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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)

**(1) DISCLOSEABLE TRANSACTION IN RELATION TO SALE AND
LEASEBACK ARRANGEMENT**

AND

**(2) EXEMPT CONNECTED TRANSACTIONS IN RELATION TO
GUARANTEES AND SHARE PLEDGE**

The Board is pleased to announce that on 28 December 2016 (after trading hours), certain subsidiaries of the Group, comprising two indirect wholly-owned subsidiaries (Guizhou Dayun and Jinsha Juli) and one indirect non-wholly owned subsidiary (Guizhou Yongfu) of the Company, and Haitong Unitrust contemporaneously entered into: (a) the Sale Agreement for the sale of the Relevant Machinery and Equipment to Haitong Unitrust for a consideration of RMB200,000,000 (equivalent to approximately HK\$223,320,000); and (b) the Leaseback Agreement for the lease of the Relevant Machinery and Equipment from Haitong Unitrust for an aggregate consideration of RMB231,900,000 (equivalent to approximately HK\$258,939,540).

On the same date, the Share Pledge Agreement, the Corporate Guarantees and the Personal Guarantees were executed by Mr. Li and certain associates of Mr. Li in favour of Haitong Unitrust to secure the performance obligations (including among others, payment obligations) of the Relevant Group Companies to Haitong Unitrust under the Leaseback Agreement.

The Company has applied to the Stock Exchange and the Stock Exchange has agreed to, in view of the facts and circumstances of the case, exercise its discretion under Rule 14.20 of the Listing Rules to disregard the profits ratio calculated using the 2015 Gross Profit given the anomalous result produced. As the other applicable percentage ratios set out under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Sale and Leaseback Arrangement exceed 5% but are less than 25%, the Sale and Leaseback Arrangement constitutes a discloseable transaction of the Company under the Listing Rules and is therefore subject to the notification and announcement requirements but exempt from shareholders' approval requirement under Rule 14.33 of the Listing Rules.

Mr. Li, being the controlling shareholder of the Company, is a connected person of the Company under Chapter 14A of the Listing Rules. Given that Feishang Enterprise, Wuhu Hengxin and Mr. Li Feiwen are all associates of Mr. Li, the entering into of the Share Pledge Agreement and the provisions of the Corporate Guarantees and the Personal Guarantees for the benefit of the Relevant Group Companies amount to financial assistance by Mr. Li for the benefit of the Group. As such financial assistance is: (i) provided on normal commercial terms or better to the Group; and (ii) not secured by the assets of the Group, the Share Pledge Agreement, the Corporate Guarantees and Personal Guarantees are all considered as exempt connected transactions pursuant to Rule 14A.90 of the Listing Rules, which are fully exempted from the reporting, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. SALE OF THE RELEVANT MACHINERY AND EQUIPMENT

The main terms of the Sale Agreement are set out below:

Date	:	28 December 2016.
Parties	:	(a) Sellers – Guizhou Dayun, Guizhou Yongfu and Jinsha Juli. (b) Purchaser – Haitong Unitrust.
Sale assets	:	The sale assets are the Relevant Machinery and Equipment comprising: (i) mining machinery and equipment; and (ii) coal-washing machinery and equipment.
Sale consideration and payment terms	:	The aggregate consideration payable by the Purchaser to the Sellers for the sale of Relevant Machinery and Equipment is RMB200,000,000 (equivalent to approximately HK\$223,320,000).

2. LEASEBACK OF THE RELEVANT MACHINERY AND EQUIPMENT

The main terms of the Leaseback Agreement are set out below:

Date	:	28 December 2016.
Parties	:	(a) Lessees – Guizhou Dayun, Guizhou Yongfu and Jinsha Juli. (b) Lessor – Haitong Unitrust.
Lease assets	:	Please refer to “1. Sale of the Relevant Machinery and Equipment – Sale assets” in this announcement.
Lease Period	:	36 months commencing from the date of the Leaseback Agreement.

Lease Consideration and payment terms : The Lease Consideration (subject to adjustment) of an aggregate amount of RMB231,900,000 (equivalent to approximately HK\$258,939,540) comprises:

- (a) Consultancy Fees of RMB6,000,000 (equivalent to approximately HK\$6,699,600) payable by the Lessees to the Lessor upon signing of the Leaseback Agreement for finance lease consultancy services received from Haitong Unitrust, and which was directly offset from the sale consideration under the sale of the Relevant Machinery and Equipment mentioned above in “1. Sale of the Relevant Machinery and Equipment”.
- (b) Total Rental Amount of an aggregate amount of RMB225,900,000 (equivalent to approximately HK\$252,239,940) payable to the Lessor quarterly in 12 instalments of an average amount of RMB18,825,000 (equivalent to approximately HK\$21,019,995) each, the first payment date being three months after the sale consideration payable by Haitong Unitrust under the Sale Agreement is fully paid to the Relevant Group Companies.

Ownership of the Relevant Machinery and Equipment, Repurchase Option and Repurchase Price : During the Lease Period, the Lessor will have legal ownership of the Relevant Machinery and Equipment.

Pursuant to the Leaseback Agreement, the Lessees are granted the option of repurchasing the Relevant Machinery and Equipment from the Lessor after the expiration of the Lease Period for the Repurchase Price.

As at the date of this announcement, the Lessees have an intention to exercise the Repurchase Option upon the expiration of the Lease Period.

Nature of lease Finance lease.

3. REASONS FOR AND BENEFITS OF THE SALE AND LEASEBACK ARRANGEMENT

The Directors are of the view that the Sale and Leaseback Arrangement will enhance the working capital positions of the Relevant Group Companies and allow them to optimise their asset and debt structures by increasing the percentage of long-term financing. There will not be any gain or loss accrued to the Group in its consolidated financial statements pursuant to the sale of the Relevant Machinery and Equipment under the Sale Agreement.

The Directors consider that: (i) the Sale and Leaseback Arrangement was entered into on normal commercial terms after arm’s length negotiation between the parties; and (ii) the terms of the Sale Agreement (including the Sale Consideration) and the Leaseback Agreement (including the Lease Consideration and the Repurchase Price) are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

4. GUARANTEES AND SHARE PLEDGE AGREEMENT

The Sale and Leaseback Arrangement is conditional upon the execution of the Share Pledge Agreement, the Corporate Guarantees and the Personal Guarantees.

4.1. Share Pledge Agreement

On 28 December 2016, Mr. Li Feiwen, an associate of Mr. Li, entered into the Share Pledge Agreement with Haitong Unitrust to pledge 6,300,000 ordinary shares of Jiangsu Shagang (constituting approximately 0.29% of the issued share capital of Jiangsu Shagang) to Haitong Unitrust to secure the performance obligations (including among others, payment obligations) of the Relevant Group Companies to Haitong Unitrust under the Leaseback Agreement.

4.2. Corporate Guarantees

On 28 December 2016, Feishang Enterprise and Wuhu Hengxin entered into the Feishang Enterprise Corporate Guarantee and the Wuhu Hengxin Corporate Guarantee, respectively, in favour of Haitong Unitrust to secure the performance obligations (including among others, payment obligations) of the Relevant Group Companies to Haitong Unitrust under the Leaseback Agreement.

4.3. Personal Guarantees

On 28 December 2016, Mr. Li and Mr. Li Feiwen (an associate of Mr. Li) entered into the LFL Personal Guarantee and LFW Personal Guarantee, respectively, in favour of Haitong Unitrust to secure the performance obligations (including among others, payment obligations) of the Relevant Group Companies to Haitong Unitrust under the Leaseback Agreement.

5. INFORMATION ON THE PARTIES TO THE SALE AND LEASEBACK ARRANGEMENT

5.1. The Company and the Group

The Group is based in Guizhou province of the PRC and is mainly engaged in the acquisition, construction and development of anthracite coal mines and the extraction and sale of anthracite coal in the PRC. As at the date of this announcement, the Group's mining assets consist of seven underground anthracite coal mines in Guizhou province, the PRC, of which three are in commercial production, three have temporarily suspended mining operations and one has been planned to close for mine consolidation. Please refer to the 2016 interim report of the Company for more details of the Group's mining assets.

5.2. Guizhou Dayun

Guizhou Dayun is an indirect wholly-owned subsidiary of the Company and holds Dayun Coal Mine, a coal mine located in Gaopingxiang, Jinsha county, Bijie city, Guizhou province, the PRC. As at the date of this announcement, the Dayun Coal Mine is in the commercial production stage.

5.3. Guizhou Yongfu

Guizhou Yongfu is an indirect non-wholly owned subsidiary of the Company whereby it is indirectly owned as to 70% by the Company and 30% by an Independent Third Party. Guizhou Yongfu holds Yongsheng Coal Mine, a coal mine located in Huajuexiang, Jinsha county, Bijie city, Guizhou province, the PRC. As at the date of this announcement, the Yongsheng Coal Mine is in the commercial production stage.

5.4. Jinsha Juli

Jinsha Juli is an indirect wholly-owned subsidiary of the Company and is engaged in coal beneficiation in Jinsha county, Guizhou province, the PRC.

5.5. Haitong Unitrust

Haitong Unitrust provides financial leasing services as well as other financial services to various industries such as manufacturing, healthcare and transportation logistics, and to various institutions, such as listed and unlisted companies and government departments, in the PRC. Haitong Unitrust is a wholly-owned subsidiary of Haitong Securities.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Haitong Unitrust and its ultimate beneficial owners are all Independent Third Parties.

6. IMPLICATIONS UNDER THE LISTING RULES

The Company has applied to the Stock Exchange and the Stock Exchange has agreed to, in view of the facts and circumstances of the case, exercise its discretion under Rule 14.20 of the Listing Rules to disregard the profits ratio calculated using the 2015 Gross Profit given the anomalous result produced. As the other applicable percentage ratios set out under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Sale and Leaseback Arrangement exceed 5% but are less than 25%, the Sale and Leaseback Arrangement constitutes a discloseable transaction of the Company under the Listing Rules and is therefore subject to the notification and announcement requirements but exempt from shareholders' approval requirement under Rule 14.33 of the Listing Rules.

Mr. Li, being the controlling shareholder of the Company, is a connected person of the Company under Chapter 14A of the Listing Rules. Given that Feishang Enterprise, Wuhu Hengxin and Mr. Li Feiwen are all associates of Mr. Li, the entering into of the Share Pledge Agreement and the provision of the Corporate Guarantees and the Personal Guarantees for the benefit of the Relevant Group Companies amount to financial assistance by Mr. Li for the benefit of the Group. As such financial assistance is: (i) provided on normal commercial terms or better to the Group; and (ii) it is not secured by the assets of the Group, the Share Pledge Agreement, the Corporate Guarantees and Personal Guarantees are all considered as exempt connected transactions pursuant to Rule 14A.90 of the Listing Rules, which are fully exempted from the reporting, announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

7. DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions shall have the following meanings:

“Board”	the board of Directors of the Company
“Company”	Feishang Anthracite Resources Limited (飛尚無煙煤資源有限公司), a company incorporated in the British Virgin Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Consultancy Fees”	as described in “2. Leaseback of the Relevant Machinery and Equipment – Lease Consideration and payment terms” of this announcement
“Corporate Guarantees”	the Feishang Enterprise Corporate Guarantee and the Wuhu Hengxin Corporate Guarantee
“Directors”	the directors of the Company
“Feishang Enterprise”	Feishang Enterprise Group Co., Ltd.* (飛尚實業集團有限公司), company established in the PRC and directly wholly-owned by Mr. Li and his associates
“Feishang Enterprise Corporate Guarantee”	the corporate guarantee dated 28 December 2016 and executed by Feishang Enterprise in favour of Haitong Unitrust
“Group”	the Company and its subsidiaries
“Guizhou Dayun”	Guizhou Dayun Mining Co., Ltd.* (貴州大運礦業有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Guizhou Yongfu”	Guizhou Yongfu Mining Co., Ltd.* (貴州永福礦業有限公司), a company established in the PRC and an indirect non-wholly owned subsidiary of the Company
“Haitong Unitrust”	Haitong Unitrust International Leasing Corporation* (海通恒信國際租賃有限公司), a company incorporated in the PRC with limited liability
“Haitong Securities”	Haitong Securities Co., Ltd.* (stock code: 6837), a joint stock limited company incorporated in the PRC with limited liability and whose shares are listed on the Main Board of the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	person or company which is independent of and not connected with any of the connected persons of the Company or any of its subsidiaries or any of their respective associates
“Jiangsu Shagang”	Jiangsu Shagang Co., Ltd.* (江蘇沙鋼股份有限公司), a company established in the PRC and whose shares are listed on The Shanghai Stock Exchange (stock code: 002075)
“Jinsha Juli”	Jinsha Juli Energy Resources Co., Ltd.* (金沙縣聚力能源有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Leaseback Agreement”	the leaseback agreement and the consultancy services agreement both dated 28 December 2016 and entered into among: (i) the Lessees and the Lessor for the lease of the Relevant Machinery and Equipment; and (ii) the Lessor and Guizhou Yongfu for the provision of finance lease consultancy services by Haitong Unitrust
“Lease Consideration”	the aggregate of Consultancy Fees and Total Rental Amount
“Lease Period”	as described in “2. Leaseback of the Relevant Machinery and Equipment” of this announcement
“Lessee(s)”	the lessees of the Relevant Machinery and Equipment under the Leaseback Agreement, being the Relevant Group Companies
“Lessor”	the lessor of the Relevant Machinery and Equipment under the Leaseback Agreement, namely Haitong Unitrust
“LFL Personal Guarantee”	the personal guarantee dated 28 December 2016 and executed by Mr. Li in favour of Haitong Unitrust
“LFW Personal Guarantee”	the personal guarantee dated 28 December 2016 and executed by Mr. Li Feiwen, an associate of Mr. Li, in favour of Haitong Unitrust
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel to the Growth Enterprise Market of the Stock Exchange
“Mr. Li”	Mr. Li Feilie, a controlling shareholder of the Company

“Personal Guarantees”	the LFL Personal Guarantee and the LFW Personal Guarantee
“PRC” or “China”	the People’s Republic of China which, in this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	the purchaser of the Relevant Machinery and Equipment under the Sale Agreement, namely Haitong Unitrust
“Relevant Group Company (ies)”	Guizhou Dayun, Jinsha Juli and Guizhou Yongfu
“Relevant Machinery and Equipment”	the machinery and equipment owned by the Relevant Group Companies before the execution of the Sale Agreement and as described in “1. Sale of the Relevant Machinery and Equipment – Sale assets” in this announcement
“Repurchase Option”	the option granted to the Lessees under the Leaseback Agreement to repurchase the Relevant Machinery and Equipment after the expiry of the Lease Period as further described in “2. Leaseback of the Relevant Machinery and Equipment – Ownership of the Relevant Machinery and Equipment, Repurchase Option and Repurchase Price” in this announcement
“Repurchase Price”	the price of RMB100 (equivalent to approximately HK\$111.7) for repurchasing the Relevant Machinery and Equipment upon the exercise of the Repurchase Option by the Lessees
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Agreement”	the sale agreement dated 28 December 2016 and entered into among the Sellers and the Purchaser for the sale of the Relevant Machinery and Equipment
“Sale and Leaseback Arrangement”	the sale and lease of the Relevant Machinery and Equipment by the Relevant Group Companies pursuant to the Sale Agreement and Leaseback Agreement, respectively
“Sellers”	the sellers of the Relevant Machinery and Equipment under the Sale Agreement, being the Relevant Group Companies
“Shares”	the ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Share Pledge Agreement”	the share pledge agreement dated 28 December 2016 and entered into by Mr. Li Feiwen, an associate of Mr. Li, whereby Mr. Li Feiwen agreed to pledge 6,300,000 ordinary shares of Jiangsu Shagang to Haitong Unitrust

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Total Rental Amount”	as described in “2. Leaseback of the Relevant Machinery and Equipment – Lease Consideration and payment terms” of this announcement
“Wuhu Hengxin”	Wuhu Hengxin Copper Industrial Group Co., Ltd.* (蕪湖恒鑫銅業集團有限公司), a company established in the PRC and indirectly non-wholly owned by Mr. Li
“Wuhu Hengxin Corporate Guarantee”	the corporate guarantee dated 28 December 2016 and executed by Wuhu Hengxin in favour of Haitong Unitrust
“2015 Gross Profit”	the gross profit of the Group for the financial year ended 31 December 2015
“%”	per cent

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

Hong Kong, 28 December 2016

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

The exchange rate adopted in this announcement for illustration purpose only is RMB\$1.00 = HK\$1.1166 and should not be construed as a representation that the currency could actually be converted at that rate.

The English names of the PRC entities mentioned in this announcement which are marked with “” are translation, or transliteration from their Chinese names and are for identification purposes only. If there is any inconsistency between the Chinese name of the PRC entities mentioned in this announcement and their English translation, the Chinese version shall prevail.*