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)

(A) INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018 AND (B) CHANGES OF EXECUTIVE DIRECTORS AND MEMBERS OF CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

(A) INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

- Revenue from continuing operations increased by approximately 0.4% to approximately CNY423.0 million for the six months ended 30 June 2018 from approximately CNY421.4 million for the six months ended 30 June 2017
- Gross profit from continuing operations increased by approximately 7.4% to approximately CNY230.8 million for the six months ended 30 June 2018 from approximately CNY214.9 million for the six months ended 30 June 2017
- Profits attributable to equity holders of the parent from continuing operations increased by approximately 20.0% to approximately CNY44.5 million for the six months ended 30 June 2018 from approximately CNY37.1 million for the six months ended 30 June 2017
- Basic earnings per share from continuing operations was CNY0.03

(B) CHANGES OF EXECUTIVE DIRECTORS AND MEMBERS OF CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Board announces that with effect from 31 August 2018, (i) Mr. WAN Huojin resigned as an executive Director and a member of the Corporate Social Responsibility Committee of the Company; and (ii) Mr. HU Lubao was appointed as an executive Director and a member of the Corporate Social Responsibility Committee of the Company.

(A) INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Feishang Anthracite Resources Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2018 (the "**Reporting Period**"), together with the comparative figures for the corresponding six months ended 30 June 2017 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
		2018	2017
	Notes	***CNY'000***	*CNY'000*
		(Unaudited)	(Unaudited)
CONTINUING OPERATIONS			
Revenue	5	**422,964**	421,434
Cost of sales		**(192,161)**	(206,563)
Gross profit		**230,803**	214,871
Selling and distribution expenses		**(13,478)**	(14,968)
Administrative expenses		**(63,402)**	(64,344)
Other operating expenses		**(14,473)**	(11,273)
OPERATING PROFIT		**139,450**	124,286
Finance costs	6	**(47,625)**	(37,085)
Finance income		**93**	3,344
Non-operating (expenses)/income, net		**(10)**	11,525
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	**91,908**	102,070
Income tax expense	8	**(35,427)**	(48,144)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**56,481**	53,926
DISCONTINUED OPERATION			
LOSS FOR THE PERIOD FROM A DISCONTINUED OPERATION	4	**–**	(277)
PROFIT FOR THE PERIOD		**56,481**	53,649

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	Six months ended 30 June 2018 CNY'000 (Unaudited)	2017 CNY'000 (Unaudited)
ATTRIBUTABLE TO:			
Equity holders of the parent			
From continuing operations	9	**44,522**	37,102
From a discontinued operation	4,9	**–**	(274)
		44,522	36,828
Non-controlling interests			
From continuing operations		**11,959**	16,824
From a discontinued operation	4	**–**	(3)
		11,959	16,821
		56,481	53,649
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic (CNY per share)			
– For profit from continuing operations	9	**0.03**	0.03
– For loss from a discontinued operation	9	**–**	*
– Net earnings per share		**0.03**	0.03
Diluted (CNY per share)			
– For profit from continuing operations	9	**0.03**	0.03
– For loss from a discontinued operation	9	**–**	*
– Net earnings per share		**0.03**	0.03

* *Insignificant*

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June	
	2018	2017
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**56,481**	53,649
Other comprehensive income/(loss):		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods (net of tax):		
Exchange differences on translation of foreign operations	**96**	(608)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods, net of tax	**96**	(608)
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**56,577**	53,041
ATTRIBUTABLE TO:		
Equity holders of the parent		
From continuing operations	**44,618**	36,494
From a discontinued operation	**–**	(274)
	44,618	36,220
Non-controlling interests		
From continuing operations	**11,959**	16,824
From a discontinued operation	**–**	(3)
	11,959	16,821
	56,577	53,041

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	**30 June 2018** ***CNY'000*** **(Unaudited)**	31 December 2017 *CNY'000* (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**2,610,940**	2,457,990
Rehabilitation fund		**13,597**	13,584
Prepayments, deposits and other receivables		**213,858**	153,964
Investment in a joint venture		**1,000**	–
Deferred tax assets	*8*	**38,226**	46,172
TOTAL NON-CURRENT ASSETS		**2,877,621**	2,671,710
CURRENT ASSETS			
Inventories		**42,016**	25,467
Trade and bills receivables	*12*	**126,079**	141,646
Prepayments, deposits and other receivables		**142,658**	116,527
Pledged and restricted time deposits		**80,000**	10,000
Cash and cash equivalents		**86,466**	77,639
TOTAL CURRENT ASSETS		**477,219**	371,279
TOTAL ASSETS		**3,354,840**	3,042,989
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and bills payables	*13*	**442,620**	237,631
Other payables and accruals		**187,430**	283,482
Contract liabilities		**78,369**	–
Interest-bearing bank and other borrowings	*14*	**478,529**	525,883
Interest payable		**28,701**	27,474
Income tax payable		**4,540**	36,512
Mining right payables		**43,780**	43,780
TOTAL CURRENT LIABILITIES		**1,263,969**	1,154,762

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2018

	Notes	**30 June 2018** *CNY'000* **(Unaudited)**	31 December 2017 *CNY'000* (Audited)
NON-CURRENT LIABILITIES			
Due to a related company		**1,603,693**	1,652,843
Interest-bearing bank and other borrowings	*14*	**641,175**	450,718
Deferred tax liabilities	*8*	**139,320**	134,987
Deferred income		**1,966**	2,113
Asset retirement obligations		**12,462**	11,888
TOTAL NON-CURRENT LIABILITIES		**2,398,616**	2,252,549
TOTAL LIABILITIES		**3,662,585**	3,407,311
EQUITY			
Share capital		**1,081**	1,081
Reserves		**(433,719)**	(478,337)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**(432,638)**	(477,256)
NON-CONTROLLING INTERESTS		**124,893**	112,934
TOTAL EQUITY		**(307,745)**	(364,322)
TOTAL LIABILITIES AND EQUITY		**3,354,840**	3,042,989

NOTES TO INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. CORPORATE 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 (the "**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 equity interest in 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 Reporting Period, 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 30 June 2018, the Group had net current liabilities of approximately CNY786.8 million (31 December 2017: approximately CNY783.5 million) and total assets less current liabilities of approximately CNY2,090.9 million (31 December 2017: approximately CNY1,888.2 million).

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the Reporting Period have been prepared in accordance with the International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The interim financial information has been prepared on the historical cost basis. The interim financial information is presented in Chinese Yuan ("**CNY**") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

Going concern

As at 30 June 2018, the Group had net current liabilities of approximately CNY786.8 million and shareholders' deficit of approximately CNY307.7 million. In view of these circumstances, the Directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group has implemented or is in the process of implementing the following measures, namely: (i) obtaining confirmations of continuous financial support from Feishang and one entity controlled by Mr. LI Feilie; (ii) entering into loan renewal discussions with banks in due course; and (iii) taking measures to tighten cost controls over various costs and expenses and to seek business opportunities with the aim to attain profitable and positive cash flow operations.

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

2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has applied, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments* that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group elected to adopt IFRS 15 using the modified retrospective method to all contracts that are not completed at the date of initial application. The Group concluded that the transitional adjustment made on 1 January 2018 to retained earnings upon initial adoption of IFRS 15 was nil. It is because the Group recognises revenue upon the transfer of significant risks and rewards, which coincides with the fulfilment of performance obligations. Additionally, the Group's contracts with customers generally have only one performance obligation.

The impact on the Group's consolidated statement of financial position as at 1 January 2018:

	Under IAS 18	**Reclassification**	**Under IFRS 15**
Other payables and accrued expense	283,482	(74,946)	208,536
Contract liabilities	–	74,946	74,946

The Group received advances from customers. Prior to the adoption of IFRS 15, the Group represented these advances in other payables and accrued expense in the consolidated statement of financial position. Upon the adoption of IFRS 15, the Group reclassified the advances amount to "contract liabilities".

The coal is sold on its own in separately identified contracts with customers.

(a) Sale of coal

The Group's contracts with customers for the sale of anthracite generally have one performance obligation. Sales are recognised at the point in time when control of the asset is transferred to the customers, generally on delivery of the products. Therefore, the adoption of IFRS 15 did not have an impact on the Group's financial statements.

(b) Presentation and disclosure

As required for the interim condensed financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has adopted IFRS 9 retrospectively as at 1 January 2018. The Group has not restated comparative information and recognised no transition adjustments against the opening balance of equity at 1 January 2018. The impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed and classified its financial assets into the appropriate IFRS 9 categories. There was no effect resulting from this reclassification.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group has applied the simplified approach and recorded lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and other receivables. Furthermore, the Group has applied the general approach and recorded twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. There was no significant effect of adoption on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

During the Reporting Period, the Group had only one operating segment: the construction and development of anthracite coal mines, extraction and sale of anthracite coal, and trading of anthracite coal.

For management purposes, the Group operates in one business unit based on its products, and has only one reportable segment. The Group conducts its principal operation in Mainland China. The Group's management monitors the operating results of its business unit for the purpose of making decisions about 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 Reporting Period, revenue derived from sales to the largest customer amounted to 28.7% of the consolidated revenue. During the six months ended 30 June 2017, revenue derived from sales to the two largest customers amounted to 26.9% and 15.0% of the consolidated revenue, respectively.

4. DISCONTINUED OPERATION

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 the acquisition of a nearby coal mine and Gouchang Coal Mine achieving certain production targets in accordance with Guizhou Province's coal mine consolidation policy. The Group therefore planned to close down Gouchang Coal Mine in accordance with the second batch of the restructuring proposals approved by the Energy Bureau of Guizhou Province* (貴州省能源局) and the Leading Group Office of Guizhou Province on Coal Enterprises Consolidation* (貴州省煤礦企業兼併重組工作領導小組辦公室) on 5 January 2016. In the first half of 2018, substantially all the work at Gouchang Coal Mine had ceased, therefore, the operating results have been reclassified to discontinued operation for the purpose of preparing the interim condensed consolidated statement of profit or loss. There was no significant impact of the discontinued operation on the condensed consolidated statement of profit or loss in the first half of 2018.

* *For identification purpose only*

The results of Gouchang Coal Mine for the Reporting Period and six months ended 30 June 2017 are presented below:

	Six months ended 30 June	
	2018	2017
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Revenue	–	–
Cost of sales	–	–
Gross profit	–	–
Administrative expenses	–	–
Impairment loss on property, plant and equipment	–	(277)
OPERATING LOSS	–	(277)
Finance costs	–	–
LOSS BEFORE INCOME TAX	–	(277)
Income tax benefit	–	–
LOSS FOR THE PERIOD FROM A DISCONTINUED OPERATION	–	(277)
Attributable to:		
Equity holders of the parent	–	(274)
Non-controlling interest	–	(3)
	–	(277)

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

	Six months ended 30 June	
	2018	2017
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Operating activities	**–**	–
Investing activities	**–**	(116)
Financing activities	**–**	101
Net cash outflow	**–**	(15)

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

	Six months ended 30 June	
	2018	2017
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Loss attributable to ordinary equity holders of the parent from a discontinued operation	**–**	(274)
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 a discontinued operation	**–**	*
Diluted, from a discontinued operation	**–**	*

* *Insignificant*

5. REVENUE FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2018	2017
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Sale of coal	**422,964**	421,434

All of the Group's revenue from continuing operations is derived solely from the sale of anthracite in Mainland China.

6. FINANCE COSTS FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2018	2017
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank and other borrowings	**39,267**	31,274
Interest on payables for mining rights	**1,073**	1,173
Total interest expense	**40,340**	32,447
Bank charges	**146**	396
Discount interest	**6,565**	3,720
Accretion expenses	**574**	522
	47,625	37,085

7. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Six months ended 30 June	
	2018	2017
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Crediting:		
Interest income on bank deposits	**93**	3,344
Government grant	**7,329**	14,017
Charging:		
Cost of inventories sold [(a)]	**154,773**	166,950
Sales tax and surcharge	**25,389**	21,061
Utilisation of safety fund and production maintenance fund	**11,999**	18,552
Cost of sales	**192,161**	206,563
Employee benefit expenses	**91,322**	73,233
Depreciation, depletion and amortisation:		
Property, plant and equipment *(Note 11)*	**78,345**	85,170
Impairment of inventories	**303**	–
Impairment of trade and bills receivables *(Note 12)*	**1,032**	9,318
Reversal of impairment of prepayments, deposits and other receivables	**(447)**	–
Repairs and maintenance	**7,518**	1,096
Losses arising from temporary suspension of production	**11,905**	–

(a) Included in the cost of inventories sold is approximately CNY102.7 million for the Reporting Period (six months ended 30 June 2017: approximately CNY114.3 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 expense.

8. INCOME TAX 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 Reporting Period (six months ended 30 June 2017: 16.5%). The Company's Hong Kong subsidiary has both Hong Kong-sourced and non-Hong Kong-sourced income. The latter is not subject to Hong Kong profits tax and the related expenses are non-tax-deductible. For the Hong Kong-sourced income, no provision for Hong Kong profits tax was made as this operation sustained tax losses during the six months ended 30 June 2018 and 2017. Furthermore, there are no withholding taxes in Hong Kong on the remittance of dividends.

Under the Law of the PRC on corporate income tax ("**CIT**") and Implementation Regulation of the Corporate Income Tax Law (the "**CIT Law**") collectively, the tax rate applicable for PRC group entities was 25% during the Reporting Period (six months ended 30 June 2017: 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 the continuing operations are as follows:

	Six months ended 30 June	
	2018	2017
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Current – Mainland China	**23,148**	37,405
Deferred – Mainland China	**12,279**	10,739
	35,427	48,144

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

	At 30 June 2018	At 31 December 2017
	CNY'000	*CNY'000*
	(Unaudited)	(Audited)
Deferred tax assets		
Accrued liabilities and other payables	**1,587**	1,680
Capitalised pilot run income	**13,489**	13,922
Tax losses	**13,948**	13,724
Depreciation of property, plant and equipment	**21,385**	32,743
Bad debt provision	**5,506**	5,387
	55,915	67,456
Deferred tax liabilities		
Depreciation and fair value adjustment of property, plant and equipment*	**(157,009)**	(156,271)
Net deferred tax liabilities	**(101,094)**	(88,815)
Classification in the consolidated statement of financial position:		
Deferred tax assets	**38,226**	46,172
Deferred tax liabilities	**(139,320)**	(134,987)

* Included in the deferred tax liabilities, there were deferred tax liabilities of approximately CNY116.5 million and approximately CNY117.1 million recognised relating to the fair value adjustment on property, plant and equipment as at 30 June 2018 and 31 December 2017, respectively.

In assessing the recoverability of the Group's deferred tax assets, management has performed a detailed assessment on the available taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the deductible temporary differences and unused tax losses can be utilised before they expire. In addition, management has also performed a detailed assessment on the profitability of these coal mining subsidiaries based on their production plans, product mix, forecasted selling prices, and the related production and operational costs, where strong profits are expected.

Accordingly, management considered 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.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

	Six months ended 30 June	
	2018	2017
	CNY'000	*CNY'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to ordinary equity holders of the parent:		
from continuing operations	**44,522**	37,102
from a discontinued operation	**–**	(274)
Weighted average number of ordinary shares ('000 shares):		
Basic	**1,380,546**	1,380,546
Diluted	**1,380,546**	1,380,546
Earnings per share attributable to ordinary equity holders of the parent (CNY per share):		
Basic		
from continuing operations	**0.03**	0.03
from a discontinued operation	**–**	*
Diluted		
from continuing operations	**0.03**	0.03
from a discontinued operation	**–**	*

* *Insignificant*

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

10. DIVIDEND

No dividend has been paid or declared by the Company for the Reporting Period (six months ended 30 June 2017: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the additions of property, plant and equipment (excluding transferred from construction in progress) and construction in progress amounted to approximately CNY25.0 million (six months ended 30 June 2017: approximately CNY20.9 million) and approximately CNY206.3 million (six months ended 30 June 2017: approximately CNY108.6 million), respectively.

During the Reporting Period, the total depreciation accrued was approximately CNY78.3 million (six months ended 30 June 2017: approximately CNY85.2 million) (Note 7).

As at 30 June 2018, certain mining rights with a carrying amount of approximately CNY538.5 million (31 December 2017: approximately CNY595.1 million) were pledged to secure bank loans with a carrying amount of approximately CNY795.0 million (31 December 2017: approximately CNY620.0 million) (Note 14).

As at 30 June 2018, certain machinery and equipment with a carrying amount of approximately CNY163.8 million (31 December 2017: approximately CNY176.1 million) were pledged to secure loans with a carrying amount of approximately CNY103.7 million (31 December 2017: approximately CNY135.2 million) (Note 14).

As at 30 June 2018, certain buildings with a carrying amount totalling approximately CNY81.0 million (31 December 2017: CNY81.0 million) were without title certificates. The Group has obtained the relevant confirmation letters issued by the local authorities confirming that they will not impose any penalties in connection with the construction of these buildings, and that the Group may continue to use these buildings in accordance with the current use. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the abovementioned 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 period.

The Group incurred no impairment loss on property, plant and equipment from the continuing operations for the Reporting Period (six months ended 30 June 2017: nil), and also no impairment loss (six months ended 30 June 2017: approximately CNY0.3 million) was recognised in the discontinued operation of Gouchang Coal Mine.

12. TRADE AND BILLS RECEIVABLES

	At 30 June 2018 *CNY'000* **(Unaudited)**	At 31 December 2017 *CNY'000* (Audited)
Trade receivables	**141,254**	137,825
Less: Provision for impairment	**(45,035)**	(44,003)
	96,219	93,822
Bills receivable	**29,860**	47,824
	126,079	141,646

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

No bills receivable (31 December 2017: CNY26.0 million) was pledged as security for short-term loans (31 December 2017: CNY23.4 million) as at 30 June 2018 (Note 14).

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

	At 30 June 2018 *CNY'000* **(Unaudited)**	At 31 December 2017 *CNY'000* (Audited)
Within 3 months	**75,778**	76,621
3 to 6 months	**11,284**	3,967
6 to 12 months	**5,136**	4,969
Over 12 months	**4,021**	8,265
	96,219	93,822

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	At 30 June 2018 *CNY'000* **(Unaudited)**	At 31 December 2017 *CNY'000* (Audited)
Neither past due nor impaired	**75,778**	76,621
Within one year past due	**16,419**	9,484
More than one year past due	**4,022**	7,717
Trade receivables, net	**96,219**	93,822

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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

	At 30 June 2018 *CNY'000* **(Unaudited)**	At 31 December 2017 *CNY'000* (Audited)
At the beginning of the period/year	**44,003**	49,892
Impairment losses recognised	**3,563**	–
Impairment losses reversed	**(2,531)**	(5,889)
At the end of the period/year	**45,035**	44,003

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. As at 30 June 2018, credit loss of approximately CNY45.0 million (31 December 2017: approximately CNY44.0 million) was made against the gross amount of trade receivables.

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

13. TRADE AND BILLS PAYABLES

	At 30 June 2018 *CNY'000* **(Unaudited)**	At 31 December 2017 *CNY'000* (Audited)
Trade payables [(a)]	**312,620**	227,631
Bills payable	**130,000**	10,000
	442,620	237,631

[(a)] Included in trade payables were approximately CNY136.4 million (31 December 2017: approximately CNY105.1 million) due to construction related contractors as at 30 June 2018.

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

	At 30 June 2018	At 31 December 2017
	CNY'000	*CNY'000*
	(Unaudited)	(Audited)
Within one year	**277,984**	168,727
More than one year	**34,636**	58,904
	312,620	227,631

Bills payable are bills of exchange with maturity of less than one year. Time deposits of CNY80.0 million (31 December 2017: CNY10.0 million) were pledged to secure the bank bills as at 30 June 2018.

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 30 June 2018	At 31 December 2017
	CNY'000	*CNY'000*
	(Unaudited)	(Audited)
Current		
Bank and other borrowings – guaranteed	**123,000**	90,000
Bank and other borrowings – secured and guaranteed	**170,000**	243,400
Current portion of long term bank and other borrowings – secured and guaranteed	**87,529**	84,483
Current portion of long term bank and other borrowings – guaranteed	**98,000**	108,000
	478,529	525,883
Non-current		
Bank and other borrowings – secured and guaranteed	**641,175**	450,718
	641,175	450,718
	1,119,704	976,601

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 CNY538.5 million (31 December 2017: approximately CNY595.1 million) as at 30 June 2018 (Note 11);

(2) Pledges over machinery and equipment owned by Guizhou Dayun Mining Co., Ltd. ("**Guizhou Dayun**"), Jinsha Juli Energy Co., Ltd. ("**Jinsha Juli**") and Guizhou Yongfu Mining Co., Limited ("**Guizhou Yongfu**") with a carrying amount of approximately CNY163.8 million (31 December 2017: CNY176.1 million) as at 30 June 2018 (Note 11);

(3) Pledges over the bills receivable in Guizhou Puxin Energy Co., Ltd. ("**Guizhou Puxin**") with a carrying amount of nil (31 December 2017: CNY26.0 million) as at 30 June 2018 (Note 12);

(4) Pledges over the Company's equity interest in Guizhou Puxin as at 30 June 2018 and 31 December 2017; and

(5) Pledges of shares of Jiangsu Shagang Co., Ltd. by Mr. LI Feiwen, an associate of Mr. LI Feilie, in favour of the Group.

In addition, Mr. LI Feilie has guaranteed certain of the Group's interest-bearing bank and other borrowings up to approximately CNY928.7 million (31 December 2017: approximately CNY805.2 million) as at 30 June 2018. Also, the Group's fellow subsidiaries have guaranteed certain of the Group's interest-bearing bank and other borrowings up to approximately CNY949.7 million (31 December 2017: approximately CNY783.2 million) as at 30 June 2018.

All borrowings are denominated in CNY.

EXTRACT OF REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The following is an extract of report on review of interim financial information for the Reporting Period issued by the Group's independent auditor:

"Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to note 2 to the interim financial information which indicates that the Group had net current liabilities of approximately CNY786.8 million and shareholders' deficit of approximately CNY307.7 million as at 30 June 2018. This condition indicates the existence of a material uncertainty that may cast doubt about the Group's ability to continue as a going concern."

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2018, China's economy was generally stable and grew at a steady year-on-year rate of 6.8%. Environmental rules and safety supervision remained tough. Capacity reduction and structural reform in the coal industry resulting from supply-side measures started to enter the final stages, which increased industry concentration and dampened production growth. On the other hand, deepening supply-side reform and industry consolidation, as well as tighter environmental and safety supervision and coal import restrictions supported coal price and coal industry earnings. During the first half of 2018, the coal price went through a V shape by dropping in early 2018 before it started to increase again in the second quarter, so price on average remained at relatively high levels and industry earnings remained stable. The industry as well as the general economy enjoyed steady improvement in quality and efficiency, representing a good starting point for high-quality development.

As the temperature gradually rose in May, the coal industry entered the summer peak season. Also, due to weak contribution by hydropower generation, demand for thermal power was stronger than expected, and the coal price on average picked up from its temporary low in April. Notwithstanding this, during the first half of 2018, the year-on-year increase in the price of thermal coal was modest, whilst the Group largely increased the percentage of thermal coal sold in the first half of 2018 compared to the same period last year, in order to meet the Guizhou government's annual guidance on the supply of certain minimum amounts of thermal coal to power plants. Meanwhile, the quality of coal produced in the first half of 2018 deteriorated compared to the same period last year, mainly as a result of (i) a significant increase in the percentage of coal produced from Baiping Coal Mine, whose coal quality was considerably inferior to that of Yongsheng Coal Mine; and (ii) the windup of the current mine face at Yongsheng Coal Mine, leading to lower-than-usual coal product quality at Yongsheng Coal Mine. All of these had downward pressures on the average selling price of the Group's coal products, and as a result, the average selling price decreased in the first half of 2018 compared to the same period last year.

FINANCIAL REVIEW

Continuing Operations

Revenue

The Group's revenue increased by approximately 0.4% from approximately CNY421.4 million for the six months ended 30 June 2017 to approximately CNY423.0 million for the Reporting Period. The approximate CNY1.6 million slight increase in revenue during the Reporting Period was mainly attributable to the slight increase in sales volume of self-produced anthracite coal, which was partially offset by the drop in the average selling price of self-produced anthracite coal. The sales volume of self-produced anthracite coal increased slightly from 941,234 tonnes for the six months ended 30 June 2017 to 1,067,674 tonnes for the Reporting Period, representing a rise of approximately 13.4%. The slight increase in sales volume was mainly contributed by the increased production volume of Baiping Coal Mine, which resumed production in March 2017. However, the average selling price of self-produced anthracite coal dropped from CNY443.0 per tonne for the six months ended 30 June 2017 to CNY394.1 per tonne for the Reporting Period, representing a decrease of approximately 11.0%, mainly as a result of (i) increasing supply of thermal coal to the Chayuan power plant in order to meet the Guizhou government's annual guidance on the provision of certain minimum amounts of thermal coal to power plants; as well as (ii) the lower coal quality of the current mine faces at Baiping Coal Mine and Yongsheng Coal Mine, which in turn also led to the decrease in the sales volume of processed coal (including coal screening and/or coal washing and coal blending).

The Group's revenue from sales of processed coal decreased from approximately CNY274.3 million with sales volume of 501,923 tonnes for the six months ended 30 June 2017 to approximately CNY249.6 million with sales volume of 434,113 tonnes during the Reporting Period. The decrease in revenue from sales of processed coal was mainly due to the reduction of approximately 13.5% in sales volume, which was partially offset by the rise in the average selling price of processed coal. The reasons for the reduction in sales volume have been discussed above.

Cost of Sales

The Group's cost of sales decreased by approximately 7.0% from approximately CNY206.6 million for the six months ended 30 June 2017 to approximately CNY192.2 million for the Reporting Period mainly due to the decrease in depreciation.

Cost of Sales for Coal Mining

Labour costs for the Reporting Period were approximately CNY51.9 million, representing an increase of approximately CNY6.8 million, or approximately 15.0%, as compared with approximately CNY45.1 million for the six months ended 30 June 2017. The increase in labour costs was generally in line with the increase in sales volume of self-produced anthracite coal.

Material, fuel and energy costs for the Reporting Period were approximately CNY41.1 million, representing an increase of approximately CNY1.6 million, or approximately 3.9%, as compared with approximately CNY39.5 million for the six months ended 30 June 2017. The slight increase in material, fuel and energy costs was proportionately lower than the increase in sales volume of the Group's self-produced anthracite products for the Reporting Period, mainly due to the decrease in the repair and maintenance of mining machinery and equipment when compared to the same period of 2017.

Depreciation and amortisation for the Reporting Period were approximately CNY57.9 million, representing a decrease of approximately CNY19.4 million, or approximately 25.1%, as compared with approximately CNY77.3 million for the six months ended 30 June 2017. The decrease in depreciation and amortisation for the Reporting Period was caused by (i) certain mining structures, mining machinery and equipment at Yongsheng Coal Mine having been fully depreciated in 2017; and (ii) the Group adopting gob-side entry retaining technology and designing roadways with multiple uses to reduce the mine faces cost, which in turn led to the decrease in depreciation. The decrease was partially offset by the increase in production volume at Baiping Coal Mine.

Taxes and levies for the Reporting Period were approximately CNY23.4 million, an increase of approximately CNY3.6 million or approximately 18.0% as compared with approximately CNY19.8 million for the six months ended 30 June 2017. This increase in taxes and levies for the Reporting Period was mainly due to the increase in environmental protection tax levied from January 2018.

Cost of Sales for Coal Processing

Coal processing cost, which included coal screening costs and/or coal washing costs and coal blending costs, decreased from approximately CNY21.3 million for the six months ended 30 June 2017 to approximately CNY15.5 million for the Reporting Period. This was mainly due to (i) the decrease in coal processing volume; and (ii) the decrease in repair and maintenance of equipment. The decrease in coal processing cost was partially offset by (i) the increase in depreciation, which was mainly due to the increase in property, plant and equipment in Jinsha Juli; and (ii) the increase in taxes and levies, which mainly consisted of the ad valorem levies based on value-added tax, resulting from the rise in the average selling price and the increase in environmental protection tax levied from January 2018.

Breakdown of the Group's Unit Cost of Sales

	Six months ended 30 June	
	2018	2017
Cost Items for Coal Mining Activities	***CNY/tonne***	*CNY/tonne*
Labour costs	**48.6**	47.9
Raw materials, fuel and energy	**38.5**	42.0
Depreciation and amortisation	**54.2**	82.1
Taxes & levies payable to governments	**21.9**	21.1
Other production-related costs	**2.2**	3.6
Total unit cost of sales for coal mining	**165.4**	196.7

	Six months ended 30 June	
	2018	2017
Cost Items for Coal Processing Activities	***CNY/tonne***	*CNY/tonne*
Labour costs	**15.3**	15.6
Materials, fuel and energy	**6.3**	17.0
Depreciation	**8.7**	6.3
Taxes & levies payable to governments	**4.5**	2.4
Other coal processing related costs	**0.8**	1.2
Total unit cost of sales for coal processing	**35.6**	42.5

Gross Profit and Gross Margin

As a result of the foregoing, the overall gross profit increased by approximately 7.4% from approximately CNY214.9 million for the six months ended 30 June 2017 to approximately CNY230.8 million for the Reporting Period. The overall gross margin, which is equal to gross profit divided by revenue, increased from approximately 51.0% for the six months ended 30 June 2017 to approximately 54.6% for the Reporting Period. This was mainly due to the slight increase in sales volume and the decrease in depreciation as discussed above.

Non-operating Expenses/Income, Net

The net non-operating expenses were approximately CNY10,000.0 for the Reporting Period compared to the net non-operating income of approximately CNY11.5 million for the six months ended 30 June 2017, mainly due to a decrease in Yongsheng Coal Mine's receipt of the government price subsidy for supplying thermal coal to power plants during the Reporting Period, which was subject to the payment by local government.

Profit Attributable to Equity Holders of the Parent from Continuing Operations

The profit attributable to equity holders of the parent from continuing operations increased from approximately CNY37.1 million for the six months ended 30 June 2017 to approximately CNY44.5 million for the Reporting Period. This was mainly caused by (i) the increase of approximately CNY15.9 million in gross profit resulting from the slight increase in sales volume and the decrease in depreciation during the Reporting Period; and (ii) the decrease of approximately CNY12.7 million in income tax expense mainly due to the decrease in profit before income tax of Yongsheng Coal Mine and Jinsha Juli during the Reporting Period. The increase in profit was partially offset by (i) an increase of approximately CNY10.5 million in finance costs mainly due to the increase in interest-bearing bank and other borrowings; and (ii) the decrease of approximately CNY11.5 million in net non-operating income mainly due to a decrease in Yongsheng Coal Mine's receipt of the government price subsidy for supplying thermal coal to power plants during the Reporting Period.

Discontinued Operation

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 plans to close down Gouchang Coal Mine in accordance with the second batch of the restructuring proposal approved by the Energy Bureau of Guizhou Province and the Leading Group Office of Guizhou Province on Coal Enterprises Consolidation on 5 January 2016.

During the Reporting Period, works at Gouchang Coal Mine had substantially ceased, therefore the operating results have been reclassified as discontinued operation.

FINANCIAL RESOURCES REVIEW

Liquidity, Financial Resources and Capital Structure

As at 31 December 2017 and 30 June 2018, the Group had net current liabilities of approximately CNY783.5 million and approximately CNY786.8 million, respectively. All the borrowings are denominated in CNY. The Group has not engaged any foreign currency contract to hedge the potential foreign currency exchange exposure. The Group intends to fund the cash requirements with additional bank and other borrowings, and/or possible equity financing.

No equity fund raising activity was conducted by the Company during the Reporting Period. As at 30 June 2018, the Group had cash and cash equivalents of approximately CNY86.5 million.

The interest-bearing loans consist of short-term and long-term bank and other borrowings. As at 30 June 2018, 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 CNY478.5 million. The Group had total outstanding long-term bank borrowings (excluding the current portion) of approximately CNY641.2 million. Some of the outstanding bank and other borrowings are guaranteed by Mr. LI Feilie and/or companies controlled by him and Mr. LI Feiwen, an associate of Mr. LI Feilie, and some of the Group's bank borrowings are secured by pledges of machinery and equipment owned by Guizhou Dayun, Jinsha Juli and Guizhou Yongfu, the mining rights and equity interests in Guizhou Puxin. As at 30 June 2018, the Group had loans amounting to approximately CNY326.7 million with fixed interest rates ranging from 5.00% to 9.34% per annum. The remaining loans held by the Group as at 30 June 2018 had floating interest rates ranging from 5.39% to 6.96% per annum.

Currency Exposure and Management

Since the majority of the Group's business activities are transacted in CNY, the Directors consider that the Group's risk in foreign exchange is insignificant.

Capital Commitments

As at 30 June 2018, the Group had contractual capital commitments in respect of coal mines mainly for construction of new tunnels and purchase of machinery and equipment amounting to approximately CNY61.1 million.

Contingent Liabilities

As at 30 June 2018, except for the bank borrowings, the Group did not have any loan capital or debt securities issued or agreed to be issued, outstanding bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits, finance leases or hire purchase commitments or guarantees or material contingent liabilities.

Gearing Ratio

As at 31 December 2017 and 30 June 2018, the gearing ratio (which is calculated by dividing total interest-bearing debt by total capital at the end of the year/Reporting Period and multiplying by 100%) was 155.5% and 136.0%, respectively. The gearing ratio decreased in 2018 as the Group continuously recorded a profit for the Reporting Period.

INTERIM DIVIDEND

The Board does not declare an interim dividend for the Reporting Period (six months ended 30 June 2017: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed 1,028 full time employees (not including 1,283 workers provided by third party labour agencies) for its principal activities. Employees' costs (including Directors' emoluments) amounted to approximately CNY100.2 million (including payment to workers provided by third party labour agencies) for the Reporting Period (six months ended 30 June 2017: approximately CNY79.8 million). The Group recognises the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company.

PROSPECTS

As a result of the coal industry downturn in the past few years and deepening supply-side reform, weak production and investment growth in the coal industry might become the new normal. Meanwhile, as coal's major downstream industry, the thermal power industry is expected to remain strong, mainly as a result of strong industrial production and weak contribution by hydropower generation. This is a reverse to the previous trend of decreasing contribution by thermal power generation relative to hydropower generation and is likely to become a key driving force behind coal demand in 2018. Oversupply in the coal industry has generally been reversed. With the policies of guaranteeing coal supply and stabilising coal price, it is expected that demand and supply in the coal market will remain relatively stable in the near future and the coal price will hover within a reasonable range. In the second half of 2018, the Group intends to actively focus on adjusting its product mix to improve the average selling price of its coal products, although the Group's ability to do so is constrained by the Guizhou government's annual guidance on supply of thermal coal to power plants. The Group will also continue to improve production efficiency and intelligence, and strengthen coal quality management, production safety management and environmental protection efforts.

The Company will also consider other business projects that can provide its shareholders with promising returns and benefit the Group as a whole as and when suitable opportunities arise.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 of the Listing Rules, save and except for code provision A.2.1 as set out below.

Chairman and Chief Executive

Mr. HAN Weibing is the chairman and chief executive officer of the Company. He is mainly responsible for the Group's overall strategies, planning, management and business development.

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

SUBSEQUENT EVENTS

On 26 July 2018, Guizhou Puxin received and fully drew down a CNY50.0 million short-term bank loan from Chongqing Bank to be repaid on 25 July 2019. The purpose of the loan is to purchase coal. The loan bears a fixed annual interest rate equal to the one-year base lending rate stipulated by the People's Bank of China of 4.35% per annum.

On 10 August 2018, Guizhou Puxin and Liuzhi Xinsong Coal Mining Co., Ltd. ("**Xinsong Coal**"), and CCTEG Financial Leasing Co., Ltd. ("**CCTEG**"), an independent third party of the Company, entered into the finance lease agreement, pursuant to which CCTEG agreed to acquire certain mining machinery and equipment (the "**Relevant Xinsong Coal Machinery and Equipment**") as per the instructions given by Guizhou Puxin and Xinsong Coal and CCTEG agreed to lease the Relevant Xinsong Coal Machinery and Equipment to Guizhou Puxin and Xinsong Coal at the total rental amount of CNY68,320,031.04 (comprising total lease principal of CNY61,842,300.00 and total lease interest of CNY6,477,731.04) for a term of 36 months. On 10 August 2018, Guizhou Puxin and Jinsha Baiping Mining Co., Ltd. ("**Baiping Mining**"), and CCTEG entered into the finance lease agreement, pursuant to which CCTEG agreed to acquire certain mining machinery and equipment (the "**Relevant Baiping Mining Machinery and Equipment**") as per the instructions given by Guizhou Puxin and Baiping Mining and CCTEG agreed to lease the Relevant Baiping Mining Machinery and Equipment to Guizhou Puxin and Baiping Mining at the total rental amount of CNY75,637,094.92 (comprising total lease principal of CNY68,465,600.00 and total lease interest of CNY7,171,494.92) for a term of 36 months. Details of the above transactions in relation to finance lease arrangements have been disclosed in the Company's announcement dated 10 August 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all the Directors, the Company confirmed that all the Directors have complied with the required standard set out in the Model Code during the Reporting Period.

REVIEW OF INTERIM RESULTS

The Company has an audit committee ("**Audit Committee**") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The Audit Committee comprises three independent non-executive Directors. The members of the Audit Committee are Mr. LO Kin Cheung, Mr. HUANG Zuye and Mr. HU Yongming. The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management. The Audit Committee has reviewed the Group's interim financial information for the Reporting Period.

The interim financial information of the Group for the Reporting Period has not been audited, but has been reviewed by the Company's auditors, Ernst & Young, in accordance with Hong Kong Standard on Review Engagement 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young's independent review report to the Board is included in the interim report to be sent to shareholders.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the Reporting Period containing all the relevant information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange (**www.hkexnews.hk**) and the website of the Company (**www.fsanthracite.com**) in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to all staff and management team of the Group for their devoted efforts and hard work during the Reporting Period. I would also like to express my sincere gratitude to all the shareholders of the Company for their continuous support.

(B) CHANGES OF EXECUTIVE DIRECTORS AND MEMBERS OF CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Board announces that with effect from 31 August 2018, Mr. WAN Huojin ("**Mr. Wan**") resigned as an executive Director and a member of the Corporate Social Responsibility Committee of the Company due to his advanced age.

Mr. Wan has confirmed that he has no disagreement with the Board and there is no other matter relating to his resignation as a Director that needs to be brought to the attention of the shareholders of the Company.

The Board wishes to express its sincere gratitude to Mr. Wan for his invaluable contributions to the Company during the tenure of his service.

The Board also announces that with effect from 31 August 2018, Mr. HU Lubao ("**Mr. Hu**") was appointed as an executive Director and a member of the Corporate Social Responsibility Committee of the Company.

Biographical details of Mr. Hu

Mr. HU Lubao (胡陸保), aged 56, has more than 30 years of experience in the coal mining industry. He was appointed as a director of Jinsha Juli (an indirect wholly-owned subsidiary of the Company) in March 2017, as the chief engineer and deputy general manager of Guizhou Puxin (an indirect wholly-owned subsidiary of the Company) in January 2014 and as the deputy chief engineer of Guizhou Puxin in June 2012. Prior to joining the Group, Mr. Hu worked as the head of the production technology department and a senior engineer at Anyuan Coal Industry Group Co., Ltd. ("**Anyuan Coal**") (安源煤業集團股份有限公司) (formerly known as Anyuan Industrial Co., Ltd. (安源實業股份有限公司)) from March 2010 to May 2012. He was primarily responsible for the review, supervision and implementation of the technology-related plans as well as the standardization of safety and quality requirements. He served as the general manager and a senior engineer of Anyuan Qujiang Coal Development Co., Ltd (安源股份曲江煤炭開發有限責任公司), a subsidiary of Anyuan Coal, from December 2008 to March 2010. During this period, he was in charge of the overall management of the coal mine, including aspects related to safety, production, operation and public relations. He was the deputy general manager and a senior engineer of Qujiang Coal Development Co., Ltd. of Fengcheng Mining Bureau (豐城礦務局曲江煤炭開發有限公司) from May 2003 to December 2008, during which he mainly focused on coal production, coal extraction and coal mine maintenance. In particular, under his leadership, the comprehensive mechanical coal mining working face was successfully put into operation, and the capacity of the coal beneficiation plant was significantly enhanced upon the implementation of the relevant modifications and expansions. He was the deputy division chief, manager engineer and an engineer of the production and technology division of Fengcheng Mining Bureau (豐城礦務局) from November 1999 to May 2003, focusing on production technology-related affairs. He also held a number of positions at the Industry Corporation of Fengcheng Mining Bureau (豐城礦務局工業總公司) from July 1986 to October 1999, with his last position as the deputy chief engineer and deputy general manager. During this period, he was primarily responsible for the production, technology, and project quality and safety supervision management. In particular, he successfully established small coal beneficiation plants after conducting the relevant research and design work. He was a teacher at Fengcheng Mining Bureau Technician School (豐城礦務局技工學校) from September 1985 to July 1986. He worked as an technician at Jianxin coal mine (建新煤礦) of Fengcheng Mining Bureau (豐城礦務局) from August 1982 to August 1985 and was responsible for establishing the internal coal mining-related operational policies and involved in the design and construction of a coal beneficiation plant. Mr. Hu graduated, as a correspondence student (函授生), from Huainan Mining College (淮南礦業學院) with a bachelor's degree in engineering in May 1989 and obtained, also as a correspondence student (函授生), a diploma in mining engineering in November 1988. He was accredited as a senior engineer by the Professional Titles Reform Work Leading Group of Jiangxi Province (江西省職稱改革領導小組) in November 2000. Mr. Hu has not held any directorship in any publicly-listed companies in the three years preceding the date hereof.

Pursuant to the service agreement entered into between Mr. Hu and the Company on 31 August 2018, Mr. Hu was appointed for a specific term of three years from 31 August 2018 and is subject to retirement by rotation and re-election provisions of Articles of Association of the Company. Mr. Hu is entitled to a Director's fee at a rate of HK$1 per annum and an annual salary of CNY125,220.00 together with a discretionary bonus which is determined by the Board with reference to his duties and responsibilities with the Company and subject to review from time to time.

As at the date hereof, Mr. Hu does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company nor have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

There is no information which is discloseable nor is Mr. Hu involved in any of the matters required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there is no other matter concerning Mr. Hu that needs to be brought to the attention of the shareholders of the Company.

The Board would also like to extend a warm welcome to Mr. Hu on his appointment to the Board and the Board committee.

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

Hong Kong, 31 August 2018

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