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 2017

FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2017

- Revenue up approximately 83.4% to approximately CNY1,023.0 million
- Gross profit up approximately 199.3% to approximately CNY530.5 million
- Profit attributable to owners of the parent from continuing operations for the year ended 31 December 2017 recorded a turnaround to approximately CNY182.9 million from a loss of approximately CNY205.7 million for the last year
- Basic earnings per share from continuing operations was approximately CNY0.13

The board (the "Board") of directors (the "Directors") of Feishang Anthracite Resources Limited (the "Company") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 DECEMBER 2017

	Notes	2017 CNY'000	2016 CNY'000
CONTINUING OPERATIONS			
Revenue	5	**1,022,950**	557,863
Cost of sales		**(492,500)**	(380,644)
Gross profit		**530,450**	177,219
Selling and distribution expenses		**(28,235)**	(21,802)
Administrative expenses		**(106,878)**	(87,235)
Reversal of impairment/(impairment) of trade and other receivables	7	**4,875**	(52,957)
Impairment loss on property, plant and equipment	7,11	**–**	(100,515)
Other operating expenses		**(1,551)**	(26,087)
OPERATING PROFIT/(LOSS)		**398,661**	(111,377)
Finance costs	6	**(74,372)**	(72,151)
Interest income		**3,474**	3,994
Non-operating income/(expenses), net		**9,972**	(564)
PROFIT/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	7	**337,735**	(180,098)
Income tax expense	8	**(117,178)**	(20,744)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**220,557**	(200,842)
DISCONTINUED OPERATION			
LOSS FOR THE YEAR FROM A DISCONTINUED OPERATION	4	**(339)**	(7,100)
PROFIT/(LOSS) FOR THE YEAR		**220,218**	(207,942)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)
YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** **CNY'000**	2016 *CNY'000*
ATTRIBUTABLE TO:			
Owners of the parent			
From continuing operations	*9*	**182,873**	(205,714)
From a discontinued operation	*4,9*	**(336)**	(7,029)
		182,537	(212,743)
Non-controlling interests			
From continuing operations		**37,684**	4,872
From a discontinued operation	*4*	**(3)**	(71)
		37,681	4,801
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic (CNY per share)			
– For profit/(loss) from continuing operations	*9*	**0.13**	(0.15)
– For profit/(loss) from a discontinued operation	*9*	*	(0.01)
– Net profit/(loss) per share		**0.13**	(0.16)
Diluted (CNY per share)			
– For profit/(loss) from continuing operations	*9*	**0.13**	(0.15)
– For profit/(loss) from a discontinued operation	*9*	*	(0.01)
– Net profit/(loss) per share		**0.13**	(0.16)

* Insignificant

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

	2017	2016
	CNY'000	*CNY'000*
PROFIT/(LOSS) FOR THE YEAR	**220,218**	(207,942)
Other comprehensive (loss)/income:		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation adjustments	**(1,297)**	1,521
Total other comprehensive (loss)/income for the year, net of tax	**(1,297)**	1,521
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**218,921**	(206,421)
ATTRIBUTABLE TO:		
Owners of the parent		
From continuing operations	**181,576**	(204,193)
From a discontinued operation	**(336)**	(7,029)
	181,240	(211,222)
Non-controlling interests		
From continuing operations	**37,684**	4,872
From a discontinued operation	**(3)**	(71)
	37,681	4,801
	218,921	(206,421)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2017

	Notes	**2017**	2016
		CNY'000	*CNY'000*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**2,457,990**	2,284,273
Rehabilitation fund		**13,584**	10,676
Prepayments, deposits and other receivables		**153,964**	76,598
Deferred tax assets	*8*	**46,172**	55,912
TOTAL NON-CURRENT ASSETS		**2,671,710**	2,427,459
CURRENT ASSETS			
Inventories		**25,467**	11,743
Trade and bills receivables	*12*	**141,646**	107,680
Corporate income tax refundable		**–**	31,681
Prepayments, deposits and other receivables		**116,527**	65,669
Pledged and restricted time deposits		**10,000**	230,000
Cash and cash equivalents		**77,639**	117,192
TOTAL CURRENT ASSETS		**371,279**	563,965
TOTAL ASSETS		**3,042,989**	2,991,424
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and bills payables	*13*	**237,631**	537,402
Other payables and accrued liabilities		**283,482**	168,537
Interest-bearing bank and other borrowings	*14*	**525,883**	603,588
Interest payable		**27,474**	26,199
Income tax payable		**36,512**	–
Mining right payables		**43,780**	43,780
TOTAL CURRENT LIABILITIES		**1,154,762**	1,379,506
NON-CURRENT LIABILITIES			
Due to a related company		**1,652,843**	1,812,727
Interest-bearing bank and other borrowings	*14*	**450,718**	243,202
Deferred tax liabilities	*8*	**134,987**	126,981
Deferred income		**2,113**	1,407
Asset retirement obligations		**11,888**	10,844
TOTAL NON-CURRENT LIABILITIES		**2,252,549**	2,195,161
TOTAL LIABILITIES		**3,407,311**	3,574,667

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 DECEMBER 2017

	2017	2016
	CNY'000	*CNY'000*
EQUITY		
Share capital	**1,081**	1,081
Reserves	**(478,337)**	(659,577)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**(477,256)**	(658,496)
NON-CONTROLLING INTERESTS	**112,934**	75,253
TOTAL EQUITY	**(364,322)**	(583,243)
TOTAL LIABILITIES AND EQUITY	**3,042,989**	2,991,424

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

As at 31 December 2017, the Group had net current liabilities of approximately CNY783.5 million (2016: CNY815.5 million) and total assets less current liabilities of approximately CNY1,888.2 million (2016: CNY1,611.9 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 2017. 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 2017, the Group had net current liabilities of approximately CNY783.5 million and shareholders' deficit of approximately CNY364.3 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 revised IFRSs for the first time for the current year's financial statements.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in *Annual Improvements to IFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of IFRS 12*

The nature and the impact of the amendments are described below:

(a) Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) Amendments to IAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

3. OPERATING SEGMENT INFORMATION

During the year ended 31 December 2017, the Group had only one operating segment: the construction and development of anthracite coal mines, extraction and sale of anthracite coal, and trading of anthracite coal.

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

Geographic information

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

Information about major customers

During the year ended 31 December 2017, revenue derived from sales to the largest customer accounted for 15.2% of the consolidated revenue. During the year ended 31 December 2016, revenue derived from sales to two customers accounted for 12.8% and 12.0% 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 2017, substantially all the work at Gouchang Coal Mine had ceased, therefore, the operating results have been reclassified to a discontinued operation for the purpose of preparing the consolidated statement of profit or loss.

The results of Gouchang Coal Mine for the years ended 31 December 2017 and 2016 are presented below:

	2017 *CNY'000*	2016 *CNY'000*
Revenue	**–**	–
Cost of sales	**–**	–
Gross profit	**–**	–
Administrative expenses	**(62)**	(390)
Impairment loss on property, plant and equipment	**(277)**	(6,690)
OPERATING LOSS	**(339)**	(7,080)
Finance costs	**–**	(20)
Non-operating expenses, net	**–**	–
LOSS BEFORE INCOME TAX	**(339)**	(7,100)
Income tax expense	**–**	–
LOSS FOR THE YEAR FROM A DISCONTINUED OPERATION	**(339)**	(7,100)
Attributable to:		
Owners of the parent	**(336)**	(7,029)
Non-controlling interest	**(3)**	(71)
	(339)	(7,100)

* *For identification purpose only*

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

	2017	2016
	CNY'000	*CNY'000*
Operating activities	**(316)**	(1,675)
Financing activities	**238**	1,704
Net cash (outflow)/inflow	**(78)**	29

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

	2017	2016
	CNY'000	*CNY'000*
Loss attributable to owners of the parent from a discontinued operation	**(336)**	(7,029)
Weighted average number of ordinary shares ('000 shares):		
Basic	**1,380,546**	1,380,546
Diluted	**1,380,546**	1,380,546
Loss per share attributable to ordinary equity holders of the parent (CNY per share):		
Basic, from a discontinued operation	*	(0.01)
Diluted, from a discontinued operation	*	(0.01)

* Insignificant

5. REVENUE FROM CONTINUING OPERATIONS

Revenue from continuing operations represents the following:

	2017	2016
	CNY'000	*CNY'000*
Sale of coal	**1,022,950**	557,863

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

6. FINANCE COSTS FROM CONTINUING OPERATIONS

	2017	2016
	CNY'000	*CNY'000*
Interest on interest-bearing bank and other borrowings	**62,331**	56,589
Interest on payables for mining rights	**2,246**	1,989
Total interest expense	**64,577**	58,578
Bank charges	**454**	648
Discount interest	**8,297**	11,975
Accretion expenses	**1,044**	950
	74,372	72,151

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

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

	2017	2016
	CNY'000	*CNY'000*
Crediting:		
Interest income on bank deposits	**3,474**	3,994
Government grant	**14,213**	2,247
Charging:		
Cost of inventories sold (a)	**393,366**	313,885
Sales tax and surcharge	**50,217**	26,967
Utilisation of safety fund and production maintenance fund	**48,917**	39,792
Cost of sales	**492,500**	380,644
Employee benefit expenses	**153,538**	104,993
Depreciation, depletion and amortisation:		
Property, plant and equipment	**211,534**	158,403
Auditors' remuneration:		
Audit fee	**3,000**	2,850
Operating lease rental:		
Office properties	**131**	71
Impairment loss on property, plant and equipment	**–**	100,515
(Reversal of impairment)/impairment of trade and other receivables	**(4,875)**	52,957
Repairs and maintenance	**27,482**	6,126
Losses arising from temporary suspension of production	**–**	491

(a) Included in the cost of inventories sold is a total amount of approximately CNY320.7 million for the year ended 31 December 2017 (2016: CNY262.7 million) relating to employee benefit expenses and depreciation, depletion and amortisation, and these amounts are also included in the respective amounts disclosed separately above for each type of expenses.

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 2017 (2016: 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 2017 and 2016. 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% (2016: 25%).

Under the prevailing CIT Law and its relevant regulations, any dividends paid by the Company's PRC subsidiaries from their earnings derived after 1 January 2008 to the Company's Hong Kong subsidiary are subject to PRC dividend withholding tax of 5% or 10%, depending on the applicability of the Sino-Hong Kong tax treaty.

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

	2017	2016
	CNY'000	*CNY'000*
Current – Mainland China	**99,432**	20,444
Deferred – Mainland China	**17,746**	300
	117,178	20,744

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

	2017	2016
	CNY'000	*CNY'000*
Profit/(loss) before income tax from continuing operations	**337,735**	(180,098)
Tax at the statutory tax rate of 25%	**84,434**	(45,025)
Effect of different tax rates for the Company and the Hong Kong subsidiary	**1,433**	1,341
Non-deductible expenses	**3,109**	9,010
Tax losses not recognised	**27,709**	54,891
Others	**493**	527
Income tax charge from continuing operations	**117,178**	20,744

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

	2017	2016
	CNY'000	*CNY'000*
Deferred tax assets		
Accrued liabilities and other payables	**1,680**	1,443
Capitalised pilot run income	**13,922**	14,787
Tax losses	**13,724**	22,269
Depreciation of property, plant and equipment	**32,743**	36,434
Bad debt provision	**5,387**	6,375
	67,456	81,308
Deferred tax liabilities		
Depreciation and fair value adjustment of property, plant and equipment*	**(156,271)**	(152,377)
Net deferred tax liabilities	**(88,815)**	(71,069)
Classification in the consolidated statement of financial position:		
Deferred tax assets	**46,172**	55,912
Deferred tax liabilities	**(134,987)**	(126,981)

* Included in the deferred tax liabilities, there were approximately CNY117.1 million and CNY117.8 million deferred tax liabilities recognised relating to the fair value adjustment on property, plant and equipment as at 31 December 2017 and 2016, 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 CNY733.2 million and CNY678.7 million as at 31 December 2017 and 2016, respectively. As at 31 December 2017, unused tax losses not utilised of approximately CNY118.6 million, CNY167.0 million, CNY117.2 million, CNY219.6 million and CNY110.8 million, will expire by end of 2018, 2019, 2020, 2021 and 2022, respectively.

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

	2017 ***CNY'000***	2016 *CNY'000*
At beginning of the year	**(71,069)**	(70,769)
Credited to the consolidated statement of profit or loss	**(17,746)**	(300)
At end of the year	**(88,815)**	(71,069)

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

Basic and diluted profit/(loss) per share for the year were calculated as follows:

	2017 ***CNY'000***	2016 *CNY'000*
Profit/(loss) for the year attributable to ordinary equity holders of the parent:	**182,537**	(212,743)
From continuing operations	**182,873**	(205,714)
From a discontinued operation	**(336)**	(7,029)
Weighted average number of ordinary shares ('000 shares):		
Basic	**1,380,546**	1,380,546
Diluted	**1,380,546**	1,380,546
Profit/(loss) per share attributable to ordinary equity holders of the parent (CNY per share):		
Basic		
From continuing operations	**0.13**	(0.15)
From a discontinued operation	*	(0.01)
	0.13	(0.16)
Diluted		
From continuing operations	**0.13**	(0.15)
From a discontinued operation	*	(0.01)
	0.13	(0.16)

* Insignificant

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

10. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2017 (2016: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings	**Mining structures and mining rights**	**Machinery and equipment**	**Motor vehicles**	**Construction in progress**	**Total**
	CNY'000	*CNY'000*	*CNY'000*	*CNY'000*	*CNY'000*	*CNY'000*
Cost						
At 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 and 1 January 2017	118,561	2,811,352	423,213	30,383	128,272	3,511,781
Additions	–	80,891	31,044	9,192	264,404	385,531
Transfers	–	175,284	21,985	–	(197,269)	–
Disposals	–	–	(75)	–	–	(75)
At 31 December 2017	**118,561**	**3,067,527**	**476,167**	**39,575**	**195,407**	**3,897,237**
Accumulated depreciation						
At 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 and 1 January 2017	(10,075)	(329,771)	(112,680)	(11,792)	–	(464,318)
Depreciation charge	(2,403)	(148,823)	(55,696)	(4,612)	–	(211,534)
Disposals	–	–	72	–	–	72
At 31 December 2017	**(12,478)**	**(478,594)**	**(168,304)**	**(16,404)**	**–**	**(675,780)**
Impairment						
At 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 and 1 January 2017	(16,226)	(711,771)	(29,618)	(554)	(5,021)	(763,190)
Impairment	–	–	–	–	(277)	(277)
At 31 December 2017	**(16,226)**	**(711,771)**	**(29,618)**	**(554)**	**(5,298)**	**(763,467)**
Net carrying amount						
At 31 December 2016	92,260	1,769,810	280,915	18,037	123,251	2,284,273
At 31 December 2017	**89,857**	**1,877,162**	**278,245**	**22,617**	**190,109**	**2,457,990**

As at 31 December 2017, certain mining rights with a carrying amount of approximately CNY595.1 million (2016: CNY506.4 million) were pledged to secure bank loans with a carrying amount of approximately CNY620.0 million (2016: CNY491.8 million) (note 14).

As at 31 December 2017, certain machinery and equipment with a carrying amount of approximately CNY176.1 million (2016: CNY200.0 million) were pledged to secure loans with a carrying amount of approximately CNY135.2 million (2016: CNY194.0 million) (note 14).

As at 31 December 2017, certain buildings with a carrying amount totalling approximately CNY81.0 million (2016: 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.

Impairment loss for cash-generating units for the year ended 31 December 2016

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 respective 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 the pre-tax discount rate is 12.29%. 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 an impairment of approximately CNY95.5 million for Dayuan Coal Mine for the year ended 31 December 2016.

Impairment loss for individual assets

In 2016, 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 an impairment of CNY5.0 million for Zhulinzhai Coal Mine for the year ended 31 December 2016.

The operations of Gouchang Coal Mine had been suspended since March 2013 up to date. In 2017, the Directors further examined and concluded that certain equipment cannot be further utilised. As a result of the impairment assessment, the Directors recognised an impairment of approximately CNY0.3 million (2016: CNY6.7 million) for Gouchang Coal Mine for the year ended 31 December 2017.

12. TRADE AND BILLS RECEIVABLES

	2017	2016
	CNY'000	*CNY'000*
Trade receivables	**137,825**	128,106
Less: Provision for impairment	**(44,003)**	(49,892)
	93,822	78,214
Bills receivable	**47,824**	29,466
	141,646	107,680

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.

Bills receivable of CNY26.0 million (2016: nil) were pledged as security for short-term loans of CNY23.4 million (2016: nil) as at 31 December 2017 (note 14).

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

	2017 *CNY'000*	2016 *CNY'000*
Within 3 months	**76,621**	45,007
3 to 6 months	**3,967**	2,502
6 to 12 months	**4,969**	3,922
Over 12 months	**8,265**	26,783
	93,822	78,214

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

	2017 *CNY'000*	2016 *CNY'000*
Neither past due nor impaired	**76,621**	45,007
Within one year past due	**9,484**	20,663
More than one year past due	**7,717**	12,544
Trade receivables, net	**93,822**	78,214

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:

	2017 *CNY'000*	2016 *CNY'000*
At the beginning of the year	**49,892**	59
Impairment losses recognised	**–**	49,833
Impairment losses reversed	**(5,889)**	–
At the end of the year	**44,003**	49,892

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

13. TRADE AND BILLS PAYABLES

	2017 *CNY'000*	2016 *CNY'000*
Trade payables (a)	**227,631**	227,402
Bills payable	**10,000**	310,000
	237,631	537,402

(a) Included in trade payables was an amount of approximately CNY105.1 million (2016: CNY174.7 million) due to construction related contractors as at 31 December 2017.

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

	2017	2016
	CNY'000	*CNY'000*
Within one year	**168,727**	183,540
More than one year	**58,904**	43,862
	227,631	227,402

Bills payable are bills of exchange with maturity of less than one year. Time deposits of CNY10.0 million (2016: CNY230.0 million) were pledged to secure the bank bills as at 31 December 2017.

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

	2017	2016
	CNY'000	*CNY'000*
Current		
Bank and other borrowings – guaranteed	**90,000**	23,000
Bank and other borrowings – secured and guaranteed	**243,400**	420,000
Current portion of long term bank and other borrowings – secured and guaranteed	**84,483**	130,588
Current portion of long term bank and other borrowings – guaranteed	**108,000**	30,000
	525,883	603,588
Non-current		
Bank and other borrowings – guaranteed	**–**	108,000
Bank and other borrowings – secured and guaranteed	**450,718**	135,202
	450,718	243,202
	976,601	846,790

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 CNY595.1 million (2016: CNY506.4 million) as at 31 December 2017 (note 11);

(2) Pledges over machinery and equipment owned by Guizhou Dayun Mining Co., Ltd. ("Guizhou Dayun"), Jinsha Juli Energy Co., Ltd. ("Jinsha Juli") and Guizhou Yongfu Mining Co., Limited ("Guizhou Yongfu") with a carrying amount of approximately CNY176.1 million (2016: CNY200.0 million) as at 31 December 2017 (note 11);

(3) Pledges over the Company's equity interests in Guizhou Puxin Energy Co., Ltd. ("Guizhou Puxin") as at 31 December 2017 and 31 December 2016, and Guizhou Dayun as at 31 December 2016;

(4) Pledges over the bills receivable in Guizhou Puxin with a carrying amount of CNY26.0 million (2016: nil) as at 31 December 2017 (note 12); and

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

In addition, Mr. LI Feilie has guaranteed certain of the Group's interest-bearing bank and other borrowings up to approximately CNY805.2 million (2016: CNY685.8 million) as at 31 December 2017. Also, the Group's fellow subsidiaries have guaranteed certain of the Group's interest-bearing bank and other borrowings up to approximately CNY783.2 million (2016: CNY846.8 million) as at 31 December 2017.

All borrowings are denominated in CNY.

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

	2017	2016
	%	*%*
Fixed-rate bank and other borrowings	**5.00~9.34**	6.09~9.34
Floating-rate bank and other borrowings	**5.39~6.96**	5.39~7.13

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

	2017	2016
	CNY'000	*CNY'000*
Bank and other borrowings repayable:		
Within one year or on demand	**525,883**	603,588
In the second year	**450,718**	172,484
In the third to fifth years, inclusive	**–**	70,718
	976,601	846,790

EXTRACT FROM INDEPENDENT AUDITORS' REPORT

The auditor's opinion on the Group's consolidated financial statements for the year ended 31 December 2017 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 2017, 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 2017 the Group had net current liabilities of approximately CNY783.5 million and shareholders' deficit of approximately CNY364.3 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

The year 2017 was a remarkable one for the Group. In 2017, despite tightening safety supervision and environmental policies, the Group took advantage of the favourable market conditions and, for the first time, recorded a turnaround from loss to consolidated profit attributable to owners of the parent from continuing operations of approximately CNY182.9 million, representing a year-on-year increase of 188.9%. The Group achieved this remarkable improvement in operating results by strictly adhering to production safety, capacity expansion, cost reduction and quality enhancement to fully exploit the recovery in the coal market.

Specifically, continuous expansion of production capacity of the Group in the past years made economies of scale possible and laid a firm foundation for the turnaround in operating results in 2017. Output expansion was also a prerequisite for the Group's efforts and achievements in product diversification and market segmentation with increased profitability. The high sieving systems and coal beneficiation plant allowed the Group to perform coal screening, coal washing and efficient coal blending and supply customised coal products with controllable quality to various customers. As a result, the Group managed to build a competitive advantage and was able to exert considerable influence in selling price negotiations and was able to penetrate the high-end market. Meanwhile, the sales of raw coal blended with lignite (the by-product of coal washing) and coal residue stone to power plants and other customers requiring lower quality coal also reduced the Group's cost in dealing with lignite and coal residue stone.

In addition, the Group actively applied new technologies and new equipment to expand capacity, enhance production safety and reduce production cost. In particular, when designing mines, the Group explored opportunities to minimise capital investment and optimise the design of mining plans. For example, adopting gob-side entry retaining technology and designing roadways with multiple uses not only reduced capital commitments and mining cost but also accelerated the progress of excavation. When advancing mining mechanisation, the Group invested in new mining and excavating equipment, which not only largely increased production capacity but also enhanced production safety and reduced production cost.

Furthermore, during 2017, the Group made firm progress in upgrading its logistics network to improve transportation efficiency and reduce logistics cost, in developing and penetrating new and high-end markets to secure market share and increase selling price, and in better serving customers with integrity and quality service to build long-term customer relationships. The Group also adhered to "payment before delivery" terms for non-power plant customers to minimise potential credit risk and reduce working capital cycle.

As a result of effective implementation of the above business strategies, the Group managed to take full advantage of the rebound in the commodity cycle in 2017 and enjoyed a splendid year with grand achievements in operating results.

FINANCIAL REVIEW

Continuing Operations

Revenue

The Group's revenue from continuing operations increased by approximately 83.4% from approximately CNY557.9 million in 2016 to approximately CNY1,023.0 million in 2017. The approximately CNY465.1 million surge in revenue was mainly contributed by the increase in revenue from sales of self-produced anthracite coal which was in turn attributable to the slight increase in sales volume and the surge in average selling price, and in particular the increase in the average selling price of processed coal (after coal screening and/or coal washing and coal blending) in 2017. The sales volume of self-produced anthracite coal increased from 2,117,300 tonnes in 2016 to 2,376,948 tonnes in 2017, representing a rise of approximately 12.3%. This slight increase in sales volume was mainly attributable to the effects of the supply-side policies aiming at resolving the issue of excess coal capacity and also arose from enlarged market share and customer base, including higher-end market, by supplying customised coal products to various customers to meet their specific requirements. In addition, the average selling price of self-produced anthracite coal increased from CNY252.9 per tonne in 2016 to CNY426.9 per tonne in 2017, representing a rise of approximately 68.8%, as a result of the recovery of the market price of coal in Guizhou province since the fourth quarter of 2016.

Processed coal was the main revenue driver in 2017. The Group's revenue from sales of processed coal increased from approximately CNY316.1 million with sales volume of 1,072,683 tonnes in 2016 to approximately CNY653.0 million with sales volume of 1,175,672 tonnes in 2017. The increase in revenue from sales of processed coal was mainly due to the rise in average selling price from CNY294.7 per tonne in 2016 to CNY555.4 per tonne in 2017. The reasons for the rise in average selling price have 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. The Group has reduced the portion of its anthracite coal sold as thermal coal since 2015. In 2016 and 2017, the Group derived approximately 40.6% and 42.6% of its revenue from anthracite coal sales to its five largest customers, respectively, out of which, one and one customer was a power producer in Guizhou province who purchased thermal coal from the Group, respectively. The management of the Group believes that by further expanding the product mix through coal washing and coal blending, the dependency on a limited number of large customers will decrease gradually and the Group's profit margin will increase.

Cost of Sales

The Group's cost of sales from continuing operations increased by approximately 29.4% from approximately CNY380.6 million in 2016 to approximately CNY492.5 million in 2017 mainly due to the increase in material, fuel and energy costs, depreciation and taxes and levies.

Cost of Sales for Coal Mining

Labour costs in 2017 were approximately CNY111.5 million, representing an increase of approximately CNY9.8 million, or approximately 9.6%, as compared with approximately CNY101.7 million in 2016. The slight increase in labour costs was generally in line with the slight increase in sales volume of self-produced anthracite coal.

Material, fuel and energy costs in 2017 were approximately CNY97.1 million, an increase of approximately CNY37.7 million or approximately 63.5% as compared with approximately CNY59.4 million in 2016. The increases in material, fuel and energy costs were proportionally higher than the rise in sales volume of the Group's self-produced anthracite products in 2017 because the repair and maintenance costs of mine roadways, mining machinery and equipment and the costs of purchase of materials and facilities for environmental protection and safety work at Yongsheng Coal Mine, Dayun Coal Mine and Baiping Coal Mine increased due to tightening environmental rules and supervision over work safety and the price of the main raw materials purchased by the Group increased due to the higher commodity prices in 2017 when compared with those of 2016.

Depreciation and amortisation in 2017 was approximately CNY187.3 million, representing an increase of approximately CNY41.1 million, or approximately 28.1%, as compared with approximately CNY146.2 million in 2016. The increase in depreciation and amortisation in 2017 was caused by the larger depreciable base arising from the increase in property, plant and equipment at Yongsheng Coal Mine and Dayun Coal Mine and the increase in production volume at Baiping Coal Mine.

Taxes and levies in 2017 were approximately CNY44.1 million, an increase of approximately CNY17.3 million or approximately 64.4% as compared with approximately CNY26.8 million in 2016. The increase in the unit sales tax and levies in 2017, which mainly consisted of 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 costs, which included coal screening costs and/or coal washing costs and coal blending costs, increased from approximately CNY24.7 million in 2016 to approximately CNY43.8 million in 2017. This was mainly due to (i) the slight increase in labour costs, which was mainly due to the increase in staff headcount and bonus; (ii) the increase in material, fuel and energy costs, which was mainly due to the increase in purchase of materials and facilities for environmental protection and repair and maintenance of equipment; (iii) the increase in depreciation, which was mainly due to the increase in property, plant and equipment in coal beneficiation plant; and (iv) the increase in taxes and levies, which mainly consisted of the ad valorem levies based on value-added tax, mainly due to the rise in the average selling price of anthracite coal.

Breakdown of the Group's Unit Cost of Sales

Cost Items for Coal Mining Activities	**2017** ***CNY/tonne***	2016 *CNY/tonne*
Labour costs	**46.9**	48.0
Raw materials, fuel and energy	**40.9**	28.1
Depreciation and amortisation	**78.8**	69.1
Taxes & levies payable to governments	**18.6**	12.7
Other production-related costs	**3.6**	2.0
Total unit cost of sales for coal mining	**188.8**	159.9

Cost Items for Coal Processing Activities	**2017**	2016
	CNY/tonne	*CNY/tonne*
Labour costs	**10.6**	8.9
Materials, fuel and energy	**14.9**	9.3
Depreciation	**5.8**	3.9
Taxes & levies payable to governments	**5.3**	–
Other coal processing related costs	**0.7**	1.0
Total unit cost of sales for coal processing	**37.3**	23.1

Gross Profit and Gross Margin

As a result of the foregoing, the overall gross profit from continuing operations increased by approximately 199.3% from approximately CNY177.2 million in 2016 to approximately CNY530.5 million in 2017. The overall gross margin from continuing operations, which is equal to gross profit divided by revenue, increased from approximately 31.8% in 2016 to approximately 51.9% in 2017. This was primarily due to the rise in the average selling price of anthracite coal as discussed above.

Selling and Distribution Expenses

The selling and distribution expenses from continuing operations increased by approximately 29.5% from approximately CNY21.8 million in 2016 to approximately CNY28.2 million in 2017, which was primarily attributable to the increase in transportation fee and the increase in staff cost in 2017.

Administrative Expenses

The administrative expenses from continuing operations increased by approximately 22.5% from approximately CNY87.2 million in 2016 to approximately CNY106.9 million in 2017. The increase was mainly due to the increase in staff cost and travel and entertainment expenses as the Group's operation expanded in 2017.

Impairment Loss on Property, Plant and Equipment

The Group incurred no impairment loss on property, plant and equipment from continuing operations in 2017 in connection with the price recovery of coal, as compared with an impairment loss on property, plant and equipment of approximately CNY100.5 million in 2016 mainly due to the suspension of Dayuan Coal Mine.

Reversal of Impairment/Impairment of Trade and Other Receivables

The Group made a reversal of impairment of trade and other receivables from continuing operations of approximately CNY4.9 million in 2017 mainly because of the recovery of trade receivables, as compared with a provision for impairment of trade and other receivables 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 aging past due trade and other receivables in 2016.

Other Operating Expenses

Other operating expenses from continuing operations decreased to approximately CNY1.6 million in 2017 from approximately CNY26.1 million in 2016 which was primarily 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 in 2016.

Operating Profit/Loss

As a result of the foregoing, the operating profit from continuing operations increased significantly from the loss of approximately CNY111.4 million in 2016 to profit of approximately CNY398.7 million in 2017.

Finance Costs

The finance costs from continuing operations increased by approximately 3.1% from approximately CNY72.2 million in 2016 to approximately CNY74.4 million in 2017, which was principally due to a 10.1% increase in interest expenses on interest-bearing bank and other borrowings from approximately CNY56.6 million in 2016 to approximately CNY62.3 million in 2017. Interest expenses on interest-bearing bank and other borrowings increased primarily due to the increase in interest-bearing bank and other borrowings.

Non-operating Income/Expenses, Net

The net non-operating income was approximately CNY10.0 million in 2017 compared to the net non-operating expenses of approximately CNY0.6 million in 2016. This was mainly due to Yongsheng Coal Mine's receipt of the price subsidy of thermal coal from municipal government for supply of thermal coal to power plants in 2017.

Income Tax Expense

The Group had an income tax expense from continuing operations of approximately CNY117.2 million in 2017, compared to an income tax expense of approximately CNY20.7 million in 2016. The increase in income tax expense in 2017 was mainly due to the surge in profit before income tax and the less reversal of deferred tax liabilities in 2017 resulting from the decrease of impairment loss on property, plant and equipment.

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

The profit attributable to owners of the parent from continuing operations for the year was approximately CNY182.9 million in 2017, an increase of approximately CNY388.6 million from the loss of approximately CNY205.7 million in 2016. This was mainly contributed by (i) the increase of approximately CNY353.2 million in gross profit resulting from the surge in average selling price in 2017; (ii) the approximately CNY100.5 million decrease in impairment loss of coal mines, mainly attributable to the decrease of impairment loss of Dayuan Coal Mine from approximately CNY95.5 million in 2016 to nil in 2017; (iii) the approximately CNY57.8 million decrease in impairment of trade and other receivables in 2017; (iv) the decrease of approximately CNY24.5 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 in 2016; and (v) the increase of approximately CNY10.5 million in net non-operating income mainly due to Yongsheng Coal Mine's receipt of the price subsidy of thermal coal from municipal government for supply of thermal coal to power plants in 2017. The increase in profit was partially offset by (i) an increase of approximately CNY96.4 million in income tax expense mainly due to the increase in profit before income tax and a decrease of impairment loss on property, plant and equipment; (ii) an increase of approximately CNY19.6 million in administrative expenses mainly due to an increase in staff cost and travel and entertainment expenses; and (iii) an increase of approximately CNY6.4 million in selling expenses mainly due to an increase in transportation fee and staff cost.

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

In 2017, works at Gouchang Coal Mine had substantially ceased, therefore the operating results have been reclassified as a discontinued operation.

OUTLOOK

China's gross domestic product is expected to decelerate modestly from 6.8% in 2017 to 6.5% in 2018 on weaker property and infrastructure investment and supply-side constraints. More specifically, property sales and investment are expected to slow down due to policy tightening and diminishing investment demand. Capacity reduction and structural reform in heavy industries, including the coal industry, resulting from supply-side measures and tighter supervision over credit growth will likely further dampen industrial production and investment growth. On the other hand, these measures will, at the same time, support industrial prices and heavy industry earnings, so deepening supply-side reform and industry consolidation should help sustain a positive corporate outlook despite the slowing economy. Meanwhile, with the policies of guaranteeing coal supply and stabilising coal price, it is expected that demand and supply in the coal market will remain relatively stable in the near future and the coal price will hover within a reasonable range. Guizhou province is an important base of China's west-to-east electricity transmission project, and it is also a target province of China's transportation infrastructure development strategy, which have laid a foundation for relatively stable coal demand in Guizhou province in the long-term. The Group will continue to adopt the existing business strategy through i) the expansion of production capacity, coal washing facilities and transportation system, ii) realising comprehensive mining mechanisation and intelligent production management, iii) strengthening coal quality management, production safety management and environmental protection efforts, and iv) supplying customers with diversified coal products to penetrate the surrounding coal market.

The status of coal as the primary source of energy in China is expected to remain unchanged for a considerable length of time in the future. 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 the 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 2017, the Group had contractual capital commitments in respect of machinery and equipment purchased by coal mines for operations amounting to approximately CNY64.4 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 2017 (2016: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had employed 814 full time employees (not including 1,168 workers provided by third party labour agencies) for its principal activities (2016: 1,163). Employees' costs (including Directors' emoluments) amounted to approximately CNY190.2 million (including payment to workers provided by third party labour agencies) for the year ended 31 December 2017 (2016: CNY140.0 million). The Group recognises the importance of retaining high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme of the Company.

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

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 2017.

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 2017, the Company has complied with the code provisions as set out in the CG Code, save and except for code provisions A.2.1 as set out below.

Chairman and Chief Executive

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

SUBSEQUENT EVENTS

On 3 January 2018, Jinsha Juli received the remaining loan facility amounting to CNY30.0 million out of the total CNY100.0 million long-term bank loan from Bank of Guiyang to be repaid on 2 January 2019. The purpose of the loan is to pay the purchase of coal. The loan bears a floating annual interest rate equal to 60% 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 rate of 6.96% per annum).

On 15 January 2018, 6 February 2018 and 7 February 2018, Guizhou Puxin received and fully drew down the remaining loan facility amounting to CNY45.0 million, CNY50.0 million and CNY140.0 million, respectively out of the total CNY635.0 million long-term bank loan from China Minsheng Banking Corp., Ltd., all to be repaid on 30 August 2019. The purpose of the loans is to finance the working capital and the purchase of coal. The loans all bear a floating annual interest rate equal to 40% above the over-one-year base lending rate stipulated by the People's Bank of China from time to time (4.75% per annum, resulting in an annual interest rate of 6.65% per annum).

On 30 January 2018 and 31 January 2018, Guizhou Yongfu received and fully drew down CNY24.0 million and CNY6.0 million short-term bank loans from China Everbright Bank Co., Ltd. to be repaid on 29 January 2019 and 30 January 2019, respectively. The purpose of the loans is to finance the working capital. The loans bear a fixed annual interest rate equal to 30% 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 5.655% per annum).

REVIEW OF ANNUAL RESULTS

The figures in relation to the results of the Group for the year ended 31 December 2017 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 2018 annual general meeting of the Company is scheduled to be held on 31 May 2018 (the "2018 AGM"). The notice of 2018 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 2017 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 2018.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 28 May 2018 to Thursday, 31 May 2018 (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 2018 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 Friday, 25 May 2018.

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 and Chief Executive Officer

Hong Kong, 29 March 2018

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.