



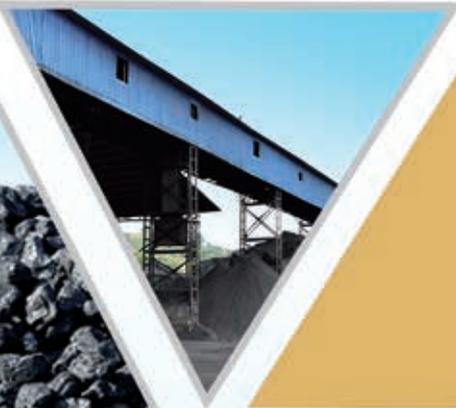
FEISHANG

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



2016

Interim Report



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. HAN Weibing (*Chairman and Chief Executive Officer*)
Mr. WAN Huojin
Mr. TAM Cheuk Ho
Mr. WONG Wah On Edward
Mr. YUE Ming Wai Bonaventure

Independent Non-executive Directors

Mr. LO Kin Cheung
Mr. HUANG Songzhong
Mr. HUANG Zuye

AUTHORISED REPRESENTATIVES

Mr. WONG Wah On Edward
Mr. YUE Ming Wai Bonaventure

COMPANY SECRETARY

Mr. YUE Ming Wai Bonaventure

AUDIT COMMITTEE

Mr. LO Kin Cheung (*Chairman*)
Mr. HUANG Songzhong
Mr. HUANG Zuye

NOMINATION COMMITTEE

Mr. HUANG Zuye (*Chairman*)
Mr. LO Kin Cheung
Mr. HUANG Songzhong
Mr. TAM Cheuk Ho

REMUNERATION COMMITTEE

Mr. HUANG Songzhong (*Chairman*)
Mr. HUANG Zuye
Mr. LO Kin Cheung
Mr. HAN Weibing

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. HUANG Songzhong (*Chairman*)
Mr. WAN Huojin
Mr. HAN Weibing

AUDITORS

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

REGISTERED OFFICE

Maples Corporate Services (BVI) Limited
Kingston Chambers, P.O. Box 173
Road Town, Tortola
The British Virgin Islands

HONG KONG OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2205, Shun Tak Centre
200 Connaught Road Central
Sheung Wan
Hong Kong
Telephone: +852 28589860
Facsimile: +852 28106963

COMPANY'S WEBSITE

<http://www.fsanthracite.com>

COMPANY'S STOCK CODE

1738.HK



CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISERS

(As to Hong Kong Law)
MinterEllison

(As to PRC Law)
Commerce & Finance Law Offices

(As to British Virgin Islands Law)
Maples and Calder

PRINCIPAL BANKERS

China Minsheng Banking Corp., Ltd.
China Merchants Bank Co., Ltd.
Industrial and Commercial Bank of China Limited



FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2016

- Revenue up 83.3% to approximately CNY189.0 million
- Gross profit up 531.6% to approximately CNY49.7 million
- Loss attributable to the owners of the Company from continuing operations down 57.5% to approximately CNY164.9 million
- Basic loss per share from continuing operations was CNY0.12



MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board (the “Board”) of directors (the “Directors”) of Feishang Anthracite Resources Limited (the “Company”), I present the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016 (the “Reporting Period”).

BUSINESS REVIEW

In the first half of 2016, China’s economy remained weak, and the coal industry also remained in deep recession with the China Coal Price Index lingering at relatively low levels. In response to the unfavourable business environment, the Group reformulated its business strategy, which focused on customers’ needs, quality management and production safety.

Apart from the existing coal washing plant, the Group constructed another simple coal washing facility and commenced the running of two high precision coal screening systems. By taking advantage of its own coal washing plant, coal washing facility, high precision coal screening systems, and its port handling river cargo, the Group was able to provide customised services to its customers by supplying coal with different specifications and stable quality. The Group focused on attracting premium customers including chemical plants operators and cement plants operators. Through convenient water transport and cost advantages, the Group eventually became one of the core suppliers to downstream premium customers. Although the overall coal industry suffered from serious oversupply, the Group managed to maintain sufficient demand at relatively high selling prices. In the first half of 2016, the selling price of the Group’s products increased by 13.1% as compared to the same period in 2015. The Group also managed to generate total sales volume of 894,400 tonnes for the first half of 2016.

SUMMARY OF EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

- The high precision screening systems of Dayun Coal Mine and Yongsheng Coal Mine were put into commercial use in January 2016.
- The coal washing facility of Dayun Coal Mine was completed in March 2016.
- The port expansion project kicked off in June 2016.
- During the Reporting Period, total production volume of the Group was approximately 0.95 million tonnes. As at 30 June 2016, the total proved and probable reserve of the six coal mines under Australian Code prepared by the Joint Ore Reserves Committee (the “JORC Code”) was approximately 198.44 million tonnes (calculated as if all the coal mines (excluding Gouchang Coal Mine) were wholly owned by the Group and adjusted by deducting those reserves extracted by the Group’s mining activities from 1 August 2013 to 30 June 2016). For details, please refer to the Summary of Mine Properties as set out on page 52 of this report.

Compliance

During the Reporting Period, to the best knowledge of the Directors, there was no material breach of and/or non-compliance with applicable laws and regulations by the Group that had a significant impact on the business and operations of the Group.



MANAGEMENT DISCUSSION AND ANALYSIS

Risk Management and Internal Control

The Board has overall responsibility for the effective risk management and internal control systems of the Group and is committed to the maintenance of good corporate governance, practices and procedures of the Group. In view of the revised Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”), the Group has enhanced its risk management and internal control systems. In 2016, the Group established a ‘Three Lines of Defense’ risk governance structure, with relevant departments and business units as the first line of defense, risk management task force as the second line of defense and internal audit as the third line of defense. The Group has also formulated and enhanced its top-down and bottom-up risk control procedures as well as certain policies. The Group will continue to evaluate and strengthen the framework and procedure of its current risk management and internal control system as and when appropriate and promote the corporate culture of risk awareness within the Group. To the best knowledge of the Directors, there were no fraudulent practices brought to the Group’s attention during the Reporting Period.

FINANCIAL REVIEW

Continuing Operations

Revenue

The Group’s revenue increased by 83.3% from approximately CNY103.1 million for the six months ended 30 June 2015 to approximately CNY189.0 million for the Reporting Period. The increase in revenue during the Reporting Period was mainly due to the increase in sales volume and the rise in the average selling price of anthracite coal. The sales volume increased from 552,001 tonnes for the six months ended 30 June 2015 to 894,400 tonnes for the Reporting Period, representing a rise of 62.0%, which was mainly due to the larger customer base as a result of the commercial run of the coal washing plant and shipping port in the fourth quarter of 2015. In addition, the average selling price of anthracite coal increased from CNY186.8 per tonne for the six months ended 30 June 2015 to CNY211.4 per tonne for the Reporting Period, representing a rise of 13.1%, mainly due to the sale of processed coal (after coal washing). The Group derived revenue of processed coal was approximately CNY128.8 million with sales volume of 537,585 tonnes during the Reporting Period. The average selling price of processed coal was CNY239.5 per tonne, which was CNY70.0 per tonne higher than that of raw coal sold without washing.

Cost of Sales

The Group’s cost of sales increased by 46.3% from approximately CNY95.3 million for the six months ended 30 June 2015 to approximately CNY139.3 million for the Reporting Period. This was primarily due to the increase in sales volume.

Labour costs for the Reporting Period was approximately CNY42.9 million, representing an increase of approximately CNY8.7 million, or approximately 25.4%, as compared with approximately CNY34.2 million for the six months ended 30 June 2015. The increase in labour costs was lower than the increase in sales volume of the Group’s anthracite products for the Reporting Period because of the economies of scale of the two largest mines operation, Dayun Coal Mine and Yongsheng Coal Mine as well as the implementation of stringent cost control measures.



MANAGEMENT DISCUSSION AND ANALYSIS

Material, fuel and energy costs for the Reporting Period were approximately CNY13.1 million, an increase of approximately CNY1.8 million, or approximately 15.2%, as compared with approximately CNY11.3 million for the six months ended 30 June 2015. The increase in material, fuel and energy costs was lower than the increase in sales volume of the Group's anthracite products for the Reporting Period as the Group's mine operation was beginning to realise some economies of scale as well as the implementation of stringent cost control measures.

Depreciation and amortisation for the Reporting Period were approximately CNY64.4 million, representing an increase of approximately CNY23.1 million, or approximately 56.0%, as compared with approximately CNY41.3 million for the six months ended 30 June 2015. The increase in depreciation and amortisation for the Reporting Period was caused by the larger depreciable base arising from the transfer of construction in progress to property, plant and equipment following the commercial run of Dayun Coal Mine since July 2015, as well as the increase in production volume.

Sales tax and levies for the Reporting Period were approximately CNY10.1 million, an increase of approximately CNY3.4 million or approximately 50.7% as compared with approximately CNY6.7 million for the six months ended 30 June 2015. This was generally in line with the increase in sales volume of the Group's anthracite products for the Reporting Period.

Coal processing costs during the Reporting Period, which included coal screening costs and/or coal washing costs, was approximately CNY7.6 million. It comprised labour costs of approximately CNY4.0 million, material, fuel and energy costs of approximately CNY1.6 million, depreciation of approximately CNY1.6 million and other coal processing related costs of approximately CNY0.4 million.

Breakdown of the Group's Unit Cost of Sales

Cost Items for Coal Mining Activity	Six months ended 30 June	
	2016	2015
	CNY/tonne	CNY/tonne
Labour costs	47.9	61.9
Raw materials, fuel and energy	14.6	20.6
Depreciation and amortisation	72.1	74.8
Sales tax and levies	11.3	12.2
Other production-related costs	1.4	3.2
Total unit cost of sales for coal mining	147.3	172.7

Cost Items for Coal Processing Activity	Six months ended 30 June	
	2016	2015
	CNY/tonne	CNY/tonne
Labour costs	7.4	–
Materials, fuel and energy	3.0	–
Depreciation	3.0	–
Other coal processing related costs	0.6	–
Total unit cost of sales for coal processing	14.0	–



MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Margin

As a result of the foregoing, the gross profit increased by approximately 531.6% from approximately CNY7.9 million for the six months ended 30 June 2015 to approximately CNY49.7 million for the Reporting Period. The gross margin increased from approximately 7.6% for the six months ended 30 June 2015 to 26.3% for the Reporting Period. This was mainly due to the rise in sales volume and average selling price as a result of the increase in sales of processed coal.

Impairment Loss on Property, Plant and Equipment

The Group incurred an impairment loss on property, plant and equipment of approximately CNY95.5 million for the Reporting Period in connection with Dayuan Coal Mine, as compared with approximately CNY383.6 million for the six months ended 30 June 2015 in connection with the decline in coal price and the temporary suspension of Liujiaba, Zhulinzhai and Dayuan Coal Mines, as well as an impairment loss of approximately CNY21.6 million which was recognised in the discontinued operations of Gouchang Coal Mine.

Other Operating Expenses

Other operating expenses increased to approximately CNY16.7 million for the Reporting Period from approximately CNY0.8 million for the six months ended 30 June 2015 primarily as a result of the compensation paid to local residents for repairing the damaged houses or relocation affected by the mine's operations of the Group.

Loss Attributable to the Owners of the Company from Continuing Operations

The loss attributable to the owners of the Company from continuing operations for the Reporting Period was approximately CNY164.9 million, a decrease of approximately CNY223.2 million from the loss of approximately CNY388.1 million for the six months ended 30 June 2015. This was mainly caused by (i) the approximately CNY288.1 million decrease in impairment loss of coal mines from approximately CNY383.6 million of Liujiaba Coal Mine, Zhulinzhai Coal Mine and Dayuan Coal Mine to approximately CNY95.5 million of Dayuan Coal Mine for the Reporting Period; (ii) the increase of approximately CNY41.8 million in gross profit resulting from the increase in sales volume and the rise in average selling price as a result of the increase in sales of processed coal during the Reporting Period; and (iii) the decrease of approximately CNY21.1 million in finance cost due to the repayment of bank and other borrowings during the Reporting Period. The decrease in loss was partially offset by (i) an increase of approximately CNY94.0 million in deferred income tax expense mainly due to a decrease of impairment loss on property, plant and equipment; (ii) an increase of approximately CNY15.9 million in other operating expenses mainly due to the compensation paid to local residents for repairing the damaged houses or relocation affected by the mine's operations of the Group; and (iii) an increase of approximately CNY8.8 million in administrative expenses mainly due to an increase of impairment loss on trade receivables during the Reporting Period.

Discontinued Operations

Since March 2013, the operations of Gouchang Coal Mine had been suspended 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 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.



MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, all works at Gouchang Coal Mine were substantially stopped, therefore the operating results have been reclassified as discontinued operations.

FINANCIAL RESOURCES REVIEW

Liquidity, Financial Resources and Capital Structure

As at 31 December 2015 and 30 June 2016, the Group had net current liabilities of approximately CNY883.1 million and approximately CNY822.2 million, respectively. All the borrowings are denominated in CNY. The Group did not engage in 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 may consider equity financing, if required.

No equity fund raising activity was conducted by the Company during the Reporting Period. As at 30 June 2016, the Group had cash and cash equivalents of approximately CNY72.6 million.

The interest-bearing loans consist of short-term and long-term bank and other borrowings. As at 30 June 2016, 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 CNY606.2 million. The Group had total outstanding long-term bank borrowings (excluding the current portion) of approximately CNY183.9 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 and equity interests in Guizhou Puxin Energy Co., Ltd. ("Guizhou Puxin") and Guizhou Dayun Mining Co., Ltd. ("Guizhou Dayun"). As at 30 June 2016, loan amounting to approximately CNY100.0 million carried interest at fixed rate ranging from 4.785% to 6.09% per annum. The remaining loans carried interest at floating rate ranging from 5.22% to 7.125% per annum.

As at 31 December 2015 and 30 June 2016, the amount of outstanding bank borrowings that were guaranteed by Mr. LI Feilie were approximately CNY702.4 million and approximately CNY642.1 million, respectively and the amount of outstanding bank borrowings that were guaranteed by fellow companies controlled by Mr. LI Feilie were approximately CNY850.4 million and approximately CNY790.1 million, respectively.

Pledge of Assets of the Group

As at 31 December 2015 and 30 June 2016, certain mining rights with carrying amounts of approximately CNY553.1 million and approximately CNY507.2 million, respectively were pledged to secure bank loans with carrying amounts of approximately CNY552.4 million and approximately CNY562.1 million, respectively.

As at 31 December 2015 and 30 June 2016, equity interest in Guizhou Puxin and Guizhou Dayun were pledged to secure bank loans with carrying amounts of approximately CNY542.4 million and approximately CNY512.1 million, respectively.

As at 31 December 2015 and 30 June 2016, certain trade receivables with carrying amounts of approximately CNY13.1 million and nil, respectively were pledged to secure other borrowings with carrying amounts of approximately CNY11.0 million and nil, respectively.



MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitments

As at 30 June 2016, 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 CNY40.5 million.

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.

Contingent Liabilities

As at 30 June 2016, 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 2015 and 30 June 2016, 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 151.8% and 284.1%, respectively. The gearing ratio increased in 2016 as the Group incurred an impairment loss on property, plant and equipment.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the Reporting Period (six months ended 30 June 2015: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the Group employed 318 full time employees (not including 798 workers provided by third party labour agencies) for its principal activities. Employees' costs (including Directors' emoluments) amounted to approximately CNY69.0 million (including payment to workers provided by third party labour agencies) for the Reporting Period (six months ended 30 June 2015: approximately CNY58.3 million). The Group recognises the importance of attracting and retaining high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other 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.

SUBSEQUENT EVENTS

There is no material event undertaken by the Company or the Group subsequent to 30 June 2016 and up to the date of this report.



MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

In order to further enhance and take advantage of its marketing, logistical, and coal washing capabilities, the Group intends to carry out coal trading and washing business and expand the existing port, transportation belt and coal washing plant. It also plans to acquire the nearby high quality excess coal inventories, and through coal washing and water transport, distribute them to premium downstream customers including chemical plants and cement plants. The Group aims to gradually become one of the integrated coal supply industry leaders in the southwest China region.

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.

AUDIT COMMITTEE

The Company has an audit committee (“Audit Committee”) which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process 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. HUANG Songzhong. 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 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, and the Audit Committee.

APPRECIATION

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

By Order of the Board

Feishang Anthracite Resources Limited

HAN Weibing

Chairman and Chief Executive Officer

Hong Kong, 26 August 2016



OTHER INFORMATION

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

As at 30 June 2016, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

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

Notes:

1. The 724,029,650 ordinary shares were held by Feishang Group Limited, which is wholly owned by Laitan Investments Limited, which is in turn wholly owned by Mr. LI Feilie. According to the SFO, both Mr. LI Feilie and Laitan Investments Limited are deemed to have interests in the 724,029,650 ordinary shares held by Feishang Group Limited. Mr. LI Feilie's interests in shares are disclosed in this report in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures".
2. Mr. KWAN Pak Hoo Bankee is the sole director and sole shareholder of Poly Shine Investment Limited. According to the SFO, Mr. KWAN Pak Hoo Bankee is deemed to have interests in the 125,000,000 ordinary shares held by Poly Shine Investment Limited.

Save as disclosed above, as at 30 June 2016, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



OTHER INFORMATION

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

As at 30 June 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were set out below:

(I) The Company

Name of Director	Long/short position	Capacity	Number of shares	Note	Percentage of the issued shares (%)
Mr. LI Feilie	Long position	Beneficial owner	15,000,000		
	Long position	Interest held by his controlled corporations	724,029,650	1	
			739,029,650		53.53
Mr. WONG Wah On Edward	Long position	Beneficial owner	20,000,000		1.45
Mr. TAM Cheuk Ho	Long position	Beneficial owner	14,096,300		1.02

Note:

- The 724,029,650 ordinary shares were held by Feishang Group Limited, which is wholly owned by Laitan Investments Limited, which is in turn wholly owned by Mr. LI Feilie.



OTHER INFORMATION

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

(i) China Natural Resources, Inc.

Name of Director	Long/short position	Capacity	Number of shares	Note	Percentage of the issued shares (%)
Mr. LI Feilie	Long position	Beneficial owner	300,000		
	Long position	Interest held by his controlled corporations	14,480,593	1	
			14,780,593		59.33
Mr. WONG Wah On Edward	Long position	Beneficial owner	400,000		1.60
Mr. TAM Cheuk Ho	Long position	Beneficial owner	281,926		1.13

Note:

- The 14,480,593 common shares were held by Feishang Group Limited, which is wholly owned by Laitan Investments Limited, which is in turn wholly owned by Mr. LI Feilie.

(ii) Feishang Non-metal Materials Technology Limited

Name of Director	Long/short position	Capacity	Number of shares	Notes	Percentage of the issued shares (%)
Mr. LI Feilie	Long position	Interest held by his controlled corporations	375,000,000	1	75.00
Mr. WONG Wah On Edward	Long position	Interest held by his controlled corporations	17,600,000	2	3.52
Mr. TAM Cheuk Ho	Long position	Interest held by his controlled corporations	18,500,000	3	3.70

Note:

- The 375,000,000 ordinary shares were held by Feishang Group Limited, which is wholly owned by Laitan Investments Limited, which is in turn wholly owned by Mr. LI Feilie.
- The 17,600,000 ordinary shares were held by Brender Services Limited, which is wholly owned by Mr. WONG Wah On Edward.
- The 18,500,000 ordinary shares were held by Suncraft Limited, which is wholly owned by Mr. TAM Cheuk Ho.



OTHER INFORMATION

(iii) Laitan Investments Limited

Name of Director	Long/short position	Capacity	Number of shares	Percentage of the issued shares (%)
Mr. LI Feilie	Long position	Beneficial owner	3	100

(iv) Feishang Group Limited

Name of Director	Long/short position	Capacity	Number of share	Note	Percentage of the issued shares (%)
Mr. LI Feilie	Long position	Interest held by his controlled corporation	1	1	100

Note:

- The 1 ordinary share was held by Laitan Investments Limited, which is wholly owned by Mr. LI Feilie.

Save as disclosed above, as at 30 June 2016, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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



OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Company complied with the code provisions as set out in the CG Code, save and except for code provisions A.2.1 and E.1.2 as set out below.

Chairman and Chief Executive

Prior to the appointment of the new chief executive officer on 29 March 2016, Mr. LI Feilie was the chairman and chief executive officer of the Company. He was mainly responsible for the Group's overall strategies, planning, management and business development.

At the Board meetings held on 29 March 2016 and 26 July 2016, Mr. LI Feilie stepped down from the position of chief executive officer, and chairman and executive Director, respectively, and Mr. HAN Weibing, the former chief operating officer of the Company, was appointed as the chief executive officer and chairman of the Company with immediate effect, respectively. Mr. HAN is primarily responsible for overseeing the day-to-day management and operations of the Group.

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. LI Feilie being the chairman and chief executive officer of the Company concurrently up to 29 March 2016 and with Mr. HAN Weibing being the chairman and chief executive officer of the Company concurrently starting from 26 July 2016. Notwithstanding the above, 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.

Attendance of Chairmen at General Meeting

Code provision E.1.2 of the CG Code stipulates the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this, his duly appointed delegate, to attend. Mr. LI Feilie, the then chairman of the Board as at the date of the annual general meeting, did not attend the annual general meeting of the Company held on 31 May 2016 (the "2016 AGM") due to his tight business schedule. Mr. HAN Weibing, the chief executive officer and executive Director, was elected by the Directors to chair the 2016 AGM. Mr. HUANG Songzhong, the chairman of the remuneration committee and the corporate social responsibility committee of the Company, did not attend the 2016 AGM due to travel document issue.



OTHER INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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.

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

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

DISCLOSURE OF CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes and updates in Directors' information are as follows: –

1. Mr. LI Feilie resigned as an executive Director, the chairman, a member of the nomination committee and a member of the remuneration committee of the Company on 26 July 2016.
2. Mr. HAN Weibing was appointed as the chairman of the Company on 26 July 2016.
3. Mr. WONG Wah On Edward was appointed as the chairman and chief executive officer of China Natural Resources, Inc. ("CHNR"), a company listed in New York State, on 15 August 2016.
4. Mr. YUE Ming Wai Bonaventure was appointed as the executive director of CHNR on 15 August 2016.

Save as disclosed above, the Directors are not aware of any other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2015 annual report of the Company.

SHARE OPTION SCHEME OF THE COMPANY

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



OTHER INFORMATION

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

The total number of Shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the Shares in issue on the Date of Adoption (the “Scheme Mandate Limit”), unless approved by the Company’s shareholders. The Company may seek approval of its shareholders in general meeting to renew the Scheme Mandate Limit provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Shares in issue as at the date of approval to renew the Scheme Mandate Limit. The number of Shares in respect of which options may be granted to any Eligible Person in any 12-month period is not permitted to exceed 1% of the Shares in issue at any point in time, unless approved by the Company’s shareholders. In addition, the number of Shares in respect of which options may be granted to any Eligible Person (who is a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates (within the meaning as ascribed under the Listing Rules)) in any 12-month period is not permitted to exceed 0.1% of the total number of Shares in issue and HK\$5,000,000 in an aggregate value, based on the closing price of the Shares at the date of each grant, unless approved by the Company’s shareholders.

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

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

As at 30 June 2016, no options were granted or agreed to be granted since the Date of Adoption. The Company had a total of 124,554,580 Shares available for issue under the Share Option Scheme (representing approximately 9.0% of the existing issued Shares of the Company as at the date of this report).



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016



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To the board of directors of Feishang Anthracite Resources Limited

(Incorporated in the British Virgin Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 20 to 51, which comprise the condensed consolidated statements of financial position of Feishang Anthracite Resources Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 June 2016 and the related condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “*Interim Financial Reporting*” (“IAS 34”) issued by the International Accounting Standards Board (“IASB”). The directors of the Company are responsible for the preparation and presentation of the interim financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Emphasis of Matter

Without qualifying our conclusion, we draw attention to note 2 to the interim financial information which indicates that the Group has net current liabilities of CNY822.2 million and shareholders’ deficit of CNY540.4 million. This condition indicates the existence of a material uncertainty that may cast doubt about the Group’s ability to continue as a going concern.

Ernst & Young
Certified Public Accountants
Hong Kong
26 August 2016



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 CNY'000 (Unaudited)	2015 CNY'000 (Unaudited)
CONTINUING OPERATIONS			
Revenue	5	189,046	103,136
Cost of sales		(139,330)	(95,265)
Gross profit		49,716	7,871
Selling and distribution expenses		(4,919)	(3,470)
Administrative expenses		(48,816)	(40,023)
Write-down of inventories to net realisable value		–	(1,258)
Impairment loss on property, plant and equipment	8	(95,494)	(383,615)
Other operating expenses		(16,703)	(833)
OPERATING LOSS		(116,216)	(421,328)
Finance costs	6	(42,957)	(64,029)
Interest income		2,226	437
Non-operating expenses, net	7	(2,588)	(761)
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS	8	(159,535)	(485,681)
Income tax (expense)/benefit	10	(3,860)	90,099
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(163,395)	(395,582)
DISCONTINUED OPERATIONS			
LOSS BEFORE INCOME TAX FROM DISCONTINUED OPERATIONS	4	(634)	(27,911)
Income tax benefit from discontinued operations	4	–	2,096
LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS		(634)	(25,815)
LOSS FOR THE PERIOD		(164,029)	(421,397)
ATTRIBUTABLE TO:			
Owners of the Company			
From continuing operations	11	(164,888)	(388,101)
From discontinued operations	11	(628)	(25,557)
		(165,516)	(413,658)
Non-controlling interests			
From continuing operations		1,493	(7,481)
From discontinued operations		(6)	(258)
		1,487	(7,739)
		(164,029)	(421,397)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 CNY'000 (Unaudited)	2015 CNY'000 (Unaudited)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY:			
Basic (CNY per share)			
– For loss from continuing operations	11	(0.12)	(0.28)
– For loss from discontinued operations	11	*	(0.02)
– Net loss per share		(0.12)	(0.30)
Diluted (CNY per share)			
– For loss from continuing operations	11	(0.12)	(0.28)
– For loss from discontinued operations	11	*	(0.02)
– Net loss per share		(0.12)	(0.30)

* Insignificant



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	(164,029)	(421,397)
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation adjustments	485	872
Total other comprehensive income for the period, net of tax	485	872
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(163,544)	(420,525)
ATTRIBUTABLE TO:		
Owners of the Company		
From continuing operations	(164,403)	(387,229)
From discontinued operations	(628)	(25,557)
	(165,031)	(412,786)
Non-controlling interests		
From continuing operations	1,493	(7,481)
From discontinued operations	(6)	(258)
	1,487	(7,739)
	(163,544)	(420,525)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 CNY'000 (Unaudited)	31 December 2015 CNY'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	2,247,262	2,298,141
Rehabilitation fund	14	10,662	11,124
Prepayments, deposits and other receivables	17	77,639	77,768
Deferred tax assets	10	51,214	43,223
TOTAL NON-CURRENT ASSETS		2,386,777	2,430,256
CURRENT ASSETS			
Inventories	15	20,625	17,255
Trade and bills receivables	16	125,943	115,536
Corporate income tax refundable		47,644	46,682
Prepayments, deposits and other receivables	17	38,892	28,746
Pledged and restricted time deposits	18	320,000	195,000
Cash and cash equivalents	18	72,636	71,855
TOTAL CURRENT ASSETS		625,740	475,074
TOTAL ASSETS		3,012,517	2,905,330
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and bills payables	19	651,211	491,565
Other payables and accrued liabilities	20	136,498	137,181
Interest-bearing bank and other borrowings	21	606,195	675,200
Interest payable		20,954	21,172
Mining rights payables	22	33,074	33,074
TOTAL CURRENT LIABILITIES		1,447,932	1,358,192
NON-CURRENT LIABILITIES			
Due to a related company	27	1,774,388	1,398,679
Interest-bearing bank and other borrowings	21	183,895	384,790
Interest payable		4,460	4,198
Deferred tax liabilities	10	119,573	113,992
Mining rights payables	22	10,706	10,706
Deferred income	23	1,554	1,701
Asset retirement obligations	24	10,375	9,894
TOTAL NON-CURRENT LIABILITIES		2,104,951	1,923,960
TOTAL LIABILITIES		3,552,883	3,282,152



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2016

	Notes	30 June 2016 CNY'000 (Unaudited)	31 December 2015 CNY'000 (Audited)
EQUITY			
Share capital	25	1,081	1,081
Reserves		(613,386)	(448,355)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		(612,305)	(447,274)
NON-CONTROLLING INTERESTS		71,939	70,452
SHAREHOLDERS' DEFICIT		(540,366)	(376,822)
TOTAL LIABILITIES AND EQUITY		3,012,517	2,905,330

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company								Total equity CNY'000
	Share capital CNY'000 (Unaudited)	Share premium account* CNY'000 (Unaudited)	Safety fund and production maintenance fund* CNY'000 (Unaudited)	Special reserve* CNY'000 (Unaudited)	Accumulated losses* CNY'000 (Unaudited)	Exchange fluctuation reserve* CNY'000 (Unaudited)	Total CNY'000	Non-controlling interests CNY'000 (Unaudited)	
At 1 January 2015	1,081	204,524	21,442	32,274	(194,347)	2,285	67,259	89,574	156,833
Loss for the period	-	-	-	-	(413,658)	-	(413,658)	(7,739)	(421,397)
Foreign currency translation adjustments	-	-	-	-	-	872	872	-	872
Total comprehensive (loss)/ income for the period	-	-	-	-	(413,658)	872	(412,786)	(7,739)	(420,525)
Acquisition of non-controlling interests	-	-	-	(1,550)	-	-	(1,550)	(1,297)	(2,847)
Appropriation and utilisation of safety fund and production maintenance fund, net	-	-	2,965	-	(2,965)	-	-	-	-
At 30 June 2015	1,081	204,524	24,407	30,724	(610,970)	3,157	(347,077)	80,538	(266,539)

	Attributable to owners of the Company								Total equity CNY'000
	Share capital CNY'000 (Unaudited)	Share premium account* CNY'000 (Unaudited)	Safety fund and production maintenance fund* CNY'000 (Unaudited)	Special reserve* CNY'000 (Unaudited)	Accumulated losses* CNY'000 (Unaudited)	Exchange fluctuation reserve* CNY'000 (Unaudited)	Total CNY'000	Non-controlling interests CNY'000 (Unaudited)	
At 1 January 2016	1,081	204,524	38,657	30,724	(726,542)	4,282	(447,274)	70,452	(376,822)
Loss for the period	-	-	-	-	(165,516)	-	(165,516)	1,487	(164,029)
Foreign currency translation adjustments	-	-	-	-	-	485	485	-	485
Total comprehensive (loss)/ income for the period	-	-	-	-	(165,516)	485	(165,031)	1,487	(163,544)
Appropriation and utilisation of safety fund and production maintenance fund, net	-	-	22,388	-	(22,388)	-	-	-	-
At 30 June 2016	1,081	204,524	61,045	30,724	(914,446)	4,767	(612,305)	71,939	(540,366)

* These reserve accounts comprise the consolidated negative reserves of CNY613.4 million (30 June 2015: consolidated negative reserves of CNY348.2 million) as at 30 June 2016.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 CNY'000 (Unaudited)	2015 CNY'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(160,169)	(513,592)
From continuing operations		(159,535)	(485,681)
From discontinued operations		(634)	(27,911)
Adjustments for:			
Interest income		(2,226)	(437)
Finance costs		34,453	59,374
Depreciation and amortisation		67,469	56,415
Impairment loss on property, plant and equipment	13	95,494	405,171
Impairment of trade and bills receivables	16	4,739	59
Impairment of prepayments, deposits and other receivables		3,215	4,915
Impairment of inventories		–	1,807
Sub-total		42,975	13,712
Decrease in rehabilitation fund		462	9,617
Increase in trade and bills receivables		(26,146)	(16,014)
Increase in inventories		(3,370)	(13,950)
Increase in prepayments, deposits and other receivables		(10,497)	(1,351)
Increase in trade and bills payables		188,597	96,625
Increase/(decrease) in other payables and accrued liabilities		1,340	(1,944)
Increase/(decrease) in deferred income		(147)	1,970
Cash from operations		193,214	88,665
Interest received		2,226	437
Interest paid		(33,934)	(62,556)
Income tax paid		(7,232)	(8,649)
Net cash flows from operating activities		154,274	17,897
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash received for acquisition of a subsidiary		–	10
Prepayment for purchase of land use rights		–	(859)
Purchases of items of property, plant and equipment		(145,787)	(159,286)
Net cash flows used in investing activities		(145,787)	(160,135)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from interest-bearing bank and other borrowings		100,000	234,600
Repayments of interest-bearing bank and other borrowings		(358,900)	(886,465)
Increase in restricted bank deposits, net	18	(125,000)	(60,326)
Net cash paid for acquisition of non-controlling interests		–	(880)
Advances from related companies		853,132	827,850
Repayments to related companies		(477,423)	(170,274)
Net cash flows used in financing activities		(8,191)	(55,495)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 CNY'000 (Unaudited)	2015 CNY'000 (Unaudited)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		296	(197,733)
NET FOREIGN EXCHANGE DIFFERENCE		485	872
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		71,855	270,140
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	18	72,636	73,279
Supplementary disclosures of cash flow information:			
Total cash paid for interest (including capitalised interest of nil for the period ended 30 June 2016 (period ended 30 June 2015: CNY3.9 million))		(33,934)	(66,475)



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

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 (“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.

CHNR’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 period, the Company’s subsidiaries were engaged in the acquisition, construction and development of anthracite coal mines and extraction and sale of anthracite coal in the People’s Republic of China (“PRC”).

As at 30 June 2016, the Group had net current liabilities of CNY822.2 million (31 December 2015: CNY883.1 million) and total assets less current liabilities of CNY1,564.6 million (31 December 2015: CNY1,547.1 million).

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

The interim financial information for the six months ended 30 June 2016 has been prepared in accordance with 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 interim financial information has been prepared on the historical cost basis. These interim financial statements are presented in Chinese Yuan (“CNY”) and all values are rounded to the nearest thousand except when otherwise indicated.

Except as described below, the accounting policies and methods of computation used in the interim financial information for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (continued)

Changes in Accounting Policies

In the current interim period, the Group has applied, for the first time, the following new and revised International Financial Reporting Standards (“IFRSs”) issued by the IASB:

Amendments to IAS 1	<i>Disclosure Initiative</i>
Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of IFRSs

The adoption of amendments does not have any significant effect on the annual consolidated financial statements of the Group or the interim financial information of the Group.

The Group has not early adopted any other accounting standard or amendment that has been issued but is not yet effective.

Going Concern

As at 30 June 2016, the Group had net current liabilities of CNY822.2 million and shareholders’ deficit of CNY540.4 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 continuous financial support from Feishang and one entity controlled by Mr. LI Feilie; (ii) entering into loan renewal discussions with the 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.

Comparative Information

Certain items in the notes to the interim financial information have been reclassified to conform with the current period’s presentation.



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group operates in one business unit based on its products, and has only one reportable segment, namely the exploration and mining of coal. The Group conducts its principal operations in Mainland China. The Group's management monitors the operating results of its business unit for the purpose of making decisions about allocation of resources and performance assessment.

Geographic Information

The Group's revenue from external customers is derived solely from its operations in Mainland China, and no non-current assets of the Group are located outside Mainland China.

Information about Major Customers

For the six months ended 30 June 2016, revenue derived from sales to the largest customer accounted for 15.4% of the consolidated revenue. During the six months ended 30 June 2015, revenue derived from sales to the four largest customers accounted for 33.0%, 28.3%, 12.2% and 11.0% of the consolidated revenue, respectively.

4. DISCONTINUED OPERATIONS

Gouchang Coal Mine is a coal mine located in Guizhou Province, PRC, which is wholly-owned by Nayong Gouchang Coal Mining Co., Ltd., a subsidiary of the Company. The operations of Gouchang Coal Mine have 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 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. In the first half of 2016, all the works at Gouchang Coal Mine had ceased, therefore, the operating results have been reclassified to discontinued operations for the purpose of preparing the interim condensed consolidated statement of profit or loss.



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

4. DISCONTINUED OPERATIONS (continued)

The results of Gouchang Coal Mine for the six months ended 30 June 2016 and 2015 are presented below:

	Six months ended 30 June	
	2016	2015
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Revenue	–	–
Cost of sales	–	–
Gross profit	–	–
Administrative expenses	(609)	(5,761)
Write-down of inventories to net realisable value	–	(551)
Impairment loss on property, plant and equipment	–	(21,556)
OPERATING LOSS	(609)	(27,868)
Finance costs	(25)	(43)
LOSS BEFORE INCOME TAX	(634)	(27,911)
Income tax benefit	–	2,096
LOSS FOR THE PERIOD FROM DISCONTINUED OPERATIONS	(634)	(25,815)
Attributable to:		
Owners of the Company	(628)	(25,557)
Non-controlling interests	(6)	(258)
	(634)	(27,911)

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

	Six months ended 30 June	
	2016	2015
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Operating activities	(1,094)	(898)
Financing activities	1,102	863
Net cash inflow/(outflow)	8	(35)



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

4. DISCONTINUED OPERATIONS (continued)

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

	Six months ended 30 June	
	2016 CNY'000 (Unaudited)	2015 CNY'000 (Unaudited)
Loss for the period attributable to owners of the Company from discontinued operations	(628)	(25,557)
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 owners of the Company (CNY per share):		
Basic, from discontinued operations	*	(0.02)
Diluted, from discontinued operations	*	(0.02)

* Insignificant

5. REVENUE FROM CONTINUING OPERATIONS

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

6. FINANCE COSTS FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2016 CNY'000 (Unaudited)	2015 CNY'000 (Unaudited)
Interest on interest-bearing bank and other borrowings	32,900	64,410
Interest on payables for mining rights	1,078	(501)
Total interest expense	33,978	63,909
Less: capitalised interest (note 13)	–	(4,967)
Bank charges	472	1,639
Discount interest	8,032	2,568
Foreign exchange loss	–	448
Accretion expenses	475	432
	42,957	64,029



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

7. NON-OPERATING EXPENSES, NET FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2016 CNY'000 (Unaudited)	2015 CNY'000 (Unaudited)
Surcharges for late tax payments	2,524	283
Donation	–	393
Others	64	85
	2,588	761

8. LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS

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

	Six months ended 30 June	
	2016 CNY'000 (Unaudited)	2015 CNY'000 (Unaudited)
Crediting:		
Interest income on bank deposits	2,226	437
Charging:		
Cost of inventories sold (a)	112,990	67,197
Sales tax and surcharge	10,147	6,721
Utilisation of safety fund and production maintenance fund	16,193	21,347
Cost of sales	139,330	95,265
Employee benefit expenses (note 9)	53,520	47,970
Depreciation, depletion and amortisation:		
– Property, plant and equipment (note 13)	67,469	56,351
Impairment of property, plant and equipment	95,494	383,615
Write-down of inventories to net realisable value	–	1,258
Impairment of trade and bills receivables	4,739	–
Impairment of prepayments, deposits and other receivables	3,215	–
Repairs and maintenance	515	492
Losses arising from temporary suspension of production (b)	528	751



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

8. LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS (continued)

- (a) Included in the cost of inventories sold are CNY109.0 million for the six months ended 30 June 2016 (six months ended 30 June 2015: CNY49.5 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.
- (b) The amount mainly represented the overhead costs incurred during the period of temporary suspension of production. Since June 2014, Liujiaba Coal Mine, Zhulinzhai Coal Mine and Dayuan Coal Mine suspended production temporarily to facilitate inspection or carry out rectification or improvement of certain safety deficiencies so as to ensure their mining operations are in compliance with the requisite safety standards and other conditions required by the Liuzhi Special District Administration Bureau of Work Safety and the Nayong County Administration Bureau of Work Safety. In June 2015, Baiping Coal Mine suspended production temporarily to carry out rectification or improvement of certain safety deficiencies so as to ensure its mining operations are in compliance with the requisite safety standards and other conditions required by the Jinsha County Administration Bureau of Work Safety according to the on-site inspection and assessment on the mining operations.

9. EMPLOYEE BENEFITS FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2016	2015
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Wages, salaries and allowances	64,477	51,525
Contribution to pension plans	1,494	909
Housing funds	162	221
Welfare and other expenses	2,851	5,324
	68,984	57,979

Employee benefits charged to the consolidated profit or loss are analysed as follows:

	Six months ended 30 June	
	2016	2015
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Total employee benefits accrued for the period	68,984	57,979
Less:		
Amount included in inventories	952	2,271
Amount included in property, plant and equipment	14,512	7,738
Amount charged to statement of profit or loss (note 8)	53,520	47,970



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

10. INCOME TAX AND DEFERRED TAX FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2016 CNY'000 (Unaudited)	2015 CNY'000 (Unaudited)
Current – Mainland China	6,270	3,386
Deferred – Mainland China	(2,410)	(93,485)
	3,860	(90,099)

The Company was incorporated in the BVI and conducts its primary business through its subsidiaries in the PRC for the six months ended 30 June 2016. 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. Hong Kong profits tax rate was 16.5% during the six months ended 30 June 2016. 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 such operation sustained tax losses during the six months ended 30 June 2016. The PRC subsidiaries' statutory corporate income tax rate is 25%.

The Group's major deferred tax assets and deferred tax liabilities are as follows:

	At 30 June 2016 CNY'000 (Unaudited)	At 31 December 2015 CNY'000 (Audited)
	Deferred tax assets	
Capitalised pilot run income	16,408	16,910
Tax losses	30,133	24,051
Depreciation of property, plant and equipment	27,612	21,409
Others	1,163	1,034
	75,316	63,404
Deferred tax liabilities		
Depreciation and fair value adjustment of property, plant and equipment	(143,675)	(134,173)
Net deferred tax liabilities	(68,359)	(70,769)
Classification in the consolidated statement of financial position:		
Deferred tax assets	51,214	43,223
Deferred tax liabilities	(119,573)	(113,992)



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

10. INCOME TAX AND DEFERRED TAX FROM CONTINUING OPERATIONS (continued)

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.

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Six months ended 30 June	
	2016	2015
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company:		
From continuing operations	(164,888)	(388,101)
From discontinued operations	(628)	(25,557)
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 owners of the Company (CNY per share):		
Basic		
From continuing operations	(0.12)	(0.28)
From discontinued operations	*	(0.02)
Diluted		
From continuing operations	(0.12)	(0.28)
From discontinued operations	*	(0.02)

* Insignificant

The Group did not have any potential diluted shares throughout the period. Accordingly, the diluted loss per share amount was the same as the basic loss per share amount.



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

12. DIVIDEND

No dividend has been paid or declared by the Company since its incorporation.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the additions of property, plant and equipment (excluding transferred from construction in progress) and construction in progress amounted to CNY73.0 million (six months ended 30 June 2015: CNY44.1 million) and CNY39.1 million (six months ended 30 June 2015: CNY73.3 million), respectively.

During the six months ended 30 June 2016, the total depreciation accrued was CNY67.5 million (six months ended 30 June 2015: CNY56.4 million) (note 8).

As at 30 June 2016, certain mining rights with a carrying amount of CNY507.2 million (31 December 2015: CNY553.1 million) were pledged to secure bank loans with a carrying amount of CNY562.1 million (31 December 2015: CNY552.4 million) (note 21).

As at 30 June 2016, certain buildings with a carrying amount totalling CNY86.0 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 uses. 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 30 June 2016.

Interest expenses of nil (six months ended 30 June 2015: CNY5.0 million) arising from borrowings attributable to the construction of property, plant and equipment were capitalised at an annual rate of nil (six months ended 30 June 2015: 5.25% to 8.00%) and were included in "additions" to construction in progress and mining rights during the six months ended 30 June 2016.



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

13. PROPERTY, PLANT AND EQUIPMENT(continued)

Operations have been suspended at Guizhou Nayong Dayuan Coal Mining Co., Ltd. (“Dayuan Coal Mine”) since June 2014 to carry out rectification or improvement of certain safety deficiencies so as to ensure its mining operations are in compliance with the requisite safety standards and other conditions required by the relevant Administration Bureau of Work Safety. The management planned to acquire a nearby coal mine to achieve certain production targets in accordance with Guizhou Province’s coal mine consolidation policy. However, the acquisition plan is temporarily suspended in 2016. Dayuan Coal Mine was designated as a single cash generating unit (“CGU”). The carrying value of the long-term assets was compared to the recoverable amount of the CGU, which was based predominantly on the fair-value-less-costs-of-disposal (“FVLCD”) of the assets which can be further utilised in future.

The Group incurred an impairment loss on property, plant and equipment of CNY95.5 million for the six months ended 30 June 2016 in connection with Dayuan Coal Mine, as compared with CNY383.6 million for the six months ended 30 June 2015 in connection with the decline in coal price and the temporary suspension of Liujiaba, Zhulinzhai and Dayuan Coal Mines, as well as an impairment loss of CNY21.6 million which was recognised in the discontinued operations of Gouchang Coal Mine.

14. REHABILITATION FUND

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

15. INVENTORIES

	At	At
	30 June	31 December
	2016	2015
	CNY’000	CNY’000
	(Unaudited)	(Audited)
Spare parts and consumables	16,242	13,155
Coal	4,383	4,100
	20,625	17,255

The provision for impairment of inventories of the Group amounted to CNY0.55 million as at 30 June 2016 (31 December 2015: CNY0.55 million).



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

16. TRADE AND BILLS RECEIVABLES

	At 30 June 2016 CNY'000 (Unaudited)	At 31 December 2015 CNY'000 (Audited)
Trade receivables	122,719	113,668
Less: provision for impairment	4,798	59
	117,921	113,609
Bills receivable	8,022	1,927
	125,943	115,536

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

	At 30 June 2016 CNY'000 (Unaudited)	At 31 December 2015 CNY'000 (Audited)
At the beginning of the period/year	59	–
Impairment loss recognised	4,739	59
At the end of the period/year	4,798	59

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of CNY4.7 million (31 December 2015: CNY0.06 million) with a carrying amount before provision of CNY4.7 million (31 December 2015: CNY0.06 million) as at 30 June 2016.

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

Trade receivables of nil (31 December 2015: CNY13.1 million) were pledged as security for short-term loans of nil (31 December 2015: CNY11.0 million) as at 30 June 2016 (note 21).



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

16. TRADE AND BILLS RECEIVABLES (continued)

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

	At 30 June 2016 CNY'000 (Unaudited)	At 31 December 2015 CNY'000 (Audited)
Within 3 months	42,557	15,824
3 to 6 months	5,115	27,028
6 to 12 months	8,472	52,079
Over 12 months	61,777	18,678
	117,921	113,609

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

	At 30 June 2016 CNY'000 (Unaudited)	At 31 December 2015 CNY'000 (Audited)
Neither past due nor impaired	42,557	15,824
Within one year past due	58,635	95,575
More than one year past due	16,729	2,210
Trade receivables, net	117,921	113,609

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.

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



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2016 CNY'000 (Unaudited)	At 31 December 2015 CNY'000 (Audited)
Current:		
Design and evaluation report	949	608
Prepaid spare parts and consumables purchases	8,654	4,685
Deposits	11,470	10,335
Staff advances	6,635	5,103
Withheld social security	4,885	3,824
Value-added tax recoverable	2,800	3,280
Prepaid transportation fee	4,123	3,236
Others	4,065	2,013
Less: provision for impairment	4,689	4,338
	38,892	28,746
Non-current:		
Prepayments for land use rights	5,693	57,709
Prepayments for construction related work	66,494	9,432
Deposits for equipment purchases	5,942	8,549
Prepayments for mining plans design	1,129	1,009
Others	1,785	1,696
Less: provision for impairment	3,404	627
	77,639	77,768
	116,531	106,514



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

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

	At 30 June 2016 CNY'000 (Unaudited)	At 31 December 2015 CNY'000 (Audited)
Current:		
At the beginning of the period/year	4,338	–
Impairment loss recognised	438	4,338
Amount written off as uncollectible	(87)	–
Subtotal	4,689	4,338
Non-current:		
At the beginning of the period/year	627	–
Impairment loss recognised	2,777	627
Subtotal	3,404	627
At the end of the period/year	8,093	4,965



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	At 30 June 2016 CNY'000 (Unaudited)	At 31 December 2015 CNY'000 (Audited)
Cash and cash balances	392,636	266,855
Less:		
Pledged time deposits:		
Pledged and restricted for bank bills (note 19)	320,000	195,000
Cash and cash equivalents	72,636	71,855

Restricted bank deposits mainly include deposits of CNY320.0 million (31 December 2015: CNY195.0 million) held as security for bank bills as at 30 June 2016 (note 19).

Deposits and cash and cash equivalents are denominated in the following currencies:

	At 30 June 2016 CNY'000 (Unaudited)	At 31 December 2015 CNY'000 (Audited)
CNY	367,926	238,484
Hong Kong dollar	24,710	28,371
	392,636	266,855

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

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



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

19. TRADE AND BILLS PAYABLES

	At 30 June 2016 CNY'000 (Unaudited)	At 31 December 2015 CNY'000 (Audited)
Trade payables	191,211	236,565
Bills payable	460,000	255,000
	651,211	491,565

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

	At 30 June 2016 CNY'000 (Unaudited)	At 31 December 2015 CNY'000 (Audited)
Within one year	154,484	177,439
More than one year	36,727	59,126
	191,211	236,565

Bills payable are bills of exchange with maturity of less than one year. Time deposits of CNY320.0 million (31 December 2015: CNY195.0 million) were pledged to secure the bank bills as at 30 June 2016 (note 18).

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 constructors, which are repayable on terms ranging from three months to about one year.



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

20. OTHER PAYABLES AND ACCRUED LIABILITIES

	At 30 June 2016 CNY'000 (Unaudited)	At 31 December 2015 CNY'000 (Audited)
Natural resources fee (a)	725	1,204
Deposits from contractors	12,647	12,368
Social security payable (b)	17,765	14,647
Payroll payable	6,265	14,772
Advances from customers	57,778	51,868
Other taxes payables	27,434	28,501
Payables for emergency rescue of the coal mines	4,083	4,000
Professional fee	2,109	2,878
Geological hazard compensation	2,445	622
Others	5,247	6,321
	136,498	137,181

- (a) The natural resources fee represents fees payable to the PRC Government and is calculated as a percentage of sales.
- (b) Social security consists of employee retirement insurance, medical insurance, maternity insurance, employment injury insurance and unemployment insurance and housing funds for the benefit of the Group's employees.



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 30 June 2016 CNY'000 (Unaudited)	At 31 December 2015 CNY'000 (Audited)
Current		
Bank and other borrowings – guaranteed	80,000	160,000
Bank and other borrowings – secured and guaranteed	210,000	51,000
Current portion of long term bank and other borrowings – secured and guaranteed	316,195	320,600
Current portion of long term bank and other borrowings – unsecured	–	143,600
	606,195	675,200
Non-current		
Bank and other borrowings – guaranteed	148,000	148,000
Bank and other borrowings – secured and guaranteed	35,895	191,790
Bank and other borrowings – unsecured	–	45,000
	183,895	384,790
	790,090	1,059,990

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 CNY507.2 million (31 December 2015: CNY553.1 million) as at 30 June 2016 (note 13);
- 2) Pledges over the Company's equity interests in Guizhou Puxin Energy Co., Ltd. ("Guizhou Puxin") and Guizhou DayunMining Co., Ltd. ("Guizhou Dayun") as at 30 June 2016 and 31 December 2015; and
- 3) Pledges over the trade receivables in Guizhou Puxin with a carrying amount of nil (31 December 2015: CNY13.1 million) as at 30 June 2016 (note 16).

In addition, Mr. LI Feilie has guaranteed certain of the Group's interest-bearing bank and other borrowings up to CNY642.1 million (31 December 2015: CNY702.4 million) as at 30 June 2016. Also, the Group's fellow subsidiaries have guaranteed certain of the Group's interest-bearing bank and other borrowings up to CNY790.1 million (31 December 2015: CNY850.4 million) as at 30 June 2016.

All borrowings are denominated in CNY.



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

22. MINING RIGHTS PAYABLES

Mining rights payables represent the payables to the Guizhou Provincial Department of Land and Resources as a result of acquiring the mining rights for Guizhou Yongfu Mining Co., Ltd. and Guizhou Dayun. Mining rights payables are classified as current/non-current liabilities according to instalment plans agreed with the Guizhou Provincial Department of Land and Resources.

Maturities of mining rights payables are as follows:

	At 30 June 2016 CNY'000 (Unaudited)	At 31 December 2015 CNY'000 (Audited)
Within one year or on demand	33,074	33,074
In the second year	10,706	10,706
	43,780	43,780

23. DEFERRED INCOME

	Amount CNY'000
At 31 December 2015 (Audited)	1,701
Released to the statement of profit or loss	(147)
At 30 June 2016 (Unaudited)	1,554

Government grants were received in 2015 for certain underground construction projects in Guizhou Dayun. The amount was included in deferred income in the statement of financial position, which will be recognised in the statement of profit or loss along with the depreciation of related assets over their useful lives.



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

24. ASSET RETIREMENT OBLIGATIONS

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

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

	Amount CNY'000
At 1 January 2015 (Audited)	9,019
Accretion expenses	875
At 31 December 2015 (Audited)	9,894
Accretion expenses	481
At 30 June 2016 (Unaudited)	10,375

25. SHARE CAPITAL

	At 30 June 2016 CNY'000 (Unaudited)	At 31 December 2015 CNY'000 (Audited)
Authorised:		
100,000,000,000 (31 December 2015: 100,000,000,000) ordinary shares of HK\$0.001 each	79,960	79,960
Issued and fully paid:		
1,380,545,800 (31 December 2015: 1,380,545,800) ordinary shares of HK\$0.001 each	1,081	1,081



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

26. COMMITMENTS

(a) Capital commitments

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

	At 30 June 2016 CNY'000 (Unaudited)	At 31 December 2015 CNY'000 (Audited)
Construction and purchase of items of property, plant and equipment		
– Contracted, but not provided for	40,536	10,774
– Authorised, but not contracted for	21,400	9,554
	61,936	20,328

(b) Operating lease commitments

The Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	At 30 June 2016 CNY'000 (Unaudited)	At 31 December 2015 CNY'000 (Audited)
Within one year	807	351
After one year but not more than five years	556	–
	1,363	351



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

27. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

(a) Commercial transactions with related companies

Commercial transactions with related companies are summarised as follows:

	Six months ended 30 June	
	2016	2015
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Payment of its share of office rental, rates and others to Anka Consultants Limited ("Anka") *	352	333

* On 1 July 2014, the Company and CHNR signed the office sharing agreement with Anka, a private Hong Kong company that is owned by certain Directors. The agreement has expired on 30 June 2016. Pursuant to the agreement, the office premises of 119 square metres were shared by the Company and CHNR on an equal basis. The agreement also provided that the Company and CHNR shared certain costs and expenses in connection with their use of the office, in addition to some of the accounting and secretarial services and day-to-day office administration provided by Anka.

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2016	2015
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Wages, salaries and allowances	711	1,081
Contribution to pension plans	26	27
Housing funds	19	21
Welfare and other expenses	18	19
	774	1,148



NOTES TO THE INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2016

27. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related companies

The Group's payables with related companies, which are all unsecured and non-interest-bearing and due over one year, are summarised as follows:

	At 30 June 2016 CNY'000 (Unaudited)	At 31 December 2015 CNY'000 (Audited)
Non-current		
Payables to related companies:		
Feishang Enterprise Group Co., Ltd.*	1,774,388	1,398,679

* The entity is under the control of Mr. LI Feilie.

28. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

As at 30 June 2016 and 31 December 2015, there was no financial instrument measured or disclosed at fair value.

29. MAJOR NON-CASH TRANSACTION

In 2016, the Group entered into several trade receivable factoring arrangements and transferred certain trade receivables to a financial institution, who has received the cash in relation to such trade receivables amounted to CNY11.0 million (six months ended 30 June 2015: nil).

30. EVENTS AFTER THE REPORTING PERIOD

No significant events after the reporting period are noted.

31. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim financial information was approved and authorised for issue by the board of directors on 26 August 2016.



SUMMARY OF MINE PROPERTIES

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

Mine	Commercial Production						To be closed for consolidation
	Baiping Coal Mine	Yongsheng Coal Mine	Dayun Coal Mine	Dayuan Coal Mine (Note 2)	Liujiaba Coal Mine (Note 3)	Zhulinzhai Coal Mine (Note 3)	Gouchang Coal Mine (Note 1)
Location (within Guizhou province, the PRC)	Jinsha County, Qianbei Coal District	Jinsha County, Qianbei Coal District	Jinsha County, Qianbei Coal District	Nayong County, Zhina Coal District	Liuzhi Special District, Zhina Coal District	Liuzhi Special District, Zhina Coal District	Nayong County, Zhina Coal District
Equity interest held by the Group	70%	70%	100%	100%	100%	100%	99%
Date of initial commercial production	June 2009	February 2014	July 2015	November 2013	December 2012	April 2012	n/a
Reserve data (as of 31 July 2013) (Note 4)							
Proved reserve (million tonnes)	3.44	3.77	12.50	2.99	2.08	2.15	1.87
Probable reserve (million tonnes)	19.04	48.19	84.79	5.27	11.52	7.41	3.85
Total proved and probable reserve (million tonnes)	22.48	51.96	97.29	8.26	13.60	9.56	5.72
Reserve data (as of 30 June 2016) (Note 5)							
Proved reserve (million tonnes)	2.84	0.95	11.61	2.92	1.83	2.07	n/a
Probable reserve (million tonnes)	19.04	48.19	84.79	5.27	11.52	7.41	n/a
Total proved and probable reserve (million tonnes)	21.88	49.14	96.40	8.19	13.35	9.48	n/a
Capital Expenditure for the six months ended 30 June 2016 (CNY in millions)	1.69	84.33	40.66	-	6.57	1.33	n/a

Notes:

- (1) The Group has planned to closed down Gouchang Coal Mine in accordance with relevant Guizhou province's coal mine consolidation policy. The credit of the coal resource and reserve of Gouchang Coal Mine will be retained and utilised by Baiping Coal Mine in future.
- (2) Operations have been suspended at Dayuan Coal Mine since June 2014 pending the passing of verification and acceptance procedures conducted by the Nayong County Administration Bureau of Work Safety. The Group has planned to acquire a nearby coal mine to achieve certain production targets in accordance with Guizhou province's coal mine consolidation policy. However, the acquisition plan is temporarily suspended in 2016.
- (3) Operations have been temporarily suspended at Liujiaba Coal Mine and Zhulinzhai Coal Mine since June 2014 to carry out rectification or improvement of certain safety deficiencies so as to ensure its mining operations are in compliance with the requisite safety standards and other conditions (including merger and restructuring of coal mines under the Guizhou Government's coal mine consolidation policy).The construction of Liujiaba Coal Mine has restarted after obtaining the approval of safety standards acceptance in June 2016.
- (4) The reserve data as of 31 July 2013 is extracted from competent person's report dated 7 December 2013 prepared by Behre Dolbear Asia, Inc. under the JORC Code.
- (5) The reserve data as of 30 June 2016 has been substantiated by the Group's internal expert by adjusting those reserves extracted by the Group's mining activities from August 2013 to June 2016 from the proved reserve figure as of 31 July 2013. All assumptions and technical parameters set out in the competent person's report as shown in the listing document of the Company dated 31 December 2013 have not been materially changed and are continued to apply to the reserve data as of 30 June 2016 (except those of Gouchang Coal Mine).
- (6) There was no exploration activity for the Group during the Reporting Period.