FEISHANG

Feishang Anthracite Resources Limited

飛尚無煙煤資源有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock code: 1738)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31 DECEMBER 2016

- Revenue up approximately 132.6% to approximately CNY557.9 million
- Gross profit up approximately 8,154.3% to approximately CNY177.2 million
- Loss attributable to owners of the parent from continuing operations down approximately 57.9% to approximately CNY205.7 million
- Basic loss per share from continuing operations was approximately CNY0.15

The board (the "Board") of directors (the "Directors") of Feishang Anthracite Resources Limited (the "Company") announces the consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 DECEMBER 2016

	Notes	**2016** *CNY'000*	2015 *CNY'000*
CONTINUING OPERATIONS			
Revenue	*5*	**557,863**	239,888
Cost of sales		**(380,644)**	(237,741)
Gross profit		**177,219**	2,147
Selling and distribution expenses		**(21,802)**	(8,957)
Administrative expenses		**(87,235)**	(78,168)
Write-down of inventories to net realisable value		**–**	(1,258)
Impairment of trade and other receivables	*7*	**(52,957)**	–
Impairment loss on property, plant and equipment	*7,11*	**(100,515)**	(383,615)
Other operating expenses		**(26,087)**	(4,717)
OPERATING LOSS		**(111,377)**	(474,568)
Finance costs	*6*	**(72,151)**	(118,666)
Interest income		**3,994**	1,706
Non-operating expenses, net		**(564)**	(822)
LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS	*7*	**(180,098)**	(592,350)
Income tax (expense)/benefit	*8*	**(20,744)**	86,393
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(200,842)**	(505,957)
DISCONTINUED OPERATION			
LOSS BEFORE INCOME TAX FROM DISCONTINUED OPERATION	*4*	**(7,100)**	(28,944)
Income tax benefit from discontinued operation	*4*	**–**	2,096
LOSS FOR THE YEAR FROM DISCONTINUED OPERATION	*4*	**(7,100)**	(26,848)
LOSS FOR THE YEAR		**(207,942)**	(532,805)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)
YEAR ENDED 31 DECEMBER 2016

	Notes	**2016** *CNY'000*	2015 *CNY'000*
ATTRIBUTABLE TO:			
Owners of the parent			
From continuing operations	*9*	**(205,714)**	(488,400)
From discontinued operation	*4,9*	**(7,029)**	(26,580)
		(212,743)	(514,980)
Non-controlling interests			
From continuing operations		**4,872**	(17,557)
From discontinued operation	*4*	**(71)**	(268)
		4,801	(17,825)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic (CNY per share)			
– For loss from continuing operations	*9*	**(0.15)**	(0.35)
– For loss from discontinued operation	*9*	**(0.01)**	(0.02)
– Net loss per share		**(0.16)**	(0.37)
Diluted (CNY per share)			
– For loss from continuing operations	*9*	**(0.15)**	(0.35)
– For loss from discontinued operation	*9*	**(0.01)**	(0.02)
– Net loss per share		**(0.16)**	(0.37)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2016

	2016	2015
	CNY'000	*CNY'000*
LOSS FOR THE YEAR	**(207,942)**	(532,805)
Other comprehensive income:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation adjustments	**1,521**	1,997
Total other comprehensive income for the year, net of tax	**1,521**	1,997
TOTAL COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(206,421)**	(530,808)
ATTRIBUTABLE TO:		
Owners of the parent		
From continuing operations	**(204,193)**	(486,403)
From discontinued operation	**(7,029)**	(26,580)
	(211,222)	(512,983)
Non-controlling interests		
From continuing operations	**4,872**	(17,557)
From discontinued operation	**(71)**	(268)
	4,801	(17,825)
	(206,421)	(530,808)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2016

	Notes	**2016**	2015
		CNY'000	*CNY'000*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**2,284,273**	2,298,141
Rehabilitation fund		**10,676**	11,124
Prepayments, deposits and other receivables		**76,598**	77,768
Deferred tax assets	*8*	**55,912**	43,223
TOTAL NON-CURRENT ASSETS		**2,427,459**	2,430,256
CURRENT ASSETS			
Inventories		**11,743**	17,255
Trade and bills receivables	*12*	**107,680**	115,536
Corporate income tax refundable		**31,681**	46,682
Prepayments, deposits and other receivables		**65,669**	28,746
Pledged and restricted time deposits		**230,000**	195,000
Cash and cash equivalents		**117,192**	71,855
TOTAL CURRENT ASSETS		**563,965**	475,074
TOTAL ASSETS		**2,991,424**	2,905,330
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and bills payables	*13*	**537,402**	491,565
Other payables and accrued liabilities		**168,537**	137,181
Interest-bearing bank and other borrowings	*14*	**603,588**	675,200
Interest payable		**26,199**	21,172
Mining right payables		**43,780**	33,074
TOTAL CURRENT LIABILITIES		**1,379,506**	1,358,192
NON-CURRENT LIABILITIES			
Due to a related company		**1,812,727**	1,398,679
Interest-bearing bank and other borrowings	*14*	**243,202**	384,790
Interest payable		**–**	4,198
Deferred tax liabilities	*8*	**126,981**	113,992
Mining right payables		**–**	10,706
Deferred income		**1,407**	1,701
Asset retirement obligations		**10,844**	9,894
TOTAL NON-CURRENT LIABILITIES		**2,195,161**	1,923,960
TOTAL LIABILITIES		**3,574,667**	3,282,152

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 DECEMBER 2016

	2016	2015
	CNY'000	*CNY'000*
EQUITY		
Share capital	**1,081**	1,081
Reserves	**(659,577)**	(448,355)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**(658,496)**	(447,274)
NON-CONTROLLING INTERESTS	**75,253**	70,452
TOTAL EQUITY	**(583,243)**	(376,822)
TOTAL LIABILITIES AND EQUITY	**2,991,424**	2,905,330

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 shares of 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 year, the Company's subsidiaries were engaged in the acquisition, construction and development of anthracite coal mines, extraction and sale of anthracite coal, and trading of anthracite coal in the People's Republic of China (the "PRC").

As at 31 December 2016, the Group had net current liabilities of approximately CNY815.5 million (2015: CNY883.1 million) and total assets less current liabilities of approximately CNY1,611.9 million (2015: CNY1,547.1 million).

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

Going concern

As at 31 December 2016, the Group had net current liabilities of approximately CNY815.5 million and shareholders' deficit of approximately CNY583.2 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 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 consolidated financial statements of the Group have been prepared on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

Except for the amendments to IFRS 10, IFRS 12 and IAS 28, amendments to IFRS 11, IFRS 14, amendments to IAS 16 and IAS 41, amendments to IAS 27, and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

 (i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to IFRSs 2012-2014 Cycle* issued in September 2014 sets out amendments to a number of IFRSs. Details of the amendments are as follows:

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

3. OPERATING SEGMENT INFORMATION

During the year ended 31 December 2016, the Group had only one operating segment: the acquisition, construction and development of anthracite coal mines, extraction and sale of anthracite coal, and trading of anthracite coal.

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

Geographic information

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

Information about major customers

During the year ended 31 December 2016, sales derived from the two largest customers accounted for 12.8% and 12.0% of the consolidated revenue, respectively. During the year ended 31 December 2015, sales derived from the two largest customers accounted for 19.4% and 11.0% 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 on the acquisition of a nearby coal mine and Gouchang Coal Mine achieving certain production targets in accordance with Guizhou Province's coal mine consolidation policy. The Group therefore planned to close down Gouchang Coal Mine in accordance with the second batch of the restructuring proposal approved by the Energy Bureau of Guizhou Province* (貴州省能源局) and the Leading Group Office of Guizhou Province on Coal Enterprises Consolidation* (貴州省煤礦企業兼併重組工作領導小組辦公室) on 5 January 2016. In the year of 2016, 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 consolidated statement of profit or loss.

The results of Gouchang Coal Mine for the years ended 31 December 2016 and 2015 are presented below:

	2016	2015
	CNY'000	*CNY'000*
Revenue	**–**	–
Cost of sales	**–**	–
Gross profit	**–**	–
Administrative expenses	**(390)**	(6,751)
Write-down of inventories to net realisable value	**–**	(551)
Impairment loss on property, plant and equipment	**(6,690)**	(21,556)
OPERATING LOSS	**(7,080)**	(28,858)
Finance costs	**(20)**	(86)
Non-operating expenses, net	**–**	–
LOSS BEFORE INCOME TAX	**(7,100)**	(28,944)
Income tax benefit	**–**	2,096
LOSS FOR THE YEAR FROM DISCONTINUED OPERATION	**(7,100)**	(26,848)
Attributable to:		
Owners of the parent	**(7,029)**	(26,580)
Non-controlling interest	**(71)**	(268)
	(7,100)	(26,848)

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

	2016	2015
	CNY'000	*CNY'000*
Operating activities	**(1,675)**	(1,713)
Financing activities	**1,704**	1,609
Net cash inflow/(outflow)	**29**	(104)

* *For identification purpose only*

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

	2016 *CNY'000*	2015 *CNY'000*
Loss attributable to owners of the parent from discontinued operation	**(7,029)**	(26,580)
Weighted average number of ordinary shares ('000 shares)		
Basic	**1,380,546**	1,380,546
Diluted	**1,380,546**	1,380,546
Loss per share attributable to ordinary equity holders of the parent (CNY per share):		
Basic, from discontinued operation	**(0.01)**	(0.02)
Diluted, from discontinued operation	**(0.01)**	(0.02)

5. REVENUE FROM CONTINUING OPERATIONS

Revenue from continuing operations represents the following:

	2016 *CNY'000*	2015 *CNY'000*
Sale of coal	**557,863**	239,888

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

6. FINANCE COSTS FROM CONTINUING OPERATIONS

	2016 *CNY'000*	2015 *CNY'000*
Interest on interest-bearing bank and other borrowings	**56,589**	109,449
Interest on payables for mining rights	**1,989**	(751)
Total interest expense	**58,578**	108,698
Less: Capitalised interest	**–**	(4,967)
Bank charges	**648**	987
Discount interest	**11,975**	12,410
Loan commission fee	**–**	225
Foreign exchange loss	**–**	448
Accretion expenses	**950**	865
	72,151	118,666

7. LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS

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

	2016	2015
	CNY'000	*CNY'000*
Crediting:		
Interest income on bank deposits	**3,994**	1,706
Government grant	**2,247**	826
Charging:		
Cost of inventories sold (a)	**313,885**	181,714
Sales tax and surcharge	**26,967**	14,623
Utilisation of safety fund and production maintenance fund	**39,792**	41,404
Cost of sales	**380,644**	237,741
Employee benefit expenses	**104,993**	81,610
Depreciation, depletion and amortisation:		
Property, plant and equipment	**158,403**	130,611
Auditors' remuneration:		
Audit fee	**2,850**	3,200
Operating lease rental:		
Office properties	**71**	142
Impairment loss on property, plant and equipment	**100,515**	383,615
Write-down of inventories to net realisable value	**–**	1,258
Impairment of trade and other receivables	**52,957**	–
Repairs and maintenance	**6,126**	2,081
Losses arising from temporary suspension of production (b)	**491**	3,057

(a) Included in the cost of inventories sold are approximately CNY262.7 million for the year ended 31 December 2016 (2015: CNY171.8 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 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* (六枝特區安全生產監督管理局) and Nayong County Administration Bureau of Work Safety* (納雍縣安全生產監督管理局). 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* (金沙縣安全生產監督管理局) according to the on-site inspection and assessment on the mining operations. Liujiaba Coal Mine has met the standards of safety rectification and resumed operation in June 2016, and Baiping Coal Mine has met the standards of safety rectification in December 2016 and intends to resume production in 2017.

* *For identification purpose only*

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 year ended 31 December 2016 (2015: 16.5%). The Company's Hong Kong subsidiary has both Hong Kong-sourced and non-Hong Kong-sourced incomes. The latter is not subject to Hong Kong profits tax and the related expenses are non-tax-deductible. For the Hong Kong-sourced income, no provision for Hong Kong profits tax was made as this operation sustained tax losses during the years ended 31 December 2016 and 2015. Furthermore, there are no withholding taxes in Hong Kong on the remittance of dividends.

Under the law of the PRC on the corporate income tax ("CIT") and Implementation Regulation of the Corporate Income Tax Law (the "CIT Law") collectively, the tax rate applicable for PRC group entities is 25% (2015: 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/(benefit) from continuing operations appearing in the consolidated statement of profit or loss are as follows:

	2016	2015
	CNY'000	*CNY'000*
Current – Mainland China	**20,444**	–
Deferred – Mainland China	**300**	(86,393)
	20,744	(86,393)

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

	2016	2015
	CNY'000	*CNY'000*
Loss before income tax from continuing operations	**(180,098)**	(592,350)
Tax at the statutory tax rate of 25%	**(45,025)**	(148,087)
Effect of different tax rates for the Company and the Hong Kong subsidiary	**1,341**	839
Non-deductible expenses	**9,010**	3,271
Tax losses not recognised	**54,891**	56,880
Others	**527**	704
Income tax charge/(benefit) from continuing operations	**20,744**	(86,393)

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

	2016	2015
	CNY'000	*CNY'000*
Deferred tax assets		
Accrued liabilities and other payables	**1,443**	1,034
Capitalised pilot run income	**14,787**	16,910
Tax losses	**22,269**	24,051
Depreciation of property, plant and equipment	**36,434**	21,409
Bad debt provision	**6,375**	–
	81,308	63,404
Deferred tax liabilities		
Depreciation and fair value adjustment of property, plant and equipment*	**(152,377)**	(134,173)
Net deferred tax liabilities	**(71,069)**	(70,769)
Classification in the consolidated statement of financial position:		
Deferred tax assets	**55,912**	43,223
Deferred tax liabilities	**(126,981)**	(113,992)

* Included in the deferred tax liabilities, there were approximately CNY117.8 million and CNY118.5 million deferred tax liabilities recognised relating to the fair value adjustment on property, plant and equipment as at 31 December 2016 and 2015, respectively.

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

Accordingly, management considered it is probable that the Group, in future, will earn sufficient taxable profits to utilise these coal mining subsidiaries' deductible temporary differences and unused tax losses before they expire and as such, the related deferred tax assets are recognised.

The total amounts of unused tax losses for which no deferred tax assets were recognised amounted to approximately CNY678.7 million and CNY532.8 million as at 31 December 2016 and 2015, respectively. As at 31 December 2016, unused tax losses of approximately CNY56.3 million, CNY118.6 million, CNY167.0 million, CNY117.2 million and CNY219.6 million not utilised, will expire by end of 2017, 2018, 2019, 2020 and 2021, respectively.

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

	2016	2015
	CNY'000	*CNY'000*
At beginning of the year	**(70,769)**	(159,258)
Credited to the consolidated statement of profit or loss*	**(300)**	88,489
At end of the year	**(71,069)**	(70,769)

* Included in the amount credited to the consolidated statement of profit or loss were nil and negative CNY2.1 million from discontinued operation for the years ended 31 December 2016 and 2015, respectively (note 4).

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

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

	2016	2015
	CNY'000	*CNY'000*
Loss for the year attributable to ordinary equity holders of the parent:	**(212,743)**	(514,980)
from continuing operations	**(205,714)**	(488,400)
from discontinued operation	**(7,029)**	(26,580)
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 continuing operations	**(0.15)**	(0.35)
from discontinued operation	**(0.01)**	(0.02)
	(0.16)	(0.37)
Diluted		
from continuing operations	**(0.15)**	(0.35)
from discontinued operation	**(0.01)**	(0.02)
	(0.16)	(0.37)

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

10. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2016 (2015: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings *CNY'000*	Mining structures and mining rights *CNY'000*	Machinery and equipment *CNY'000*	Motor vehicles *CNY'000*	Construction in progress *CNY'000*	Total *CNY'000*
Cost						
At 1 January 2015	83,903	2,289,443	252,083	27,450	376,711	3,029,590
Additions	–	221	33,703	274	196,348	230,546
Transfers	34,658	390,322	93,072	–	(518,052)	–
Disposals	–	–	(95)	–	–	(95)
At 31 December 2015 and 1 January 2016	118,561	2,679,986	378,763	27,724	55,007	3,260,041
Additions	–	79,496	29,523	2,561	140,177	251,757
Transfers	–	51,870	14,944	98	(66,912)	–
Disposals	–	–	(17)	–	–	(17)
At 31 December 2016	**118,561**	**2,811,352**	**423,213**	**30,383**	**128,272**	**3,511,781**
Accumulated depreciation						
At 1 January 2015	(5,380)	(118,582)	(44,656)	(6,590)	–	(175,208)
Depreciation charge	(2,204)	(94,879)	(31,105)	(2,611)	–	(130,799)
Disposals	–	–	92	–	–	92
At 31 December 2015 and 1 January 2016	(7,584)	(213,461)	(75,669)	(9,201)	–	(305,915)
Depreciation charge	(2,491)	(116,310)	(37,023)	(2,591)	–	(158,415)
Disposals	–	–	12	–	–	12
At 31 December 2016	**(10,075)**	**(329,771)**	**(112,680)**	**(11,792)**	**–**	**(464,318)**
Impairment						
At 1 January 2015	–	(250,814)	–	–	–	(250,814)
Impairment	(3,415)	(397,318)	(4,356)	(82)	–	(405,171)
At 31 December 2015 and 1 January 2016	(3,415)	(648,132)	(4,356)	(82)	–	(655,985)
Impairment	(12,811)	(63,639)	(25,262)	(472)	(5,021)	(107,205)
At 31 December 2016	**(16,226)**	**(711,771)**	**(29,618)**	**(554)**	**(5,021)**	**(763,190)**
Net carrying amount						
At 31 December 2015	107,562	1,818,393	298,738	18,441	55,007	2,298,141
At 31 December 2016	**92,260**	**1,769,810**	**280,915**	**18,037**	**123,251**	**2,284,273**

As at 31 December 2016, certain mining rights with a carrying amount of approximately CNY506.4 million (2015: CNY553.1 million) were pledged to secure bank loans with a carrying amount of approximately CNY491.8 million (2015: CNY552.4 million) (note 14).

As at 31 December 2016, certain machinery and equipment with a carrying amount of CNY200.0 million (2015: Nil) were pledged to secure loans with a carrying amount of CNY194.0 million (2015: Nil) (note 14).

As at 31 December 2016, certain buildings with a carrying amount totalling approximately CNY83.0 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 above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of the year.

Interest expenses of nil (2015: CNY5.0 million) arising from borrowings attributable to the construction of property, plant and equipment were capitalised at an annual rate of nil (2015: 4.75% to 8.00%) and were included in 'additions' to construction in progress and mining rights during the year ended 31 December 2016.

Impairment loss for cash-generating units

In 2016, owing to the suspension of production in the Group's certain coal mines as at 31 December 2016, certain indicators of impairment of non-current assets relating to coal mines were identified by management. Except for Liujiaba Coal Mine and Zhulinzhai Coal Mine, the Group tested the said mines, each of which is a separate cash-generating unit, for impairment by measuring the recoverable amount of every mine. On 26 January 2015, the Energy Bureau of Guizhou Province and the Leading Group Office of Guizhou Province on Coal Enterprises Consolidation have approved the integration of Liujiaba Coal Mine and Zhulinzhai Coal Mine, the Group is undergoing the integration related work currently, as such, for the purpose of impairment testing, Liujiaba Coal Mine and Zhulinzhai Coal Mine are allocated to a separate cash-generating unit. The recoverable amount is determined predominantly on the fair-value-less-cost-of-disposal method, and pre-tax discount rate is 12.29% (2015: 10.85%). Cash flows beyond the five-year approved management's budgets are prepared based on zero growth rate. As a result of the impairment assessment, the Directors recognised impairment of approximately CNY95.5 million (2015: CNY134.9 million) for Dayuan Coal Mine for the year ended 31 December 2016.

Impairment loss for individual assets

The operation of Zhulinzhai Coal Mine had been suspended since June 2014 up to the end of the reporting period. The Directors examined and concluded that the assets related to the existing production area cannot be further utilised in future, as a result of the impairment assessment, the Directors recognised impairment of approximately CNY5.0 million (2015: CNY115.9 million) for Zhulinzhai Coal Mine for the year ended 31 December 2016.

The operation of Gouchang Coal Mine had been suspended since March 2013 up to date. In 2016, the Directors further examined and concluded that certain equipment cannot be further utilised. As a result of the impairment assessment, the Directors recognised impairment of approximately CNY6.7 million (2015: CNY21.6 million) for Gouchang Coal Mine for the year ended 31 December 2016.

12. TRADE AND BILLS RECEIVABLES

	2016	2015
	CNY'000	*CNY'000*
Trade receivables	**128,106**	113,668
Less: Provision for impairment	**(49,892)**	(59)
	78,214	113,609
Bills receivable	**29,466**	1,927
	107,680	115,536

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

Trade receivables of nil (2015: CNY13.1 million) were pledged as security for short-term loans of nil (2015: CNY11.0 million) as at 31 December 2016 (note 14).

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

	2016	2015
	CNY'000	*CNY'000*
Within 3 months	**45,007**	15,824
3 to 6 months	**2,502**	27,028
6 to 12 months	**3,922**	52,079
Over 12 months	**26,783**	18,678
	78,214	113,609

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

	2016	2015
	CNY'000	*CNY'000*
Neither past due nor impaired	**45,007**	15,824
Within one year past due	**20,663**	95,575
More than one year past due	**12,544**	2,210
Trade receivables, net	**78,214**	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.

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

	2016	2015
	CNY'000	*CNY'000*
At the beginning of the year	**59**	–
Impairment losses recognised	**49,833**	59
At the end of the year	**49,892**	59

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

13. TRADE AND BILLS PAYABLES

	2016	2015
	CNY'000	*CNY'000*
Trade payables (a)	**227,402**	236,565
Bills payable	**310,000**	255,000
	537,402	491,565

(a) Included in trade payables were approximately CNY174.7 million (2015: CNY164.7 million) due to construction related constructors as at 31 December 2016.

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

	2016	2015
	CNY'000	*CNY'000*
Within one year	**183,540**	177,439
More than one year	**43,862**	59,126
	227,402	236,565

Bills payable are bills of exchange with maturity of less than one year. Time deposits of CNY230.0 million (2015: CNY195.0 million) were pledged to secure the bank bills as at 31 December 2016.

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016	2015
	CNY'000	*CNY'000*
Current		
Bank and other borrowings – guaranteed	**23,000**	160,000
Bank and other borrowings – secured and guaranteed	**420,000**	51,000
Current portion of long term bank and other borrowings – secured and guaranteed	**130,588**	320,600
Current portion of long term bank and other borrowings – guaranteed	**30,000**	–
Current portion of long term bank and other borrowings – unsecured	**–**	143,600
	603,588	675,200
Non-current		
Bank and other borrowings – guaranteed	**108,000**	148,000
Bank and other borrowings – secured and guaranteed	**135,202**	191,790
Bank and other borrowings – unsecured	**–**	45,000
	243,202	384,790
	846,790	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 approximately CNY506.4 million (2015: CNY553.1 million) as at 31 December 2016 (note 11);

(2) Pledges over machinery and equipment owned by Guizhou Dayun Mining Co., Ltd. ("Guizhou Dayun"), Jinsha Juli Energy Co., Ltd. and Guizhou Yongfu Mining Co., Limited ("Guizhou Yongfu") with a carrying amount of CNY200.0 million (2015: Nil) as at 31 December 2016 (note 11);

(3) Pledges over the Company's equity interest in Guizhou Puxin Energy Co., Ltd. ("Guizhou Puxin") and Guizhou Dayun as at 31 December 2016 and 2015;

(4) Pledges over the trade receivables in Guizhou Puxin with a carrying amount of nil (2015: CNY13.1 million) as at 31 December 2016 (note 12); and

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

In addition, Mr. LI Feilie has guaranteed certain of the Group's interest-bearing bank and other borrowings up to approximately CNY685.8 million (2015: CNY702.4 million) as at 31 December 2016. Also, the Group's fellow subsidiaries have guaranteed certain of the Group's interest-bearing bank and other borrowings up to approximately CNY846.8 million (2015: CNY850.4 million) as at 31 December 2016.

All borrowings are denominated in CNY.

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

	2016	2015
	%	*%*
Fixed-rate bank and other borrowings	**6.09~9.34**	5.75~7.91
Floating-rate bank and other borrowings	**5.39~7.13**	5.22~8.63

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

	2016	2015
	CNY'000	*CNY'000*
Bank and other borrowings repayable:		
Within one year or on demand	**603,588**	675,200
In the second year	**172,484**	236,790
In the third to fifth years, inclusive	**70,718**	148,000
	846,790	1,059,990

EXTRACT FROM INDEPENDENT AUDITORS' REPORT

The auditor's opinion on the Group's consolidated financial statements for the year ended 31 December 2016 is as follows:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs issued by IASB and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to Note 2.1 to the consolidated financial statements which indicates that as at 31 December 2016 the Group had net current liabilities of approximately CNY815.5 million and shareholders' deficit of approximately CNY583.2 million. This condition indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In early 2016, the Group re-formulated its business strategy to enhance the Group's overall competitiveness in the downturn of the coal industry by adopting the following measures.

First of all, in addition to the existing coal beneficiation plant, the Group managed to complete the construction of another simple coal washing facility within three months as well as putting two high sieving systems into operation. Coal washing and efficient coal blending could be performed with the Group's own coal beneficiation plant, coal washing facility and high sieving systems. To meet the demands of power plants and other customers with lower coal specification, the Group blended raw coal, lignite (the by-product of coal washing), middling coal and coal residue stone. The sales of blended coal not only met customers' specific requirements but also generated additional revenue for the Group and reduced the treatment cost of lignite and coal residue stone. Therefore the Group was in a better position to segment the coal market by providing customised coal products of different specifications and stable quality to various customers.

Secondly, the Group improved the logistics and transportation so that its coal products could be transported to the downstream chemical plants, cement plants and other customers waterway at a lower cost and a shorter time through the Group's own shipping port.

Thirdly, the Group adhered to establish a strategic customer-oriented management system, which not only provided customers with a variety of customised specifications of coal products but also enhanced the quality of customer service. As a result, longer term customer relationship has been built up.

Fourthly, the Group adopted optimised mining plan, took advantage of water transport, stringent cost control and other means to reduce production and logistics costs. The Group also closely adhered to the stringent cash flow management by securing alternative financing for mine tunnel construction. Furthermore, the Group managed to negotiate "payment before delivery" term for non-power plant customers to minimise potential credit risk and reduce working capital cycle.

As a result of the effective implementation of the above strategies and the surge of coal price in the fourth quarter of 2016, the Group's loss attributable to owners of the parent from continuing operations substantially declined from approximately CNY488.4 million in 2015 to approximately CNY205.7 million in 2016.

FINANCIAL REVIEW

Continuing Operations

Revenue

The Group's revenue from continuing operations increased by approximately 132.6% from approximately CNY239.9 million in 2015 to approximately CNY557.9 million in 2016. The approximately CNY318.0 million surge in revenue was mainly contributed by (i) the increase of approximately CNY295.7 million in revenue from sales of self-produced anthracite coal which was contributed by the increase in sales volume and the rise in average selling price in 2016; and (ii) the increase of approximately CNY22.3 million in revenue from sales of third party coal since August 2016. The sales volume of self-produced anthracite coal increased from 1,467,357 tonnes in 2015 to 2,117,300 tonnes in 2016, representing a rise of approximately 44.3%. This was mainly due to meeting various customers' demands with customised specifications of coal products to enlarge the customer base as a result of the commercial run of the coal beneficiation plant and shipping port in the fourth quarter of 2015 and the use of the high sieving systems and simple coal washing facility in 2016. In addition, the average selling price of self-produced anthracite coal increased from CNY163.5 per tonne in 2015 to CNY252.9 per tonne in 2016 due to the recovery on the market price of coal in Guizhou province in the fourth quarter of 2016, and the increase in the sales volume of processed self-produced anthracite coal (including coal screening and/or coal washing and coal blending) from the coal beneficiation plant.

The Group's revenue from sales of processed self-produced anthracite coal from the coal beneficiation plant increased from approximately CNY22.3 million in 2015 to approximately CNY316.1 million in 2016. The increase in revenue from sales of processed self-produced anthracite coal was mainly due to the increase in sales volume from 94,616 tonnes in 2015 to 1,072,683 tonnes in 2016 and the rise in average selling price from CNY235.5 per tonne in 2015 to CNY294.7 per tonne in 2016. The reasons for the increase in sales volume and the rise in average selling price had been discussed above.

In the past, the Group sold a significant portion of its anthracite coal as thermal coal to power producers in Guizhou province, and was dependent on a limited number of customers for a substantial portion of its revenue. From 2015, the Group reduced the portion of its anthracite coal sold as thermal coal. In 2015 and 2016, the Group derived approximately 50.3% and 40.6%, respectively, of its revenue from anthracite coal sales to its five largest customers, out of which, one and one customer was power producers in Guizhou province who purchased thermal coal from the Group, respectively. The management of the Group believes that by further expanding the product mix through coal washing and coal blending, the dependency on a limited number of large customers will decrease gradually and the Group's profit margin will increase.

Cost of Sales

The Group's cost of sales from continuing operations increased by approximately 60.1% from approximately CNY237.7 million in 2015 to approximately CNY380.6 million in 2016. For the self-produced anthracite coal, cost of sales increased by approximately 52.8% from approximately CNY237.7 million in 2015 to approximately CNY363.2 million in 2016. This was mainly due to the increase in sales volume.

Cost of Sales for Coal Mining

Labour costs in 2016 were approximately CNY101.7 million, representing an increase of approximately CNY20.9 million, or approximately 25.9%, as compared with approximately CNY80.8 million in 2015. The increase in labour costs was lower than the rise in the sales volume of the Group's self-produced anthracite products in 2016 because as production expanded, the Group's mine operation was able to achieve some economies of scale as well as the implementation of stringent cost control measures.

Material, fuel and energy costs in 2016 were approximately CNY59.4 million, an increase of approximately CNY31.4 million or approximately 112.2% as compared with approximately CNY28.0 million in 2015. The increase in material, fuel and energy costs was higher than the rise in the sales volume of the Group's self-produced anthracite products in 2016 as the repair and maintenance of tunnels and purchase of materials and facilities for safety work at Yongsheng Coal Mine and Dayun Coal Mine increased in 2016 because of the geological variations when compared with 2015's.

Depreciation and amortisation in 2016 was approximately CNY146.2 million, representing an increase of approximately CNY37.3 million, or approximately 34.3%, as compared with approximately CNY108.9 million in 2015. The increase in depreciation and amortisation in 2016 was caused by the larger depreciable base arising from the increase in property, plant and equipment at Yongsheng Coal Mine and Dayun Coal Mine, which was partially offset by the decrease in production volume at Baiping Coal Mine which suspended production temporarily to carry out rectification or improvement of certain safety deficiencies.

Sales tax and levies in 2016 were approximately CNY26.8 million, an increase of approximately CNY12.2 million or approximately 83.6% as compared with approximately CNY14.6 million in 2015. The increase in the unit sales tax and levies in 2016, which mainly consisted of the ad valorem resource tax, was mainly due to the rise in the average selling price of anthracite coal.

Cost of Sales for Coal Processing

Coal processing cost, which included coal screening costs and/or coal washing costs and coal blending costs, increased from approximately CNY2.8 million in 2015 to approximately CNY24.7 million in 2016. This was mainly due to the increase in sales volume of processed coal. The increase in coal processing cost was lower than the rise in the sales volume of the Group's processed self-produced anthracite coal in 2016 because as processing scale expanded, the Group's processing operation was able to achieve some economies of scale.

Breakdown of the Group's Unit Cost of Sales

Cost Items for Mining Activity	2016 CNY/tonne	2015 CNY/tonne
Labour costs	**48.0**	55.1
Raw materials, fuel and energy	**28.1**	19.1
Depreciation and amortisation	**69.1**	74.2
Taxes & levies payable to governments	**12.7**	10.0
Other production-related costs	**2.0**	1.8
Total unit cost of sales for coal mining	**159.9**	160.2

Cost Items for Coal Processing Activity	2016 CNY/tonne	2015 CNY/tonne
Labour costs	**8.9**	10.5
Materials, fuel and energy	**9.3**	11.8
Depreciation	**3.9**	3.8
Other coal processing related costs	**1.0**	3.3
Total unit cost of sales for coal processing	**23.1**	29.4

Gross Profit and Gross Margin

As a result of the foregoing, the gross profit increased by approximately 8,154.3% from approximately CNY2.1 million in 2015 to approximately CNY177.2 million in 2016. The gross margin, which is equal to gross profit divided by revenue, increased from approximately 0.9% in 2015 to 31.8% in 2016, primarily due to the increase in sales volume and the rise in the average selling price as discussed above.

Selling and Distribution Expenses

The selling and distribution expenses from continuing operations increased by approximately 143.4% from approximately CNY9.0 million in 2015 to approximately CNY21.8 million in 2016, primarily as a result of the increase in transportation fee arising from the increase in sales volume and the increase in staff cost resulting from an increase in the headcount of sales staff as the Group's operation expanded in 2016.

Administrative Expenses

The administrative expenses from continuing operations increased by approximately 11.6% from approximately CNY78.2 million in 2015 to approximately CNY87.2 million in 2016. The increase was mainly due to the increase in the miscellaneous office expenses, travel and entertainment expenses as the Group's operation expanded in 2016.

Impairment Loss on Property, Plant and Equipment

The Group incurred an impairment loss on property, plant and equipment from continuing operations of approximately CNY100.5 million in 2016 mainly in connection with the suspension of Dayuan Coal Mine, and approximately CNY383.6 million in 2015 in connection with the decline in coal price and the temporary suspension of Liujiaba, Zhulinzhai and Dayuan Coal Mines.

Impairment of Trade and Other Receivables

The Group made the provision for impairment of trade and other receivables from continuing operations, the majority of which were from the sales of anthracite coal in 2015, of approximately CNY53.0 million in 2016. The Group considered that the provision for impairment of trade and other receivables was necessary after assessing the recoverability of the long-aging past due trade and other receivables.

Other Operating Expenses

Other operating expenses from continuing operations increased to approximately CNY26.1 million in 2016 from approximately CNY4.7 million in 2015 primarily as a result of the compensation paid to local residents for repairing the damaged houses and/or relocation affected by the mine's operations of the Group.

Operating Loss

As a result of the foregoing, the operating loss from continuing operations decreased significantly from approximately CNY474.6 million in 2015 to approximately CNY111.4 million in 2016.

Finance Costs

The finance costs from continuing operations decreased by approximately 39.2% from approximately CNY118.7 million in 2015 to approximately CNY72.2 million in 2016, principally due to a 48.3% decrease in interest expenses on interest-bearing bank and other borrowings from approximately CNY109.4 million in 2015 to approximately CNY56.6 million in 2016. Interest expenses on interest-bearing bank and other borrowings decreased primarily due to the repayment of interest-bearing bank and other borrowings.

Income Tax (Expense)/Benefit

The Group had an income tax expense from continuing operations of approximately CNY20.7 million in 2016, compared to an income tax benefit of approximately CNY86.4 million in 2015. The decline in income tax benefit in 2016 was mainly due to the less reversal of deferred tax liabilities in 2016 resulting from the decrease of impairment loss on property, plant and equipment.

Loss Attributable to Owners of the Parent from Continuing Operations

The loss attributable to owners of the parent from continuing operations for the year was approximately CNY205.7 million in 2016, a decrease of approximately CNY282.7 million from the loss of approximately CNY488.4 million in 2015. This was mainly contributed by (i) the approximately CNY283.1 million decrease in impairment loss of coal mines from approximately CNY383.6 million from Liujiaba Coal Mine, Zhulinzhai Coal Mine and Dayuan Coal Mine in 2015 to approximately CNY100.5 million mainly from Dayuan Coal Mine in 2016; (ii) the increase of approximately CNY175.1 million in gross profit resulting from the increase in sales volume and the rise in average selling price; and (iii) the decrease of approximately CNY46.5 million in finance costs due to the repayment of interest-bearing bank and other borrowings in 2016. The decrease in loss was partially offset by (i) an increase of approximately CNY107.1 million in deferred income tax expense mainly due to a decrease of impairment loss on property, plant and equipment; (ii) an increase of approximately CNY53.0 million in provision for impairment of trade and other receivables which were long-aging past due; and (iii) an increase of approximately CNY21.4 million in other operating expenses mainly due to the compensation paid to local residents for repairing the damaged houses and/or relocation affected by the mine's operations of the Group.

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.

In 2016, works at Gouchang Coal Mine had substantially ceased, therefore the operating results have been reclassified as discontinued operation.

PROSPECTS

Notwithstanding the rapid recovery in coal price in Guizhou province in late 2016, the fundamentals of coal demand has not changed significantly. As the coal demand shortage and overcapacity are still prominent, the Group believes that the government will continue adhering to the supply-side reform policy to resolve excess coal production capacity. The Group will continue adopting the existing strategy through the expansion of existing shipping port, transport belts and coal beneficiation plant, and strengthening the effective coal quality management through coal washing and coal blending in order to meet different requirements of various customers and penetrate the surrounding coal market.

The status of coal as the primary energy in China is expected to remain unchanged for a considerable length of time in the future. Therefore the Company is cautiously positive about the coal industry in the longer term. The Company will also consider other potential business projects that can provide its shareholders with promising returns and benefit the Group as a whole as and when suitable opportunities arise.

CAPITAL COMMITMENTS AND EXPECTED SOURCE OF FUNDING

As at 31 December 2016, the Group had contractual capital commitments in respect of machinery and equipment purchased by coal mines for operations and the construction for the expansion of existing shipping port amounting to approximately CNY33.0 million. The Group plans to finance the capital commitments by internal resources, additional short-term and long-term bank and other borrowings, and/or possible equity financing.

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed 339 full time employees (not including 824 workers provided by third party labour agencies) for its principal activities (2015: 318). Employees' costs (including Directors' emoluments) amounted to approximately CNY140.0 million (including payment to workers provided by third party labour agencies) for the year ended 31 December 2016 (2015: CNY91.4 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 approved share option scheme of the Company.

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

PURCHASE, SALE OR REDEMPTION OF THE SHARES OF THE COMPANY

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries for the year ended 31 December 2016.

CORPORATE GOVERNANCE

The Company has adopted the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance. For the year ended 31 December 2016, the Company has 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 Annual General Meeting

Code provision E.1.2 of the CG Code stipulates that 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 held on 31 May 2016 (the "2016 AGM"), did not attend the Company's 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 then chairman of the remuneration committee and the corporate social responsibility committee of the Company as at the date of the 2016 AGM, did not attend the 2016 AGM due to travel document issue.

SUBSEQUENT EVENTS

On 17 January 2017, Guizhou Yongfu received and fully drew down a CNY50.0 million short-term bank loan from China Everbright Bank Co., Ltd. to be repaid on 16 January 2018. The purpose of the loan is to pay the payroll. The loan bears a fixed annual interest rate equal to 15% above the one-year base lending rate stipulated by the People's Bank of China (4.35% per annum, resulting in an annual interest rate of 5.0025% per annum).

On 22 February 2017 and 23 February 2017, Guizhou Puxin received and fully drew down CNY255.0 million and CNY210.0 million short-term bank loans from China Minsheng Banking Corp., Ltd. to be both repaid on 1 December 2017, respectively. The purpose of the loans is to finance the working capital and the purchase of coal. The loans bear floating annual interest rates equal to 40% and 30% above the one-year base lending rate stipulated by the People's Bank of China from time to time (4.35% per annum, resulting in an annual interest rates of 6.09% and 5.655% per annum), respectively.

REVIEW OF ANNUAL RESULTS

The figures in relation to the results of the Group for the year ended 31 December 2016 in this preliminary announcement have been reviewed by the audit committee of the Company and have been agreed to the amounts set out in the Group's draft consolidated financial statements for the year by the Group's auditors, Ernst & Young. The work of Ernst & Young, in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants.

ANNUAL GENERAL MEETING

The 2017 annual general meeting of the Company is scheduled to be held on 31 May 2017 (the "2017 AGM"). The notice of 2017 AGM will be published on the website of the Company at www.fsanthracite.com and the designated website of the Stock Exchange at www.hkexnews.hk in due course.

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

Pursuant to the requirements of the Listing Rules, the 2016 annual report of the Company will set out all information required by the Listing Rules and will be published on the website of the Company (www.fsanthracite.com) and the designated website of the Stock Exchange (www.hkexnews.hk) on or before 30 April 2017.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 25 May 2017 to Wednesday, 31 May 2017 (both days inclusive) during which period no transfer of shares of the Company will be effected. In order to determine the entitlement to attend and vote at the 2017 AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 24 May 2017.

APPRECIATION

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

By Order of the Board
Feishang Anthracite Resources Limited
HAN Weibing
Chairman

Hong Kong, 31 March 2017

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