FEISHANG

Feishang Anthracite Resources Limited

(Incorporated in the British Virgin Islands with limited liability)

Stock Code : 1738

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. LO Kin Cheung
Mr. HU Yongming
Mr. HUANG Zuye

AUTHORISED REPRESENTATIVES

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

COMPANY SECRETARY

Mr. YUE Ming Wai Bonaventure

AUDIT COMMITTEE

Mr. LO Kin Cheung *(Chairman)*
Mr. HU Yongming
Mr. HUANG Zuye

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. HU Yongming *(Chairman)*
Mr. HU Lubao
Mr. HAN Weibing

AUDITORS

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

REGISTERED OFFICE

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

HONG KONG OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPANY'S WEBSITE

http://www.fsanthracite.com

COMPANY'S STOCK CODE

1738.HK

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISERS

(As to Hong Kong Law)
MinterEllison LLP

(As to PRC Law)
Commerce & Finance Law Offices

(As to British Virgin Islands Law)
Maples and Calder

PRINCIPAL BANKERS

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

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2018

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

MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board (the "Board") of directors (the "Directors") of Feishang Anthracite Resources Limited (the "Company"), I have pleasure to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 (the "Reporting Period").

BUSINESS REVIEW

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

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

SUMMARY OF EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

- The mechanisation renovation project of Liujiaba Coal Mine commenced in February 2017.

- During the Reporting Period, total production volume of the Group was approximately 1.12 million tonnes. As at 30 June 2018, the total proved and probable reserve of the six coal mines under Australian Code prepared by the Joint Ore Reserves Committee (the "JORC Code") was approximately 194.79 million tonnes (calculated as if all the coal mines (excluding Gouchang Coal Mine) were wholly owned by the Group and adjusted by deducting those reserves extracted by the Group's mining activities from 1 August 2013 to 30 June 2018). For details, please refer to the Summary of Mine Properties as set out on page 54 of this report.

Compliance

During the Reporting Period, as far as the Company is aware, there was no material breach of and/or non-compliance with applicable laws and regulations by the Group that had a significant impact on the business and operations of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Risk Management and Internal Control

The Board has overall responsibility for the effective risk management and internal control systems of the Group and is committed to the maintenance of good corporate governance, practices and procedures of the Group. In accordance with the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), the Group continuously improves the risk management and internal control systems, and updates a number of policies. The Board believes that these measures will strengthen the risk management and internal control systems of the Group. As far as the Group is aware, there were no fraudulent practices brought to the Group's attention during the Reporting Period.

FINANCIAL REVIEW

Continuing Operations

Revenue

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

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

Cost of Sales

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

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales for Coal Mining

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

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

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

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

Cost of Sales for Coal Processing

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

MANAGEMENT DISCUSSION AND ANALYSIS

Breakdown of the Group's Unit Cost of Sales

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

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

Gross Profit and Gross Margin

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

Non-operating Expenses/Income, Net

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

MANAGEMENT DISCUSSION AND ANALYSIS

Profit Attributable to Equity Holders of the Parent from Continuing Operations

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

Discontinued Operation

Since March 2013, the operations of Gouchang Coal Mine had been suspended pending the acquisition of a nearby coal mine and achieving certain production targets in accordance with Guizhou Province's coal mine consolidation policy. The Group plans to close down Gouchang Coal Mine in accordance with the second batch of the restructuring proposal approved by the Energy Bureau of Guizhou Province and the Leading Group Office of Guizhou Province on Coal Enterprises Consolidation on 5 January 2016.

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

FINANCIAL RESOURCES REVIEW

Liquidity, Financial Resources and Capital Structure

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Pledge of Assets of the Group

As at 31 December 2017 and 30 June 2018, the amount of outstanding bank borrowings that were guaranteed by Mr. LI Feilie were approximately CNY805.2 million and approximately CNY928.7 million, respectively and the amount of outstanding bank borrowings that were guaranteed by certain associates of Mr. LI Feilie were approximately CNY783.2 million and approximately CNY949.7 million, respectively.

As at 31 December 2017 and 30 June 2018, certain mining rights of the Group with carrying amounts of approximately CNY595.1 million and approximately CNY538.5 million, respectively were pledged to secure bank loans with carrying amounts of approximately CNY620.0 million and approximately CNY795.0 million, respectively.

As at 31 December 2017 and 30 June 2018, the Company's equity interest in Guizhou Puxin were pledged to secure bank loans with carrying amounts of approximately CNY400.0 million and approximately CNY625.0 million, respectively.

As at 31 December 2017 and 30 June 2018, certain machinery and equipment owned by the Group with carrying amounts of approximately CNY176.1 million and approximately CNY163.8 million, respectively were pledged to secure loans with carrying amounts of approximately CNY135.2 million and approximately CNY103.7 million, respectively.

As at 31 December 2017 and 30 June 2018, certain bills receivable with carrying amount of CNY26.0 million and nil, respectively, were pledged to secure bank loans with carrying amounts of CNY23.4 million and nil, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Currency Exposure and Management

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

Capital Commitments

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

Contingent Liabilities

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

Gearing Ratio

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

INTERIM DIVIDEND

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

EMPLOYEES AND REMUNERATION POLICIES

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

SUBSEQUENT EVENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

PROSPECTS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

AUDIT COMMITTEE

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

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

APPRECIATION

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

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

Hong Kong, 31 August 2018

OTHER INFORMATION

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

As at 30 June 2018, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Long/short position	Capacity	Number of shares	Notes	Percentage of the issued shares (%)
Mr. LI Feilie	Long position	Beneficial owner	15,000,000		
	Long position	Interest held by his controlled corporations	724,029,650	1	
			739,029,650		53.53
Laitan Investments Limited	Long position	Interest held by its controlled corporation	724,029,650	1	52.44
Feishang Group Limited	Long position	Beneficial owner	724,029,650	1	52.44
Mr. KWAN Pak Hoo Bankee	Long position	Interest held by his controlled corporation	125,000,000	2	9.05
Poly Shine Investment Limited	Long position	Beneficial owner	125,000,000	2	9.05

Notes:

1. The 724,029,650 ordinary shares were held by Feishang Group Limited, which is wholly owned by Laitan Investments Limited, which is in turn wholly owned by Mr. LI Feilie. According to the SFO, both Mr. LI Feilie and Laitan Investments Limited are deemed to have interests in the 724,029,650 ordinary shares held by Feishang Group Limited.

2. Mr. KWAN Pak Hoo Bankee is the sole director and sole shareholder of Poly Shine Investment Limited. According to the SFO, Mr. KWAN Pak Hoo Bankee is deemed to have interests in the 125,000,000 ordinary shares held by Poly Shine Investment Limited.

Save as disclosed above, as at 30 June 2018, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

OTHER INFORMATION

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

As at 30 June 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under Section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"), were set out below:

(I) The Company

Name of Director	Long/short position	Capacity	Number of shares	Percentage of the issued shares (%)
Mr. WONG Wah On Edward	Long position	Beneficial owner	20,000,000	1.45
Mr. TAM Cheuk Ho	Long position	Beneficial owner	14,096,300	1.02

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

China Natural Resources, Inc.

Name of Director	Long/short position	Capacity	Number of shares	Percentage of the issued shares (%)
Mr. WONG Wah On Edward	Long position	Beneficial owner	400,000	1.60
Mr. TAM Cheuk Ho	Long position	Beneficial owner	281,926	1.13

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or are required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

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

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

CORPORATE GOVERNANCE PRACTICES

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

Chairman and Chief Executive

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all the Directors, the Company confirmed that all the Directors have complied with the required standard set out in the Model Code during the Reporting Period.

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

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

CHANGE IN DIRECTORS

Mr. WAN Huojin resigned as an executive Director and a member of the Corporate Social Responsibility Committee of the Company on 31 August 2018.

Mr. HU Lubao was appointed as an executive Director and a member of the Corporate Social Responsibility Committee of the Company on 31 August 2018.

OTHER INFORMATION

SHARE OPTION SCHEME OF THE COMPANY

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

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

The total number of Shares in respect of which options may be granted under the Share Option Scheme as refreshed was 138,054,580 Shares (the "Refreshed Scheme Mandate Limit"), representing 10% of the Shares in issue as at the date of approval of the Refreshed Scheme Mandate Limit. The Refreshed Scheme Mandate Limit was approved by shareholders of the Company on 31 May 2017 by ordinary resolution. The listing approval in respect of the Shares which may be issued on exercise of the options under the Share Option Scheme was granted by the Listing Committee of the Stock Exchange on 2 June 2017. The number of Shares in respect of which options may be granted to any Eligible Person in any 12-month period is not permitted to exceed 1% of the Shares in issue at any point in time, unless approved by the Company's shareholders. In addition, the number of Shares in respect of which options may be granted to any Eligible Person (who is a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates (within the meaning as ascribed under the Listing Rules)) in any 12-month period is not permitted to exceed 0.1% of the total number of Shares in issue and HK$5,000,000 in an aggregate value, based on the closing price of the Shares at the date of each grant, unless approved by the Company's shareholders.

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

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

As at 30 June 2018, no options were granted or agreed to be granted since the Date of Adoption. The Company had a total of 138,054,580 Shares available for issue under the Share Option Scheme (representing 10.0% of the existing issued Shares of the Company as at the date of this report).

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

Ernst & Young
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Central, Hong Kong

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To the board of directors of Feishang Anthracite Resources Limited

(Incorporated in the British Virgin Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 19 to 53, which comprises the condensed consolidated statement of financial position of Feishang Anthracite Resources Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2018 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board ("IASB"). The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

EMPHASIS OF MATTER

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

Ernst & Young
Certified Public Accountants
Hong Kong
31 August 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 CNY'000 (Unaudited)	2017 CNY'000 (Unaudited)
CONTINUING OPERATIONS			
Revenue	5	422,964	421,434
Cost of sales		(192,161)	(206,563)
Gross profit		230,803	214,871
Selling and distribution expenses		(13,478)	(14,968)
Administrative expenses		(63,402)	(64,344)
Other operating expenses		(14,473)	(11,273)
OPERATING PROFIT		139,450	124,286
Finance costs	6	(47,625)	(37,085)
Finance income	8	93	3,344
Non-operating (expenses)/income, net	7	(10)	11,525
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	8	91,908	102,070
Income tax expense	10	(35,427)	(48,144)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		56,481	53,926
DISCONTINUED OPERATION			
LOSS FOR THE PERIOD FROM A DISCONTINUED OPERATION	4	–	(277)
PROFIT FOR THE PERIOD		56,481	53,649
ATTRIBUTABLE TO:			
Equity holders of the parent			
From continuing operations	11	44,522	37,102
From a discontinued operation	11	–	(274)
		44,522	36,828
Non-controlling interests			
From continuing operations		11,959	16,824
From a discontinued operation		–	(3)
		11,959	16,821
		56,481	53,649

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 CNY'000 (Unaudited)	2017 CNY'000 (Unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic (CNY per share)			
– For profit from continuing operations	11	0.03	0.03
– For loss from a discontinued operation	11	–	*
– Net earnings per share		0.03	0.03
Diluted (CNY per share)			
– For profit from continuing operations	11	0.03	0.03
– For loss from a discontinued operation	11	–	*
– Net earnings per share		0.03	0.03

* Insignificant

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	30 June 2018 CNY'000 (Unaudited)	31 December 2017 CNY'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	2,610,940	2,457,990
Rehabilitation fund	14	13,597	13,584
Prepayments, deposits and other receivables	18	213,858	153,964
Investment in an associate	15	1,000	–
Deferred tax assets	10	38,226	46,172
TOTAL NON-CURRENT ASSETS		2,877,621	2,671,710
CURRENT ASSETS			
Inventories	16	42,016	25,467
Trade and bills receivables	17	126,079	141,646
Prepayments, deposits and other receivables	18	142,658	116,527
Pledged and restricted time deposits	19	80,000	10,000
Cash and cash equivalents	19	86,466	77,639
TOTAL CURRENT ASSETS		477,219	371,279
TOTAL ASSETS		3,354,840	3,042,989
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and bills payables	20	442,620	237,631
Other payables and accruals	21	187,430	283,482
Contract liabilities	22	78,369	–
Interest-bearing bank and other borrowings	23	478,529	525,883
Interest payable		28,701	27,474
Income tax payable		4,540	36,512
Mining right payables	24	43,780	43,780
TOTAL CURRENT LIABILITIES		1,263,969	1,154,762
NON-CURRENT LIABILITIES			
Due to a related company	29	1,603,693	1,652,843
Interest-bearing bank and other borrowings	23	641,175	450,718
Deferred tax liabilities	10	139,320	134,987
Deferred income	25	1,966	2,113
Asset retirement obligations	26	12,462	11,888
TOTAL NON-CURRENT LIABILITIES		2,398,616	2,252,549
TOTAL LIABILITIES		3,662,585	3,407,311

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2018

	Notes	**30 June 2018 CNY'000 (Unaudited)**	31 December 2017 CNY'000 (Audited)
EQUITY			
Share capital	27	**1,081**	1,081
Reserves		**(433,719)**	(478,337)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**(432,638)**	(477,256)
NON-CONTROLLING INTERESTS		**124,893**	112,934
TOTAL EQUITY		**(307,745)**	(364,322)
TOTAL LIABILITIES AND EQUITY		**3,354,840**	3,042,989

Han Weibing
Chairman and Executive Director

Yue Ming Wai Bonaventure
Executive Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to equity holders of the parent								
	Share capital	Share premium account*	Safety fund and production maintenance fund*	Special reserve*	Accumulated losses*	Exchange fluctuation reserve*	Total	Non-controlling interests	Total equity
	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000
	Note 27								
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		(Unaudited)	
At 1 January 2017	1,081	204,524	71,955	30,724	(972,583)	5,803	(658,496)	75,253	(583,243)
Profit for the period	–	–	–	–	36,828	–	36,828	16,821	53,649
Foreign currency translation adjustments	–	–	–	–	–	(608)	(608)	–	(608)
Total comprehensive income for the period	–	–	–	–	36,828	(608)	36,220	16,821	53,041
Appropriation and utilisation of safety fund and production maintenance fund, net	–	–	27,605	–	(27,605)	–	–	–	–
At 30 June 2017	1,081	204,524	99,560	30,724	(963,360)	5,195	(622,276)	92,074	(530,202)
At 1 January 2018	1,081	204,524	136,935	30,724	(855,026)	4,506	(477,256)	112,934	(364,322)
Profit for the period	–	–	–	–	44,522	–	44,522	11,959	56,481
Foreign currency translation adjustments	–	–	–	–	–	96	96	–	96
Total comprehensive income for the period	–	–	–	–	44,522	96	44,618	11,959	56,577
Appropriation and utilisation of safety fund and production maintenance fund, net	–	–	31,866	–	(31,866)	–	–	–	–
At 30 June 2018	1,081	204,524	168,801	30,724	(842,370)	4,602	(432,638)	124,893	(307,745)

* These reserve accounts comprise the consolidated negative reserves of CNY433.7 million (30 June 2017: consolidated negative reserves of CNY623.4 million) as at 30 June 2018.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	Six months ended 30 June 2018 CNY'000 (Unaudited)	2017 CNY'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		91,908	101,793
From continuing operations		91,908	102,070
From a discontinued operation	4	–	(277)
Adjustments for:			
Interest income	8	(93)	(3,344)
Finance costs		40,914	32,969
Depreciation and amortisation		78,345	85,170
Impairment loss on property, plant and equipment	13	–	277
Impairment of trade and bills receivables		1,032	9,318
Impairment of inventories	16	303	–
Reversal of impairment of prepayments, deposits and other receivables		(447)	–
Sub-total		211,962	226,183
(Increase)/decrease in rehabilitation fund		(13)	104
Decrease/(increase) in trade and bills receivables		14,535	(90,901)
Increase in inventories		(16,852)	(8,125)
Increase in prepayments, deposits and other receivables		(25,683)	(7,518)
Increase/(decrease) in trade and bills payables		173,759	(278,564)
(Decrease)/increase in other payables and accrued liabilities		(96,200)	58,029
Increase in contract liabilities	22	78,369	–
Decrease in deferred income		(147)	(147)
Cash from/(used in) operations		339,730	(100,939)
Interest received		93	3,344
Interest paid		(39,113)	(31,315)
Income tax paid		(55,120)	(11,579)
Net cash flows from/(used in) operating activities		245,590	(140,489)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(259,811)	(205,413)
Investment in an associate		(1,000)	–
Net cash flows used in investing activities		(260,811)	(205,413)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	Six months ended 30 June 2018 CNY'000 (Unaudited)	2017 CNY'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from interest-bearing bank and other borrowings		318,000	583,400
Repayments of interest-bearing bank and other borrowings		(174,898)	(501,816)
(Increase)/decrease of restricted bank deposits	19	(70,000)	230,000
Advances from a related company		200,850	409,546
Repayments to a related company		(250,000)	(420,130)
Net cash flows from financing activities		23,952	301,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		8,731	(44,902)
Net foreign exchange difference		96	(608)
Cash and cash equivalents at the beginning of the period		77,639	117,192
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	19	86,466	71,682

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

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 (the "Spin-off") of its shareholding in the Company and the shares of the Company were listed by introduction on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 22 January 2014. After the Spin-off, CHNR's shareholders hold the 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 of the Company (the "Directors"), the ultimate holding company of the Company is Laitan Investments Limited, a company incorporated in the BVI.

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

As at 30 June 2018, the Group had net current liabilities of CNY786.8 million (31 December 2017: CNY783.5 million) and total assets less current liabilities of CNY2,090.9 million (31 December 2017: CNY1,888.2 million).

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

2.1 Basis of Preparation

The interim financial information for the six months ended 30 June 2018 has been prepared in accordance with IAS 34 *Interim Financial Reporting* as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

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

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

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

2.1 Basis of Preparation (continued)

Going Concern

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

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

2.2 New Standards, Interpretations and Amendments Adopted by the Group

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

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

2.2 New Standards, Interpretations and Amendments Adopted by the Group (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

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

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

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

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

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

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

(a) *Sale of Coal*

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

(b) *Presentation and Disclosure*

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

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

2.2 New Standards, Interpretations and Amendments Adopted by the Group (continued)

IFRS 9 Financial Instruments

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

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

(a) Classification and Measurement

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

(b) Impairment

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

3. OPERATING SEGMENT INFORMATION

During the six months ended 30 June 2018, 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 six months ended 30 June 2018, revenue derived from sales to the largest customer amounted to 28.7% of the consolidated revenue. During the six months ended 30 June 2017, revenue derived from sales to the two largest customers amounted to 26.9% and 15.0% of the consolidated revenue, respectively.

4. DISCONTINUED OPERATION

Gouchang Coal Mine is a coal mine located in Guizhou Province, the PRC, which is wholly owned by Nayong Gouchang Coal Mining Co., Ltd., a subsidiary of the Company. The operation of Gouchang Coal Mine has been suspended since March 2013 pending the acquisition of a nearby coal mine and Gouchang Coal Mine achieving certain production targets in accordance with Guizhou Province's coal mine consolidation policy. The Group therefore planned to close down Gouchang Coal Mine in accordance with the second batch of the restructuring proposals approved by the Energy Bureau of Guizhou Province* (貴州省能源局) and the Leading Group Office of Guizhou Province on Coal Enterprises Consolidation* (貴州省煤礦企業兼併重組工作領導小組辦公室) on 5 January 2016. In the first half of 2018, substantially all the work at Gouchang Coal Mine had ceased, therefore, the operating results have been reclassified to a discontinued operation for the purpose of preparing the interim condensed consolidated statement of profit or loss. There was no significant impact of the discontinued operation on the condensed consolidated statement of profit or loss in the first half of 2018.

* *For identification purpose only*

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

4. DISCONTINUED OPERATION (continued)

The results of Gouchang Coal Mine for the six months ended 30 June 2018 and 2017 are presented below:

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

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

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

4. DISCONTINUED OPERATION (continued)

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

	Six months ended 30 June	
	2018	2017
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Loss attributable to ordinary equity holders of the parent from a discontinued operation	**–**	(274)
Weighted average number of ordinary shares ('000 shares)		
Basic	**1,380,546**	1,380,546
Diluted	**1,380,546**	1,380,546
Loss per share attributable to ordinary equity holders of the parent (CNY per share):		
Basic, from a discontinued operation	**–**	*
Diluted, from a discontinued operation	**–**	*

* Insignificant

5. REVENUE FROM CONTINUING OPERATIONS

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

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

6. FINANCE COSTS FROM CONTINUING OPERATIONS

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

7. NON-OPERATING (EXPENSES)/INCOME, NET FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2018	2017
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Government grant (Note 8)	**7,329**	14,017
Surcharges for late tax payments	**(226)**	(386)
Donation	**–**	(1,010)
Penalty	**(3,437)**	(680)
VAT output arising from internal interest income	**(3,197)**	–
Others	**(479)**	(416)
	(10)	11,525

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

8. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Six months ended 30 June	
	2018	2017
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Crediting:		
Interest income on bank deposits	**93**	3,344
Government grant (Note 7)	**7,329**	14,017
Charging:		
Cost of inventories sold (a)	**154,773**	166,950
Sales tax and surcharge	**25,389**	21,061
Utilisation of safety fund and production maintenance fund	**11,999**	18,552
Cost of sales	**192,161**	206,563
Employee benefit expenses (Note 9)	**91,322**	73,233
Depreciation, depletion and amortisation:		
Property, plant and equipment (Note 13)	**78,345**	85,170
Impairment of inventories (Note 16)	**303**	–
Impairment of trade and bills receivables (Note 17)	**1,032**	9,318
Reversal of impairment of prepayments, deposits and other receivables (Note 18)	**(447)**	–
Repairs and maintenance	**7,518**	1,096
Losses arising from temporary suspension of production	**11,905**	–

(a) Included in the cost of inventories sold is CNY102.7 million for the six months ended 30 June 2018 (six months ended 30 June 2017: CNY114.3 million), relating to employee benefit expenses and depreciation, depletion and amortisation, and these amounts are also included in the respective amounts disclosed separately above for each type of expense.

NOTES TO INTERIM FINANCIAL INFORMATION
For the six months ended 30 June 2018

9. EMPLOYEE BENEFITS FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2018	2017
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Wages, salaries and allowances	**83,552**	73,990
Contribution to pension plans (a)	**3,733**	1,789
Housing funds (a)	**1,275**	201
Welfare and other expenses	**11,590**	3,770
Sub-total	**100,150**	79,750

(a) According to the PRC state regulations, the employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government and government-sponsored housing funds. These subsidiaries are required to contribute certain percentages of their payroll costs for those qualified urban employees to the central pension scheme as well as the housing funds.

Employee benefits charged to the profit from continuing operations are analysed as follows:

	Six months ended 30 June	
	2018	2017
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Total employee benefits accrued for the period	**100,150**	79,750
Less:		
Amount included in inventories	**(1,036)**	(2,659)
Amount included in property, plant and equipment	**(7,792)**	(3,858)
Amount charged to profit from continuing operations (Note 8)	**91,322**	73,233

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

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

Under the Law of the PRC on corporate income tax ("CIT") and Implementation Regulation of the Corporate Income Tax Law (the "CIT Law") collectively, the tax rate applicable for PRC group entities was 25% during the six months ended 30 June 2018 (six months ended 30 June 2017: 25%).

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

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

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

10. INCOME TAX AND DEFERRED TAX (continued)

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

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

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

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

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

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

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

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

* Insignificant

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

12. DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the additions of property, plant and equipment (excluding transferred from construction in progress) and construction in progress amounted to CNY25.0 million (six months ended 30 June 2017: CNY20.9 million) and CNY206.3 million (six months ended 30 June 2017: CNY108.6 million), respectively.

During the six months ended 30 June 2018, the total depreciation accrued was CNY78.3 million (six months ended 30 June 2017: CNY85.2 million) (Note 8).

As at 30 June 2018, certain mining rights with a carrying amount of CNY538.5 million (31 December 2017: CNY595.1 million) were pledged to secure bank loans with a carrying amount of CNY795.0 million (31 December 2017: CNY620.0 million) (Note 23).

As at 30 June 2018, certain machinery and equipment with a carrying amount of CNY163.8 million (31 December 2017: CNY176.1 million) were pledged to secure loans with a carrying amount of CNY103.7 million (31 December 2017: CNY135.2 million) (Note 23).

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

The Group incurred no impairment loss on property, plant and equipment from the continuing operations for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil), and also no impairment loss (six months ended 30 June 2017: CNY0.3 million) was recognised in the discontinued operation of Gouchang Coal Mine.

14. REHABILITATION FUND

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

15. INVESTMENT IN AN ASSOCIATE

On 6 December 2017, Guizhou Longfei Technology Development Co., Ltd. ("Longfei") was established with a registered capital of CNY20.0 million. Bijie Feishang Energy Co., Ltd. ("Bijie Feishang") (an indirect wholly-owned subsidiary of the Company) subscribed 20% of the capital at an amount of CNY4.0 million. Longfei will focus on the informatisation and intelligence of coal mines, technical consultation, producing, trading and repairing of mining facilities and spare parts. Bijie Feishang paid the subscribed capital of CNY1.0 million in January 2018.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

16. INVENTORIES

	At 30 June 2018 CNY'000 (Unaudited)	At 31 December 2017 CNY'000 (Audited)
Spare parts and consumables	36,107	22,672
Coal	6,763	3,346
Less: Provision for impairment	(854)	(551)
	42,016	25,467

17. TRADE AND BILLS RECEIVABLES

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

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

No bills receivable (31 December 2017: CNY26.0 million) was pledged as security for short-term loans (31 December 2017: CNY23.4 million) as at 30 June 2018 (Note 23).

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

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

17. TRADE AND BILLS RECEIVABLES (continued)

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

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

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

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

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

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

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

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

NOTES TO INTERIM FINANCIAL INFORMATION
For the six months ended 30 June 2018

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The balances consists of prepayments, deposits and other receivables at cost of:

	At 30 June 2018 CNY'000 (Unaudited)	At 31 December 2017 CNY'000 (Audited)
Current:		
Prepaid spare parts and consumables purchases	57,475	17,154
Deposits	14,492	15,053
Staff advances	8,656	6,274
Withheld social security	12,850	8,220
Value-added tax recoverable	5,536	4,564
Prepaid transportation fee	7,438	17,827
Prepaid coals for trading purpose	35,324	46,005
Others	5,959	6,949
Less: Provision for impairment	(5,072)	(5,519)
	142,658	116,527
Non-current:		
Prepayments for land use rights	1,359	743
Prepayments for construction related work	199,605	125,462
Deposits for equipment purchases	14,286	23,949
Prepayments for mining plan design	905	5,259
Others	1,407	2,255
Less: Provision for impairment	(3,704)	(3,704)
	213,858	153,964
	356,516	270,491

The financial assets included in the above balances relate to receivables for which there was no recent history of default.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

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

	At 30 June 2018 CNY'000 (Unaudited)	At 31 December 2017 CNY'000 (Audited)
Current:		
At the beginning of the period/year	5,519	4,505
Impairment losses recognised	–	1,014
Impairment losses reversed	(447)	–
Sub-total	5,072	5,519
Non-current:		
At the beginning of the period/year	3,704	3,704
Impairment losses recognised	–	–
Sub-total	3,704	3,704
At the end of the period/year	8,776	9,223

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	At 30 June 2018 CNY'000 (Unaudited)	At 31 December 2017 CNY'000 (Audited)
Cash and bank balances	166,466	87,639
	166,466	87,639
Less: Pledged time deposits:		
Pledged and restricted for bank bills (Note 20)	(80,000)	(10,000)
Cash and cash equivalents	86,466	77,639

(i) Restricted bank deposits mainly include deposits of CNY80.0 million (31 December 2017: CNY10.0 million) held as security for bank bills as at 30 June 2018.

NOTES TO INTERIM FINANCIAL INFORMATION
For the six months ended 30 June 2018

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

(ii) Deposits and cash and cash equivalents are denominated in the following currencies:

	At 30 June 2018 CNY'000 (Unaudited)	At 31 December 2017 CNY'000 (Audited)
CNY	153,040	71,282
Hong Kong dollar	13,426	16,357
	166,466	87,639

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

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

20. TRADE AND BILLS PAYABLES

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

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

20. TRADE AND BILLS PAYABLES (continued)

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

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

Bills payable are bills of exchange with maturity of less than one year. Time deposits of CNY80.0 million (31 December 2017: CNY10.0 million) were pledged to secure the bank bills as at 30 June 2018 (Note 19).

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

NOTES TO INTERIM FINANCIAL INFORMATION
For the six months ended 30 June 2018

21. OTHER PAYABLES AND ACCRUED LIABILITIES

	At 30 June 2018 CNY'000 (Unaudited)	At 31 December 2017 CNY'000 (Audited)
Natural resources fee (a)	526	695
Deposits from contractors	73,507	77,817
Social security payable (b)	40,239	29,630
Payroll payable	22,779	24,387
Advances from customers (c)	–	74,946
Other taxes payables	29,827	54,182
Professional fee	1,366	1,786
Payables for emergency rescue of the coal mine	4,000	4,000
Geological hazard compensation	380	3,094
Transportation fee	5,929	1,195
Others	8,877	11,750
	187,430	283,482

(a) The natural resources fee represents fee payable to the PRC Government and is calculated as a percentage of sales or sales volume.

(b) The social security payable consists of employee retirement insurance, medical insurance, maternity insurance, employment injury insurance and unemployment insurance and housing funds for the Group's employees.

(c) Advances from customers represents advanced amounts from coal sales. It was reclassified to contract liabilities according to IFRS 15 adopted as at 1 January 2018 (Note 2.2).

Other payables are non-interest-bearing and have an average term of three months.

NOTES TO INTERIM FINANCIAL INFORMATION
For the six months ended 30 June 2018

22. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities as at 30 June 2018 and 31 December 2017:

	At 30 June 2018 CNY'000 (Unaudited)	At 31 December 2017 CNY'000 (Audited)
Current	78,369	–
	78,369	–

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying goods or services are yet to be provided. Such liabilities increased as a result of the growth of the Group's business.

Sale of coal were made in a short period of time and the performance obligation was satisficed in one year or less as at 30 June 2018 and 31 December 2017.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

23. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

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 CNY538.5 million (31 December 2017: CNY595.1 million) as at 30 June 2018 (Note 13);

(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 CNY163.8 million (31 December 2017: CNY176.1 million) as at 30 June 2018 (Note 13);

(3) Pledges over the bills receivable in Guizhou Puxin Energy Co., Ltd. ("Guizhou Puxin") with a carrying amount of nil (31 December 2017: CNY26.0 million) as at 30 June 2018 (Note 17);

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

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

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

All borrowings are denominated in CNY.

24. MINING RIGHT PAYABLES

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

The mining right payables bear interest at a rate stipulated by the People's Bank of China from year to year. The interest rate for mining right payables for the six months ended 30 June 2018 was 4.90% (six months ended 30 June 2017: 4.75% to 4.90%).

NOTES TO INTERIM FINANCIAL INFORMATION
For the six months ended 30 June 2018

25. DEFERRED INCOME

	Amount CNY'000
At 1 January 2017 (Audited)	1,407
Recognised during the year	1,000
Released to the consolidated statement of profit or loss	(294)
At 31 December 2017 and 1 January 2018 (Audited)	2,113
Released to the condensed consolidated statement of profit or loss	(147)
At 30 June 2018 (Unaudited)	1,966

Government grants at the amounts of CNY1.9 million and CNY1.0 million were received in the year 2015 and 2017 for certain underground construction projects of Guizhou Dayun, respectively. The amount was included in deferred income in the consolidated statement of financial position, which was recognised in the consolidated statement of profit or loss along with the depreciation of related assets over their useful lives.

26. ASSET RETIREMENT OBLIGATIONS

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

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

	Amount CNY'000
At 1 January 2017 (Audited)	10,844
Accretion expenses	1,044
At 31 December 2017 and 1 January 2018 (Audited)	11,888
Accretion expenses	574
At 30 June 2018 (Unaudited)	12,462

NOTES TO INTERIM FINANCIAL INFORMATION
For the six months ended 30 June 2018

27. SHARE CAPITAL

	At 30 June 2018 CNY'000 (Unaudited)	At 31 December 2017 CNY'000 (Audited)
Authorised:		
100,000,000,000 (31 December 2017: 100,000,000,000 ordinary shares of HK$0.001 each) ordinary shares of HK$0.001 each	79,960	79,960
Issued and fully paid:		
1,380,545,800 (31 December 2017: 1,380,545,800 ordinary shares of HK$0.001 each) ordinary shares of HK$0.001 each	1,081	1,081

28. COMMITMENTS

(a) Capital Commitments

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

	At 30 June 2018 CNY'000 (Unaudited)	At 31 December 2017 CNY'000 (Audited)
Construction and purchase of property, plant and equipment		
– Contracted, but not provided for	61,133	64,366
	61,133	64,366

(b) Operating Lease Commitments

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

	At 30 June 2018 CNY'000 (Unaudited)	At 31 December 2017 CNY'000 (Audited)
Within the first year	622	307
After one year but not more than five years	311	–
	933	307

NOTES TO INTERIM FINANCIAL INFORMATION
For the six months ended 30 June 2018

29. RELATED PARTY TRANSACTIONS

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

(a) Commercial Transactions with a Related Company

Commercial transactions with a related company are summarised as follows:

	Six months ended 30 June	
	2018	2017
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Payment of its share of office rental, rates and others to Anka Consultants Limited ("Anka") *	**370**	401

* On 1 July 2016, the Company and CHNR signed the office sharing agreement with Anka, a private Hong Kong company that is owned by certain Directors. Pursuant to the agreement, the office premises of 238 square metres were shared by the Company and CHNR on an equal basis. The agreement also provided that the Company and CHNR shared certain costs and expenses in connection with their use of the office, in addition to some of the accounting and secretarial services and day-to-day office administration provided by Anka.

(b) Compensation of Key Management Personnel of the Group

	Six months ended 30 June	
	2018	2017
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Wages, salaries and allowances	**811**	686
Contribution to pension plans	**42**	26
Housing funds	**19**	18
Welfare and other expenses	**29**	18
	901	748

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

29. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding Balance with a Related Company

The Group's payable with a related company, which is unsecured and non-interest-bearing, is summarised as follows:

	At 30 June 2018 CNY'000 (Unaudited)	At 31 December 2017 CNY'000 (Audited)
Non-current		
Payables to a related company:		
Feishang Enterprise Group Co., Ltd. *	1,603,693	1,652,843

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

30. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

As at 30 June 2018 and 31 December 2017, there was no financial instrument measured at fair value.

31. EVENTS AFTER THE REPORTING PERIOD

On 26 July 2018, Guizhou Puxin received and fully drew down a CNY50.0 million short-term bank loans from Bank of Chongqing to be repaid on 25 July 2019. The purpose of the loan is to pay the purchase of coal. The loan bears a fixed interest rate of 4.35% per annum.

On 10 August 2018, Guizhou Puxin and Liuzhi Xinsong Coal Mining Co., Ltd. ("Xinsong Coal"), and CCTEG Financial leasing Co., Ltd. ("CCTEG"), an independent third party of the Company, entered into a finance lease agreement, pursuant to which CCTEG agreed to acquire certain mining machinery and equipment (the "Relevant Xinsong Coal Machinery and Equipment") as per the instructions given by Guizhou Puxin and Xinsong Coal and CCTEG agreed to lease the Relevant Xinsong Coal Machinery and Equipment to Guizhou Puxin and Xinsong Coal at the total rental amount of CNY68.3 million (comprising total lease principal of CNY61.8 million and total lease interest of CNY6.5 million) for a term of 36 months.

On 10 August 2018, Guizhou Puxin and Jinsha Baiping Mining Co., Ltd. ("Baiping Mining"), and CCTEG entered into a finance lease agreement, pursuant to which CCTEG agreed to acquire certain mining machinery and equipment (the "Relevant Baiping Mining Machinery and Equipment") as per the instructions given by Guizhou Puxin and Baiping Mining and CCTEG agreed to lease the Relevant Baiping Mining Machinery and Equipment to Guizhou Puxin and Baiping Mining at the total rental amount of CNY75.6 million (comprising total lease principal of CNY68.5 million and total lease interest of CNY7.2 million) for a term of 36 months.

32. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim financial information was approved and authorised for issue by the board of directors on 31 August 2018.

SUMMARY OF MINE PROPERTIES

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

Mine	Baiping Coal Mine	Yongsheng Coal Mine	Dayun Coal Mine	Dayuan Coal Mine (Note 2)	Liujiaba Coal Mine	Zhulinzhai Coal Mine	Gouchang Coal Mine (Note 1)
	Commercial Production						To be closed for consolidation
Location (within Guizhou province, the PRC)	Jinsha County, Qianbei Coal District	Jinsha County, Qianbei Coal District	Jinsha County, Qianbei Coal District	Nayong County, Zhina Coal District	Liuzhi Special District, Zhina Coal District	Liuzhi Special District, Zhina Coal District	Nayong County, Zhina Coal District
Equity interest held by the Group	70%	70%	100%	100%	100%	100%	99%
Date of initial/expected commercial production	June 2009	February 2014	July 2015	November 2013	December 2012	April 2012	n/a
Reserve data (as of 31 July 2013) (Note 3)							
Proved reserve (million tonnes)	3.44	3.77	12.50	2.99	2.08	2.15	1.87
Probable reserve (million tonnes)	19.04	48.19	84.79	5.27	11.52	7.41	3.85
Total proved and probable reserve (million tonnes)	**22.48**	**51.96**	**97.29**	**8.26**	**13.60**	**9.56**	**5.72**
Reserve data (as of 30 June 2018) (Note 4)							
Proved reserve (million tonnes)	2.42	–	10.04	2.92	1.71	2.07	n/a
Probable reserve (million tonnes)	19.04	47.60	84.79	5.27	11.52	7.41	n/a
Total proved and probable reserve (million tonnes)	**21.46**	**47.60**	**94.83**	**8.19**	**13.23**	**9.48**	**n/a**
Capital Expenditure for the six months ended 30 June 2018 (CNY in millions)	27.20	109.28	55.77	–	51.07	–	n/a

Notes:

(1) The Group has planned to close down Gouchang Coal Mine in accordance with relevant Guizhou province's coal mine consolidation policy. The credit of the coal resource and reserve of Gouchang Coal Mine will be retained and utilised by Baiping Coal Mine in future.

(2) Operations have been suspended at Dayuan Coal Mine since June 2014 pending the passing of verification and acceptance procedures conducted by the Nayong County Administration Bureau of Work Safety. The Group's original plan to acquire a nearby coal mine to achieve the consolidation of Dayuan Coal Mine was suspended in 2016. The Group is planning to consolidate Dayuan Coal Mine under the Guizhou province's coal mine consolidation policy by closing down another coal mine owned by an associate of Mr. LI Feilie, the controlling shareholder of the Company.

(3) The reserve data as of 31 July 2013 is extracted from competent person's report dated 7 December 2013 prepared by Behre Dolbear Asia, Inc. under the JORC Code.

(4) The reserve data as of 30 June 2018 has been substantiated by the Group's internal expert by adjusting those reserves extracted by the Group's mining activities from August 2013 to June 2018 from the proved reserve figure as of 31 July 2013. All assumptions and technical parameters set out in the competent person's report as shown in the listing document of the Company dated 31 December 2013 have not been materially changed and are continued to apply to the reserve data as of 30 June 2018 (except those of Gouchang Coal Mine).

(5) There was no exploration activity for the Group during the Reporting Period.