profit before income tax and the increase in deferred income tax benefit resulting from the increase in unutilised tax losses.

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

The loss attributable to owners of the parent from continuing operations was approximately CNY97.1 million in 2019, compared to the profit attributable to owners of the parent of approximately CNY207.2 million in 2018. The reasons for the decrease in the profit attributable to owners of the parent from continuing operations in 2019 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 closed 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.

In 2019, works at Gouchang Coal Mine had substantially ceased, therefore the operating results have been reclassified as a discontinued operation.

(b) Discontinued operation of Guizhou Dayuan

On 24 May 2019, Guizhou Puxin, a wholly-owned subsidiary of the Group, entered into an equity transfer agreement with Baoshun, an independent third party, to dispose its entire equity interest in Guizhou Dayuan, a wholly-owned subsidiary of Guizhou Puxin, at an aggregate consideration of CNY55.0 million. Guizhou Dayuan is mainly engaged in the extraction and sale of anthracite coal in Nayong County, Guizhou Province, the PRC. The consideration shall be payable by Baoshun in various tranches upon the satisfactions of the subsequent conditions. During the year of 2019, Guizhou Puxin received tranches of CNY50.0 million from Baoshun. Up to 31 December 2019, the transaction was not yet completed, and Guizhou Dayuan was classified as a disposal group held for sale and as a discontinued operation.

FINANCIAL RESOURCES REVIEW

Liquidity, Financial Resources and Capital Structure

As at 31 December 2018 and 31 December 2019, the Group had net current liabilities of approximately CNY1,632.8 million and approximately CNY1,629.1 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 year ended 31 December 2019. As at 31 December 2019, the Group had cash and cash equivalents of approximately CNY42.4 million.

The interest-bearing loans consist of short-term and long-term bank and other borrowings. As at 31 December 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 CNY622.0 million. As at 31 December 2019, the Group had total outstanding long-term bank borrowings (excluding the current portion) of approximately CNY1,226.5 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 31 December 2019, the Group had loans amounting to approximately CNY694.5 million with fixed interest rates ranging from 7.00% to 7.50% per annum. The remaining loans held by the Group as at 31 December 2019 had floating interest rates ranging from 4.75% to 7.35% per annum.

Pledge of Assets of the Group

As at 31 December 2018 and 31 December 2019, the amount of outstanding bank borrowings that were guaranteed by Mr. LI Feilie were approximately CNY995.1 million and approximately CNY1,776.5 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 CNY1,846.5 million, respectively.

As at 31 December 2018 and 31 December 2019, certain mining rights of the Group with carrying amounts of approximately CNY582.8 million and approximately CNY722.6 million, respectively, were pledged to secure bank loans with carrying amounts of approximately CNY835.0 million and approximately CNY1,729.5 million, respectively.

As at 31 December 2018 and 31 December 2019, the Company's equity interest in Guizhou Puxin and Guizhou Dayuan were pledged to secure bank loans with carrying amounts of CNY665.0 million and CNY737.5 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 31 December 2019, no machinery and equipment owned by the Group were pledged to secure loans.

CAPITAL COMMITMENTS AND EXPECTED SOURCE OF FUNDING

As at 31 December 2019, the Group had contractual capital commitments mainly in respect of machinery and equipment and materials purchased by coal mines for operations amounting to approximately CNY244.7 million. The Group plans to finance the capital commitments by internal resources, additional short-term and long-term bank and other borrowings, and/or possible equity financing.

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed 1,160 full time employees (not including 1,632 workers provided by third party labour agencies) for its principal activities. Employees' costs (including Directors' emoluments) from continuing operations amounted to approximately CNY331.2 million (including payment to workers provided by third party labour agencies) for the year ended 31 December 2019 (2018: CNY218.3 million). The Group recognises the importance of retaining 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 approved share option scheme of the Company.

The emolument policy of the employees of the Group has been set up on the basis of their merit, qualifications and competence. The emoluments of the Directors are determined having regard to the Group's operating results, individual performance and comparable market statistics. No Director, or any of his associates, and executive is involved in dealing his own remuneration.

OUTLOOK

In traditional industry cycle analysis, market demand is the leading factor in price determination, and the expansion and contraction of market supply follow and lag behind changes in demand. In this process where market equilibria are broken and new equilibria are reached from time to time, industries and prices exhibit cyclical fluctuations. Following the completion of massive overall capacity reduction in the coal industry, the focus of supply-side reform since 2019 has fully switched to encouraging steady release of high-quality production capacity. The pricing mechanism in the coal industry should revert from a period of supply-led mechanism due to supply-side intervention back to normal commodity cycle and demand-led mechanism. As the release of high-quality production capacity accelerated since mid-2019, and investment in the coal industry also notably accelerated, newly constructed and released production capacity will steadily increase market supply and create intensified market competition. It is expected that the increase of production capacity will stabilise in 2021. Meanwhile, the price advantage of imported coal is expected to peter out and import regulations will continue to serve to stabilise the domestic coal market.

On the demand side, apart from existing internal and external challenges and risk factors, the biggest Black Swan event in early 2020 was the outbreak of the novel coronavirus ("**COVID-19**") in China and an increasing number of other countries. A slew of unprecedented measures were taken throughout China to contain the COVID-19. That included the complete lockdown of a dozen of the most populated cities in Hubei, including its capital Wuhan. The Spring Festival holiday period was also extended for a week or longer, all at the cost of economic growth. China's economy especially in the first quarter of 2020 will inevitably be heavily and adversely affected, and impacts will most likely persist into the second quarter and beyond. GDP growth, especially the growth of industrial production and the tertiary sector, is expected to further slow down than previously forecasted, which will inevitably depress overall electricity consumption as well as coal demand. Nevertheless, the Chinese government has promptly responded and will continue to respond with targeted and highly supportive fiscal and monetary stabilising policies to mitigate the risk. Meanwhile, the substitution effect of hydropower generation is expected to weaken, and thus the growth of the thermal power sector should stabilise and recover somewhat, lending support to coal demand. Also, the chemical, iron and steel and building materials industries will likely remain stable. Overall, coal demand in the near future is expected to be relatively weak but still moderately supported. With steady increase of new production capacity and fading away of the effects of supply-side intervention, supply will likely be abundant relative to demand, so the price of coal is expected to face further downward pressure. Nevertheless, environmental rules and safety supervision are expected to remain tight. The expansion of supply should be mild and steady, and the increasingly concentrated supply will make production easier to control and adjust, so demand and supply relationship in the coal market is expected to remain healthy in the near future, and the coal price will slowly decrease while fluctuating within a reasonable range.

In the future, the degree of coal industry concentration is expected to further increase. Newly released high-quality production capacity is expected to mainly concentrate in north-western China, whereas the elimination of backward production facilities largely took place in south-western China. However, the transportation capacity of coal is expected to further expand, which will make it easier for high-quality coal products from northern China to enter the south-western market. Market competition in Guizhou province, especially among high-quality products, will further intensify. Nevertheless, the economic development in south-western China is relatively fast, and Guizhou province is an important base of China's west-to-east electricity transmission project and also a target province of China's transportation infrastructure development strategy, so coal demand in Guizhou province should be well supported in the long term. In order to succeed in future competition, 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. The Group will also continue to expand production output in pursuit of economies of scale and opportunities for better product diversification, but the outbreak of COVID-19 is expected to affect production, especially in the first quarter of 2020, through travel restrictions which will result in inadequate mine workers and under-capacity operation. Meanwhile, the Group will, during the current period of a weak market and temporary deterioration in coal quality caused by geological complexities of current mining faces, continue to make strategic preparations for concentrated mining of high-quality coal in the coming years, in order to ensure that the Group enjoys an advantageous position in the future market competition of high-quality coal. The Group is committed to its business strategy through vigorously i) promoting the expansion of production capacity, coal washing facilities and transportation system, ii) realising comprehensive mining mechanisation and intelligent production management, iii) strengthening production safety management and environmental protection efforts and, most importantly, iv) supplying customers with diversified and customised coal products to retain high-quality customers and penetrate the surrounding coal market.

The status of coal as the primary source of energy in China is expected to remain unchanged for a considerable length of time in the future. It is widely used in thermal power generation, iron and steel production, building materials production, and the chemical industry. Although clean energy is currently developing fast and taking up a bigger proportion of overall power generation, there are limits to this growth due to reliability, economic efficiency and availability of economically viable resources. Therefore the Company is cautiously positive about the coal industry in the longer term. The Company will also consider other potential business projects that can provide its shareholders with promising returns and benefit the Group as a whole as and when suitable opportunities arise.

PURCHASE, SALE OR REDEMPTION OF THE SHARES OF THE COMPANY

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year ended 31 December 2019.

CORPORATE GOVERNANCE

The Company has adopted the code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own corporate governance code. Throughout the year ended 31 December 2019, 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

Code provision A.2.1 stipulates that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Currently, Mr. HAN Weibing assumes the role of both the chairman and the chief executive officer of the Company. The Board considers that this arrangement is in the best interests of the Group as it allows for efficient discharge of the executive functions of the chief executive officer. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board, which comprises experienced and high-calibre individuals including three independent non-executive Directors offering independent advice from different perspectives. In addition, major decisions are made after consultation with the Board and senior management as well as the relevant Board committees. The Board is therefore of the view that there are adequate measures in place to balance power and safeguard shareholders' interests.

SUBSEQUENT EVENTS

On 12 January 2020, Guizhou Yongfu and Jiangxi Province Haiji Financial Leasing Co., Ltd. entered into a factoring agreement. Under the factoring agreement, on 15 January 2020, Guizhou Yongfu received a short-term loan amounting to CNY50.0 million to finance its working capital on security of a pledge over its trade receivables of approximately CNY56.1 million. The short-term loan, which bears a fixed interest rate of 6.8835% per annum, is repayable on 15 July 2020.

On 9 March 2020, Guizhou Puxin received and fully drew down CNY96.0 million long-term bank loan from Liuzhi Special District branch of Bank of Guizhou Co., Ltd. to be repaid on 9 March 2025. The purpose of the loan is to upgrade annual production capacity of Liujiaba Coal Mine to 0.6 million tonnes. The loan bears a floating annual interest rate equal to the latest one-year loan prime rate stipulated by the National Interbank Funding Center plus 2.975% (4.05% per annum, resulting in an annual interest rate of 7.025% per annum).

On 17 March 2020, Guizhou Puxin and Liuzhi Special District branch of Bank of Guizhou Co., Ltd. entered into a factoring agreement. Under the factoring agreement, Guizhou Puxin received a short-term loan amounting to CNY50.0 million to finance its working capital on security of a pledge over its trade receivables of approximately CNY70.2 million. The short-term loan, which bears a floating annual interest rate equal to the latest one-year loan prime rate of 4.05% stipulated by the National Interbank Funding Center, is repayable on 17 March 2021.

Since January 2020, the COVID-19 has become a world-wide pandemic. Facing the grim situation of the COVID-19 outbreak, the Group has, in a timely manner, put in place numerous precautionary measures and procured essential protective supplies to ensure the health and safety of all its employees. The Group expects the outbreak of COVID-19 to have an impact on its business operation. The Group will continue to closely monitor the development of the COVID-19 situation, assess and react proactively to address any impact on the financial position and operating results of the Group.

REVIEW OF ANNUAL RESULTS

The figures in relation to the results of the Group for the year ended 31 December 2019 in this preliminary announcement have been reviewed by the audit committee of the Company and have been agreed to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2019 by the Group's auditors, Ernst & Young. The work of Ernst & Young, in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants.

ANNUAL GENERAL MEETING

The 2020 annual general meeting of the Company is scheduled to be held on 29 May 2020 (the "**2020 AGM**"). The notice of 2020 AGM will be published on the website of the Company at www.fsanthracite.com and the designated website of the Stock Exchange at www.hkexnews.hk in due course.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

Pursuant to the requirements of the Listing Rules, the 2019 annual report of the Company will set out all information required by the Listing Rules and will be published on the website of the Company (www.fsanthracite.com) and the designated website of the Stock Exchange (www.hkexnews.hk) on or before 29 April 2020.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 26 May 2020 to Friday, 29 May 2020 (both days inclusive) during which period no transfer of shares of the Company will be effected. In order to determine the entitlement to attend and vote at the 2020 AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 25 May 2020.

APPRECIATION

The chairman of the Company would like to take this opportunity to express his appreciation to the staff and management team of the Group for their hard work and dedication during the year. The chairman of the Company would also like to express his sincere gratitude to all its shareholders for their continuous support.

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

Hong Kong, 30 March 2020

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