FEISHANG

Feishang Anthracite Resources Limited

(Incorporated in the British Virgin Islands with limited liability)

Stock Code : 1738

2017 Interim Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. LO Kin Cheung
Mr. 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. WAN Huojin
Mr. HAN Weibing

AUDITORS

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

REGISTERED OFFICE

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

(As to PRC Law)
Commerce & Finance Law Offices

(As to British Virgin Islands Law)
Maples and Calder

PRINCIPAL BANKERS

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

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2017

- Revenue increased by approximately 122.9% to approximately CNY421.4 million for the six months ended 30 June 2017 from approximately CNY189.0 million for the six months ended 30 June 2016

- Gross profit increased by approximately 332.2% to approximately CNY214.9 million for the six months ended 30 June 2017 from approximately CNY49.7 million for the six months ended 30 June 2016

- Profits attributable to owners of the parent from continuing operations for the six months ended 30 June 2017 recorded a turnaround to approximately CNY37.1 million from a loss of approximately CNY164.9 million for the same period last year

- Basic profit 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 2017 (the "Reporting Period").

BUSINESS REVIEW

Owing to the improvement in external environment, the rise in commodities' price and the warm-up of domestic real estate market in the first half of 2017, the Chinese economy has maintained a momentum of steady and sound growth, with gross domestic product growth rate of 6.9% as compared with the same period of 2016. In the relatively favourable economic condition, the iron and steel industry improved significantly, the cement industry also became profitable, and the power generation and consumption of the whole society showed positive growth momentum. Attributed to the strong demand from down-stream industries and the continuing implementation of cutting excess capacity in the coal sector, coal price went through sharp fluctuations at a high level in the first half of 2017. As of 30 June 2017, the average Bohai-Rim Steam-Coal Price Index was reported at CNY590 per tonne, surging by 53% as compared to that of CNY387 per tonne in 2016. The coal price in Guizhou province also witnessed strong rebound.

The Group seized the opportunities of the growing market, drew on the Group's own coal beneficiation plant, coal washing facility and high sieving systems to perform coal washing and efficient coal blending. Accordingly, the Group was able to boost its turnover by 1.2 folds during the Reporting Period through the supply of customised coal products with different specifications and stable quality to different customers compared to that of the same period in 2016. Meanwhile, the Group took this golden opportunity to secure additional market share by giving first priority to the demand from major customers such as cement plants by slight price concession. Besides, the Group adhered to the "payment before delivery" term to non-strategic customers to reduce working capital cycle. Benefited from the implementation of the aforesaid measures as well as the recovery of the coal industry as a whole, the average selling price of the Group's self-produced products increased by approximately 109.6% in the first half of 2017 compared to that of the same period in 2016.

SUMMARY OF EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES

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

- During the Reporting Period, total production volume of the Group was approximately 0.71 million tonnes. As at 30 June 2017, 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 197.19 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 2017). For details, please refer to the Summary of Mine Properties as set out on page 50 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 122.9% from approximately CNY189.0 million for the six months ended 30 June 2016 to approximately CNY421.4 million for the Reporting Period. The increase in revenue of approximately CNY232.4 million during the Reporting Period was mainly attributable to (i) the increase in revenue of approximately CNY4.5 million from sales of third party coal which resumed from August 2016; and (ii) the increase in revenue of approximately CNY227.9 million from sales of self-produced anthracite coal which was contributed by the slight increase in sales volume and the surge in average selling price, especially in the average selling price of processed coal (including coal screening and/or coal washing and coal blending), in the first half of 2017. The sales volume of self-produced anthracite coal increased slightly from 894,400 tonnes for the six months ended 30 June 2016 to 941,234 tonnes for the Reporting Period, representing a rise of approximately 5.2%. The average selling price of self-produced anthracite coal rose from CNY211.4 per tonne for the six months ended 30 June 2016 to CNY443.0 per tonne for the Reporting Period, representing a rise of approximately 109.6%, due to the recovery on the market price of coal in Guizhou province since the fourth quarter of 2016.

The Group's revenue from sales of processed self-produced coal increased from approximately CNY128.8 million with sales volume of 537,585 tonnes for the six months ended 30 June 2016 to approximately CNY274.3 million with sales volume of 501,923 tonnes during the Reporting Period. The increase in revenue from sales of processed self-produced coal was mainly due to the rise in average selling price from CNY239.5 per tonne for the six months ended 30 June 2016 to CNY546.5 per tonne during the Reporting Period. The reasons for the rise in average selling price had been discussed above.

Cost of Sales

The Group's cost of sales increased by approximately 48.3% from approximately CNY139.3 million for the six months ended 30 June 2016 to approximately CNY206.6 million for the Reporting Period mainly due to the increase in material, fuel and energy costs, depreciation and taxes and levies.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales for Coal Mining

Labour costs for the Reporting Period were approximately CNY45.1 million, representing an increase of approximately CNY2.2 million, or approximately 5.3%, as compared with approximately CNY42.9 million for the six months ended 30 June 2016. The slight increase in labour costs was generally in line with the slight increase in sales volume and the unit cost of labour costs kept stable.

Material, fuel and energy costs for the Reporting Period were approximately CNY39.5 million, an increase of approximately CNY26.4 million, or approximately 202.6%, as compared with approximately CNY13.1 million for the six months ended 30 June 2016. The increase in material, fuel and energy costs was higher than the increase in sales volume of the Group's self-produced anthracite products for the Reporting Period mainly due to the increase in the repair and maintenance of mining machinery and equipment and purchase of materials and facilities for safety work.

Depreciation and amortisation for the Reporting Period were approximately CNY77.3 million, representing an increase of approximately CNY12.9 million, or approximately 20.0%, as compared with approximately CNY64.4 million for the six months ended 30 June 2016. The increase in depreciation and amortisation for the Reporting Period was caused by the larger depreciable base arising from the increase in property, plant and equipment at Yongsheng Coal Mine and Dayun Coal Mine and the increase in production volume at Baiping Coal Mine.

Taxes and levies for the Reporting Period were approximately CNY19.8 million, an increase of approximately CNY9.7 million or approximately 95.8% as compared with approximately CNY10.1 million for the six months ended 30 June 2016. This increase in the taxes and levies for the Reporting Period, which mainly consisted of the ad valorem resource tax, was mainly due to the rise in the average selling price of anthracite coal.

Cost of Sales for Coal Processing

Coal processing cost, which included coal screening costs and/or coal washing costs and coal blending costs, increased from approximately CNY7.6 million for the six months ended 30 June 2016 to approximately CNY21.3 million for the Reporting Period. This was mainly due to (i) the increase in labour costs, which was mainly due to the increase in staff headcount and bonus; (ii) the increase in material, fuel and energy costs, which was mainly due to the increase in purchase of materials and facilities for environment protection and repair and maintenance of equipment; (iii) the increase in depreciation, which was mainly due to the increase in property, plant and equipment in Jinsha Juli Energy Co., Ltd. ("Jinsha Juli"); and (iv) the increase in the taxes and levies, which mainly consisted of the ad valorem levies based on value-added tax, mainly due to the rise in the average selling price of anthracite coal.

MANAGEMENT DISCUSSION AND ANALYSIS

Breakdown of the Group's Unit Cost of Sales

Cost Items for Coal Mining Activities	Six months ended 30 June 2017 CNY/tonne	2016 CNY/tonne
Labour costs	**47.9**	47.9
Raw materials, fuel and energy	**42.0**	14.6
Depreciation and amortisation	**82.1**	72.1
Taxes & levies payable to governments	**21.1**	11.3
Other production-related costs	**3.6**	1.4
Total unit cost of sales for coal mining	**196.7**	147.3

Cost Items for Coal Processing Activities	Six months ended 30 June 2017 CNY/tonne	2016 CNY/tonne
Labour costs	**15.6**	7.4
Materials, fuel and energy	**17.0**	3.0
Depreciation	**6.3**	3.0
Taxes & levies payable to governments	**2.4**	–
Other coal processing related costs	**1.2**	0.6
Total unit of cost of sales for coal processing	**42.5**	14.0

Gross Profit and Gross Margin

As a result of the foregoing, the overall gross profit increased by approximately 332.2% from approximately CNY49.7 million for the six months ended 30 June 2016 to approximately CNY214.9 million for the Reporting Period. The overall gross margin, which is equal to gross profit divided by revenue, increased from approximately 26.3% for the six months ended 30 June 2016 to approximately 51.0% for the Reporting Period. For the self-produced anthracite coal, the gross profit increased by approximately 323.2% from approximately CNY49.7 million for the six months ended 30 June 2016 to approximately CNY210.4 million for the Reporting Period and the gross margin increased from approximately 26.3% for the six months ended 30 June 2016 to approximately 50.5% for the Reporting Period. This was mainly due to the rise in average selling price as discussed above.

Impairment Loss on Property, Plant and Equipment

The Group had no impairment loss on property, plant and equipment for the Reporting Period in connection with the recovery on coal price, as compared with an impairment loss on property, plant and equipment of approximately CNY95.5 million for the six months ended 30 June 2016 in connection with the suspension of Dayuan Coal Mine.

Non-operating Income/Expenses, Net

The net non-operating income was approximately CNY11.5 million for the Reporting Period compared to the net non-operating expenses of approximately CNY2.6 million for the six months ended 30 June 2016, mainly due to Yongsheng Coal Mine's receipt of the price subsidy of thermal coal from local government for supply of thermal coal to power plants during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

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

The profit attributable to owners of the parent from continuing operations for the Reporting Period was approximately CNY37.1 million, an increase of approximately CNY202.0 million from the loss of approximately CNY164.9 million for the six months ended 30 June 2016. This was mainly caused by (i) the increase of approximately CNY165.2 million in gross profit resulting from the rise in average selling price during the Reporting Period; (ii) the approximately CNY95.5 million decrease in impairment loss of coal mines from approximately CNY95.5 million of Dayuan Coal Mine for the six months ended 30 June 2016 to nil for the Reporting Period; and (iii) the increase of approximately CNY14.1 million in net non-operating income mainly due to Yongsheng Coal Mine's receipt of the price subsidy of thermal coal from local government for supply of thermal coal to power plants. The increase in profit was partially offset by (i) an increase of approximately CNY44.3 million in income tax expense mainly due to a decrease of impairment loss on property, plant and equipment and the increase in profit before income tax during the Reporting Period; (ii) an increase of approximately CNY15.5 million in administrative expenses mainly due to an increase in staff cost and travel and entertainment expenses; and (iii) an increase of approximately CNY10.0 million in selling expenses mainly due to an increase in transportation fee and staff cost.

Discontinued Operation

Since March 2013, the operations of Gouchang Coal Mine had been suspended pending on 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 2016 and 30 June 2017, the Group had net current liabilities of approximately CNY815.5 million and approximately CNY931.6 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 2017, the Group had cash and cash equivalents of approximately CNY71.7 million.

MANAGEMENT DISCUSSION AND ANALYSIS

The interest-bearing loans consist of short-term and long-term bank and other borrowings. As at 30 June 2017, 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 CNY770.7 million. The Group had total outstanding long-term bank borrowings (excluding the current portion) of approximately CNY157.7 million. Some of the outstanding bank and other borrowings are guaranteed by Mr. LI Feilie (the controlling shareholder of the Company) and certain associates of Mr. LI Feilie and some of the Group's bank borrowings are secured by pledges of the mining rights, machinery and equipment owned by Guizhou Dayun Mining Co., Ltd. ("Guizhou Dayun"), Jinsha Juli and Guizhou Yongfu Mining Co., Limited, and equity interests in Guizhou Puxin Energy Co., Ltd. ("Guizhou Puxin") and Guizhou Dayun. As at 30 June 2017, the Group had loans amounting to approximately CNY238.3 million with fixed interest rates ranging from 5.0025% to 9.34% per annum. The remaining loans held by the Group as at 30 June 2017 had floating interest rates ranging from 4.785% to 6.37% per annum.

Pledge of Assets of the Group

As at 31 December 2016 and 30 June 2017, the amount of outstanding bank borrowings that were guaranteed by Mr. LI Feilie were approximately CNY685.8 million and approximately CNY756.2 million, respectively and the amount of outstanding bank borrowings that were guaranteed by certain associates of Mr. LI Feilie were approximately CNY846.8 million and approximately CNY917.2 million, respectively.

As at 31 December 2016 and 30 June 2017, certain mining rights of the Group with carrying amounts of approximately CNY506.4 million and approximately CNY599.7 million, respectively were pledged to secure bank loans with carrying amounts of approximately CNY491.8 million and approximately CNY540.9 million, respectively.

As at 31 December 2016 and 30 June 2017, the Company's equity interest in Guizhou Puxin and Guizhou Dayun were pledged to secure bank loans with carrying amounts of approximately CNY441.8 million and approximately CNY490.9 million, respectively.

As at 31 December 2016 and 30 June 2017, certain machinery and equipment owned by the Group with carrying amounts of CNY200.0 million and approximately CNY188.9 million, respectively were pledged to secure loans with carrying amounts of CNY194.0 million and approximately CNY165.3 million, respectively.

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 2017, 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 CNY58.6 million.

Contingent Liabilities

As at 30 June 2017, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

As at 31 December 2016 and 30 June 2017, 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 289.8% and 220.0%, respectively. The gearing ratio decreased in 2017 as the Group recorded a turnaround from loss to profit for the Reporting Period.

INTERIM DIVIDEND

The Board does not declare an interim dividend for the Reporting Period (six months ended 30 June 2016: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group employed 373 full time employees (not including 1,384 workers provided by third party labour agencies) for its principal activities. Employees' costs (including Directors' emoluments) amounted to approximately CNY79.8 million (including payment to workers provided by third party labour agencies) for the Reporting Period (six months ended 30 June 2016: approximately CNY69.0 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 31 July 2017, Guizhou Puxin received and fully drew down a CNY18.0 million short-term bank loan from Guiyang Bank to be repaid on 27 July 2018. The purpose of the loan is to purchase coal. The loan bears a fixed annual interest rate equal to 20% above the one-year base lending rate stipulated by the People's Bank of China (4.35% per annum, resulting in an annual interest rate of 5.22% per annum).

PROSPECTS

In accordance with the Report on the Work of the Government delivered by the Premier of the State Council at the Fifth Session of the 12th National People's Congress of the People's Republic of China on 5 March 2017, a minimum of 150 million tonnes of nationwide coal production facilities are planned to be shut down by the end of 2017. Approximately 65% of the proposed coal production facilities have been shut down in the first half of 2017 and the remaining 35% is forthcoming in the second half. With the further advancement of the supply-side reform in the coal sectors and the gradual stabilisation of the Chinese economy, it is expected that the overcapacity in the coal market will be ameliorated remarkably and coal price will move within an appropriate range, thus ensuring the sustained profitability of most coal producers. It is also expected that the coal industry will emerge from downturn on the whole and perform in a healthy and stable manner in the second half of 2017. The Group intends to increase the Group's overall competitiveness by continuing the expansion of the existing port, transportation belt and coal washing plant and optimise mining plan to reduce production cost and enhance production efficiency. The Group believes that by improving product quality and adopting flexible sales policy, it will cater to different specification requirements of more customers and penetrate the surrounding coal market. The Company stands ready for the situation of cutting overcapacity in the coal sectors in China and will spare no effort to provide investors of the Company with more promising returns.

MANAGEMENT DISCUSSION AND ANALYSIS

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

AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process, 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 2017

OTHER INFORMATION

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

As at 30 June 2017, 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 2017, 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 2017, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under Section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were set out below:

(I) The Company

Name of Director	Long/short position	Capacity	Number of shares	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)

(i) 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 2017, 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 appropriate 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 set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all the Directors, the Company confirmed that all the Directors have complied with the required standard set out in the Model Code during the Reporting Period.

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

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

DISCLOSURE OF CHANGE OF DIRECTORS' INFORMATION

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

Mr. YUE Ming Wai Bonaventure resigned as the company secretary of Feishang Non-metal Materials Technology Limited on 23 June 2017.

OTHER INFORMATION

Save as disclosed above, the Directors are not aware of any other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the 2016 Annual Report of the Company.

SHARE OPTION SCHEME OF THE COMPANY

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

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 2017, 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 2017

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 18 to 49, which comprise the condensed consolidated statements of financial position of Feishang Anthracite Resources Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2017 and the related condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and 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, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Emphasis of Matter

Without qualifying our conclusion, we draw attention to note 2 to the interim financial information which indicates that the Group has net current liabilities of CNY931.6 million and shareholders' deficit of CNY530.2 million. This condition indicates the existence of a material uncertainty that may cast doubt about the Group's ability to continue as a going concern.

Ernst & Young
Certified Public Accountants
Hong Kong
31 August 2017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Notes	Six months ended 30 June **2017** **CNY'000** **(Unaudited)**	 2016 CNY'000 (Unaudited)
CONTINUING OPERATIONS			
Revenue	5	**421,434**	189,046
Cost of sales		**(206,563)**	(139,330)
Gross profit		**214,871**	49,716
Selling and distribution expenses		**(14,968)**	(4,919)
Administrative expenses		**(64,344)**	(48,816)
Impairment loss on property, plant and equipment	8	**–**	(95,494)
Other operating expenses		**(11,273)**	(16,703)
OPERATING PROFIT/(LOSS)		**124,286**	(116,216)
Finance costs	6	**(37,085)**	(42,957)
Interest income	8	**3,344**	2,226
Non-operating income/(expenses), net	7	**11,525**	(2,588)
PROFIT/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	8	**102,070**	(159,535)
Income tax expense	10	**(48,144)**	(3,860)
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**53,926**	(163,395)
DISCONTINUED OPERATION			
LOSS BEFORE INCOME TAX FROM DISCONTINUED OPERATION	4	**(277)**	(634)
Income tax benefit from discontinued operation	4	**–**	–
LOSS FOR THE PERIOD FROM DISCONTINUED OPERATION		**(277)**	(634)
PROFIT/(LOSS) FOR THE PERIOD		**53,649**	(164,029)
ATTRIBUTABLE TO:			
Owners of the parent			
From continuing operations	11	**37,102**	(164,888)
From discontinued operation	11	**(274)**	(628)
		36,828	(165,516)
Non-controlling interests			
From continuing operations		**16,824**	1,493
From discontinued operation		**(3)**	(6)
		16,821	1,487
		53,649	(164,029)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 CNY'000 (Unaudited)	2016 CNY'000 (Unaudited)
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic (CNY per share)			
– For profit/(loss) from continuing operations	11	**0.03**	(0.12)
– For loss from discontinued operation	11	*****	*
– Net profit/(loss) per share		**0.03**	(0.12)
Diluted (CNY per share)			
– For profit/(loss) from continuing operations	11	**0.03**	(0.12)
– For loss from discontinued operation	11	*****	*
– Net profit/(loss) per share		**0.03**	(0.12)

* Insignificant

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	**53,649**	(164,029)
Other comprehensive (loss)/income:		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Foreign currency translation adjustments	**(608)**	485
Total other comprehensive (loss)/income for the period, net of tax	**(608)**	485
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**53,041**	(163,544)
ATTRIBUTABLE TO:		
Owners of the parent		
From continuing operations	**36,494**	(164,403)
From discontinued operation	**(274)**	(628)
	36,220	(165,031)
Non-controlling interests		
From continuing operations	**16,824**	1,493
From discontinued operation	**(3)**	(6)
	16,821	1,487
	53,041	(163,544)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	Notes	**30 June 2017 CNY'000 (Unaudited)**	31 December 2016 CNY'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,328,277**	2,284,273
Rehabilitation fund	14	**10,572**	10,676
Prepayments, deposits and other receivables	17	**116,785**	76,598
Deferred tax assets	10	**47,319**	55,912
TOTAL NON-CURRENT ASSETS		**2,502,953**	2,427,459
CURRENT ASSETS			
Inventories	15	**19,868**	11,743
Trade and bills receivables	16	**189,263**	107,680
Corporate income tax refundable		**5,855**	31,681
Prepayments, deposits and other receivables	17	**73,186**	65,669
Pledged and restricted time deposits	18	**–**	230,000
Cash and cash equivalents	18	**71,682**	117,192
TOTAL CURRENT ASSETS		**359,854**	563,965
TOTAL ASSETS		**2,862,807**	2,991,424
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and bills payables	19	**222,988**	537,402
Other payables and accrued liabilities	20	**226,640**	168,537
Interest-bearing bank and other borrowings	21	**770,670**	603,588
Interest payable		**27,331**	26,199
Mining right payables	22	**43,780**	43,780
TOTAL CURRENT LIABILITIES		**1,291,409**	1,379,506
NON-CURRENT LIABILITIES			
Due to a related company	27	**1,802,143**	1,812,727
Interest-bearing bank and other borrowings	21	**157,704**	243,202
Deferred tax liabilities	10	**129,127**	126,981
Deferred income	23	**1,260**	1,407
Asset retirement obligations	24	**11,366**	10,844
TOTAL NON-CURRENT LIABILITIES		**2,101,600**	2,195,161
TOTAL LIABILITIES		**3,393,009**	3,574,667

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2017

	Notes	**30 June 2017 CNY'000 (Unaudited)**	31 December 2016 CNY'000 (Audited)
EQUITY			
Share capital	25	**1,081**	1,081
Reserves		**(623,357)**	(659,577)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**(622,276)**	(658,496)
NON-CONTROLLING INTERESTS		**92,074**	75,253
TOTAL EQUITY		**(530,202)**	(583,243)
TOTAL LIABILITIES AND EQUITY		**2,862,807**	2,991,424

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 2017

	Attributable to owners 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 25								
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		(Unaudited)	
At 1 January 2016	1,081	204,524	38,657	30,724	(726,542)	4,282	(447,274)	70,452	(376,822)
Loss for the period	–	–	–	–	(165,516)	–	(165,516)	1,487	(164,029)
Foreign currency translation adjustments	–	–	–	–	–	485	485	–	485
Total comprehensive (loss)/income for the period	–	–	–	–	(165,516)	485	(165,031)	1,487	(163,544)
Appropriation and utilisation of safety fund and production maintenance fund, net	–	–	22,388	–	(22,388)	–	–	–	–
At 30 June 2016	1,081	204,524	61,045	30,724	(914,446)	4,767	(612,305)	71,939	(540,366)
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 (loss)/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)**

* These reserve accounts comprise the consolidated negative reserves of CNY623.4 million (30 June 2016: consolidated negative reserves of CNY613.4 million) as at 30 June 2017.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 CNY'000 (Unaudited)	2016 CNY'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before income tax		101,793	(160,169)
From continuing operations		102,070	(159,535)
From discontinued operation	4	(277)	(634)
Adjustments for:			
Interest income	8	(3,344)	(2,226)
Finance costs		32,969	34,453
Depreciation and amortisation		85,170	67,469
Impairment loss on property, plant and equipment	13	277	95,494
Impairment of trade and bill receivables		9,318	4,739
Impairment of prepayments, deposits and other receivables		–	3,215
Sub-total		226,183	42,975
Decrease in rehabilitation fund		104	462
Increase in trade and bills receivables		(90,901)	(26,146)
Increase in inventories		(8,125)	(3,370)
Increase in prepayments, deposits and other receivables		(7,518)	(10,497)
(Decrease)/increase in trade and bills payables		(278,564)	188,597
Increase in other payables and accrued liabilities		58,029	1,340
Decrease in deferred income		(147)	(147)
Cash from operations		(100,939)	193,214
Interest received		3,344	2,226
Interest paid		(31,315)	(33,934)
Income tax paid		(11,579)	(7,232)
Net cash flows (used in)/from operating activities		(140,489)	154,274
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(205,413)	(145,787)
Net cash flows used in investing activities		(205,413)	(145,787)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from interest-bearing bank and other borrowings		583,400	100,000
Repayments of interest-bearing bank and other borrowings		(501,816)	(358,900)
Decrease/(increase) of restricted bank deposits	18	230,000	(125,000)
Advances from a related company		409,546	853,132
Repayments to a related company		(420,130)	(477,423)
Net cash flows from/(used in) financing activities		301,000	(8,191)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(44,902)	296
NET FOREIGN EXCHANGE DIFFERENCE		(608)	485
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		117,192	71,855
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	18	71,682	72,636

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

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.

CHNR's principal shareholder is Feishang Group Limited ("Feishang" or the "controlling shareholder"), a company incorporated in the BVI. Mr. LI Feilie is the beneficial owner of Feishang. In the opinion of the directors 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 2017, the Group had net current liabilities of CNY931.6 million (31 December 2016: CNY815.5 million) and total assets less current liabilities of CNY1,571.4 million (31 December 2016: CNY1,611.9 million).

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

The interim financial information for the six months ended 30 June 2017 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.

Except as described below, the accounting policies and methods of computation used in the interim financial information for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

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

Changes in Accounting Policies

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

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12 included in Annual Improvements Cycle 2014-2016	*Disclosure of Interest in Other Entities*

Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 December 2017.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, such application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

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

Changes in Accounting Policies (continued)

Annual Improvements Cycle – 2014-2016

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10 to B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The Group has adopted the amendments retrospectively. However, the amendments have no effect on the Group's financial position and performance as the Group has no interest in a subsidiary, a joint venture or an associate that is classified as held for sale.

The Group has not adopted any new accounting standard, interpretation or amendment that has been issued but is not yet effective.

Going Concern

As at 30 June 2017, the Group had net current liabilities of CNY931.6 million and shareholders' deficit of CNY530.2 million. In view of these circumstances, the Directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group has implemented or is in the process of implementing the following measures, namely: (i) obtaining 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.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

3. OPERATING SEGMENT INFORMATION

During the six months ended 30 June 2017, the Group had only one operating segment: the construction and development of anthracite coal mines, extraction and sale of anthracite coal, and trading of anthracite coal.

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

Geographic information

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

Information about major customers

During the 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. During the six months ended 30 June 2016, revenue derived from sales to the largest customer amounted to 15.4% of the consolidated revenue.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

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 2017, substantially all the work at Gouchang Coal Mine had ceased, therefore, the operating results have been reclassified to discontinued operation for the purpose of preparing the interim condensed consolidated statement of profit or loss.

The results of Gouchang Coal Mine for the six months ended 30 June 2017 and 2016 are presented below:

	Six months ended 30 June	
	2017	2016
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Revenue	**–**	–
Cost of sales	**–**	–
Gross profit	**–**	–
Administrative expenses	**–**	(609)
Impairment loss on property, plant and equipment	**(277)**	–
OPERATING LOSS	**(277)**	(609)
Finance costs	**–**	(25)
LOSS BEFORE INCOME TAX	**(277)**	(634)
Income tax benefit	**–**	–
LOSS FOR THE PERIOD FROM DISCONTINUED OPERATION	**(277)**	(634)
Attributable to:		
Owners of the parent	**(274)**	(628)
Non-controlling interest	**(3)**	(6)
	(277)	(634)

* *For identification purpose only*

NOTES TO INTERIM FINANCIAL INFORMATION
For the six months ended 30 June 2017

4. DISCONTINUED OPERATION (continued)

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

	Six months ended 30 June	
	2017	2016
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Operating activities	**–**	(1,094)
Investing activities	**(116)**	–
Financing activities	**101**	1,102
Net cash (outflow)/inflow	**(15)**	8

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

	Six months ended 30 June	
	2017	2016
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Loss attributable to owners of the parent from discontinued operation	**(274)**	(628)
Weighted average number of ordinary shares ('000 shares)		
Basic	**1,380,546**	1,380,546
Diluted	**1,380,546**	1,380,546
Loss per share attributable to ordinary equity holders of the parent (CNY per share):		
Basic, from discontinued operation	*	*
Diluted, from discontinued operation	*	*

* Insignificant

5. REVENUE FROM CONTINUING OPERATIONS

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

6. FINANCE COSTS FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2017	2016
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank and other borrowings	**31,274**	32,900
Interest on payables for mining rights	**1,173**	1,078
Total interest expense	**32,447**	33,978
Bank charges	**396**	472
Discount interest	**3,720**	8,032
Accretion expenses	**522**	475
	37,085	42,957

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

	Six months ended 30 June	
	2017	2016
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Government grant (Note 8)	**14,017**	–
Surcharges for late tax payments	**(386)**	(2,524)
Donation	**(1,010)**	–
Others	**(1,096)**	(64)
	11,525	(2,588)

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

8. PROFIT/LOSS BEFORE INCOME TAX FROM CONTINUING OPERATIONS

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

	Six months ended 30 June	
	2017	2016
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Crediting:		
Interest income on bank deposits	**3,344**	2,226
Government grant (Note 7)	**14,017**	–
Charging:		
Cost of inventories sold (a)	**166,950**	112,990
Sales tax and surcharge	**21,061**	10,147
Utilisation of safety fund and production maintenance fund	**18,552**	16,193
Cost of sales	**206,563**	139,330
Employee benefit expenses (Note 9)	**73,233**	53,520
Depreciation, depletion and amortisation:		
Property, plant and equipment	**85,170**	67,469
Impairment loss on property, plant and equipment	**–**	95,494
Impairment of trade and bills receivables	**9,318**	4,739
Impairment of prepayments, deposits and other receivables	**–**	3,215
Repairs and maintenance	**1,096**	515
Losses arising from temporary suspension of production	**–**	528

(a) Included in the cost of inventories sold is CNY114.3 million for the six months ended 30 June 2017 (six months ended 30 June 2016: CNY109.0 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 2017

9. EMPLOYEE BENEFITS FROM CONTINUING OPERATIONS

	Six months ended 30 June	
	2017	2016
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Wages, salaries and allowances	**73,990**	64,477
Contribution to pension plans (a)	**1,789**	1,494
Housing funds (a)	**201**	162
Welfare and other expenses	**3,770**	2,851
Sub-total	**79,750**	68,984

(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/loss from continuing operations are analysed as follows:

	Six months ended 30 June	
	2017	2016
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Total employee benefits accrued for the period	**79,750**	68,984
Less:		
Amount included in inventories	**2,659**	952
Amount included in property, plant and equipment	**3,858**	14,512
Amount charged to profit/(loss) from continuing operations (Note 8)	**73,233**	53,520

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

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 2017 (six months ended 30 June 2016: 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 2017 and 2016. Furthermore, there are no withholding taxes in Hong Kong on the remittance of dividends.

Under the Law of the PRC on the corporate income tax ("CIT") and Implementation Regulation of the Corporate Income Tax Law (the "CIT Law") collectively, the tax rate applicable for PRC group entities is 25% (six months ended 30 June 2016: 25%).

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

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

	Six months ended 30 June	
	2017	2016
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Current – Mainland China	**37,405**	6,270
Deferred – Mainland China	**10,739**	(2,410)
	48,144	3,860

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

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 2017 CNY'000 (Unaudited)	At 31 December 2016 CNY'000 (Audited)
Deferred tax assets		
Accrued liabilities and other payables	**1,380**	1,443
Capitalised pilot run income	**14,354**	14,787
Tax losses	**16,881**	22,269
Depreciation of property, plant and equipment	**33,545**	36,434
Bad debt provision	**8,375**	6,375
	74,535	81,308
Deferred tax liabilities		
Depreciation and fair value adjustment of property, plant and equipment*	**(156,343)**	(152,377)
Net deferred tax liabilities	**(81,808)**	(71,069)
Classification in the consolidated statement of financial position:		
Deferred tax assets	**47,319**	55,912
Deferred tax liabilities	**(129,127)**	(126,981)

* Included in the deferred tax liabilities, there were deferred tax liabilities of CNY117.7 million and CNY117.8 million recognised relating to the fair value adjustment on property, plant and equipment as at 30 June 2017 and 31 December 2016, respectively.

In assessing the recoverability of the Group's deferred tax assets, management has performed a detailed assessment on the available taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the deductible temporary differences and unused tax losses can be utilised before they expire. In addition, management has also performed a detailed assessment on 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 2017

11. PROFIT/LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic and diluted profit/loss per share amounts for the period were calculated as follows:

	Six months ended 30 June	
	2017	2016
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to ordinary equity holders of the parent:		
from continuing operations	**37,102**	(164,888)
from discontinued operation	**(274)**	(628)
Weighted average number of ordinary shares ('000 shares):		
Basic	**1,380,546**	1,380,546
Diluted	**1,380,546**	1,380,546
Profit/(loss) per share attributable to ordinary equity holders of the parent (CNY per share):		
Basic		
from continuing operations	**0.03**	(0.12)
from discontinued operation	*****	*
Diluted		
from continuing operations	**0.03**	(0.12)
from discontinued operation	*****	*

* Insignificant

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

12. DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the additions of property, plant and equipment (excluding transferred from construction in progress) and construction in progress amounted to CNY20.9 million (six months ended 30 June 2016: CNY73.0 million) and CNY108.6 million (six months ended 30 June 2016: CNY39.1 million), respectively.

During the six months ended 30 June 2017, the total depreciation accrued was CNY85.2 million (six months ended 30 June 2016: CNY67.5 million) (Note 8).

As at 30 June 2017, certain mining rights with a carrying amount of CNY599.7 million (31 December 2016: CNY506.4 million) were pledged to secure bank loans with a carrying amount of CNY540.9 million (31 December 2016: CNY491.8 million) (Note 21).

As at 30 June 2017, certain machinery and equipment with a carrying amount of CNY188.9 million (31 December 2016: CNY200.0 million) were pledged to secure loans with a carrying amount of CNY165.3 million (31 December 2016: CNY194.0 million) (Note 21).

As at 30 June 2017, certain buildings with a carrying amount totalling 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 2017 (six months ended 30 June 2016: CNY95.5 million), while an impairment loss of 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.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

15. INVENTORIES

	At 30 June 2017 CNY'000 (Unaudited)	At 31 December 2016 CNY'000 (Audited)
Spare parts and consumables	18,220	10,582
Coal	1,648	1,161
	19,868	11,743

16. TRADE AND BILLS RECEIVABLES

	At 30 June 2017 CNY'000 (Unaudited)	At 31 December 2016 CNY'000 (Audited)
Trade receivables	182,094	128,106
Less: Provision for impairment	(59,210)	(49,892)
	122,884	78,214
Bills receivable	66,379	29,466
	189,263	107,680

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.

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 2017 CNY'000 (Unaudited)	At 31 December 2016 CNY'000 (Audited)
Within 3 months	93,752	45,007
3 to 6 months	7,049	2,502
6 to 12 months	11,733	3,922
Over 12 months	10,350	26,783
	122,884	78,214

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

16. 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 2017 CNY'000 (Unaudited)	At 31 December 2016 CNY'000 (Audited)
Neither past due nor impaired	93,752	45,007
Within one year past due	20,236	20,663
More than one year past due	8,896	12,544
Trade receivables, net	122,884	78,214

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

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

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

	At 30 June 2017 CNY'000 (Unaudited)	At 31 December 2016 CNY'000 (Audited)
At the beginning of the period/year	49,892	59
Impairment losses recognised	9,318	49,833
At the end of the period/year	59,210	49,892

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 2017

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

	At 30 June 2017 CNY'000 (Unaudited)	At 31 December 2016 CNY'000 (Audited)
Current:		
Prepaid spare parts and consumables purchases	**20,361**	12,114
Deposits	**16,995**	11,889
Staff advances	**3,355**	7,374
Withheld social security	**7,388**	7,098
Value-added tax recoverable	**2,883**	5,511
Prepaid transportation fee	**4,840**	5,729
Prepaid coals for trading purpose	**17,566**	16,691
Others	**4,303**	3,768
Less: Provision for impairment	**4,505**	4,505
	73,186	65,669
Non-current:		
Prepayments for land use rights	**5,743**	5,743
Prepayments for construction related work	**82,436**	63,958
Deposits for equipment purchases	**28,887**	7,277
Prepayments for mining plan design	**1,069**	1,069
Others	**2,354**	2,255
Less: Provision for impairment	**3,704**	3,704
	116,785	76,598
	189,971	142,267

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 2017

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

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

	At 30 June 2017 CNY'000 (Unaudited)	At 31 December 2016 CNY'000 (Audited)
Current:		
At the beginning of the period/year	**4,505**	4,338
Impairment loss recognised	**–**	167
Sub-total	**4,505**	4,505
Non-current:		
At the beginning of the period/year	**3,704**	627
Impairment losses recognised	**–**	3,077
Sub-total	**3,704**	3,704
At the end of the period/year	**8,209**	8,209

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	At 30 June 2017 CNY'000 (Unaudited)	At 31 December 2016 CNY'000 (Audited)
Cash and cash balances	71,682	347,192
	71,682	347,192
Less: Pledged time deposits:		
Pledged and restricted for bank bills (Note 19)	–	230,000
Cash and cash equivalents	71,682	117,192

(i) Restricted bank deposits mainly include deposits of CNY230.0 million held as security for bank bills as at 31 December 2016.

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

	At 30 June 2017 CNY'000 (Unaudited)	At 31 December 2016 CNY'000 (Audited)
CNY	51,764	323,312
Hong Kong dollar	19,918	23,880
	71,682	347,192

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.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

19. TRADE AND BILLS PAYABLES

	At 30 June 2017 CNY'000 (Unaudited)	At 31 December 2016 CNY'000 (Audited)
Trade payables (a)	222,988	227,402
Bills payable	–	310,000
	222,988	537,402

(a) Included in trade payables were CNY138.9 million (31 December 2016: CNY174.7 million) due to construction related contractors as at 30 June 2017.

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

	At 30 June 2017 CNY'000 (Unaudited)	At 31 December 2016 CNY'000 (Audited)
Within one year	124,834	183,540
More than one year	98,154	43,862
	222,988	227,402

Bills payable are bills of exchange with maturity of less than one year. Time deposits of CNY230.0 million were pledged to secure the bank bills as at 31 December 2016 (Note 18).

The trade payables are non-interest-bearing and are normally settled on a term of three to six months other than those due to construction related 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 2017

20. OTHER PAYABLES AND ACCRUED LIABILITIES

	At 30 June 2017 CNY'000 (Unaudited)	At 31 December 2016 CNY'000 (Audited)
Natural resources fee (a)	**725**	725
Deposits from contractors	**8,534**	8,441
Social security payable (b)	**24,371**	23,306
Payroll payable	**33,688**	19,312
Advances from customers	**73,692**	65,858
Other taxes payables	**60,095**	35,277
Professional fee	**1,978**	2,287
Payables for emergency rescue of the coal mine	**4,000**	4,000
Geological hazard compensation	**11,928**	2,942
Others	**7,629**	6,389
	226,640	168,537

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

(b) 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.

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

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 30 June 2017 CNY'000 (Unaudited)	At 31 December 2016 CNY'000 (Audited)
Current		
Bank and other borrowings – guaranteed	73,000	23,000
Bank and other borrowings – secured and guaranteed	505,000	420,000
Bank and other borrowings – unsecured	11,200	–
Current portion of long term bank and other borrowings – secured and guaranteed	97,470	130,588
Current portion of long term bank and other borrowings – guaranteed	84,000	30,000
	770,670	603,588
Non-current		
Bank and other borrowings – guaranteed	54,000	108,000
Bank and other borrowings – secured and guaranteed	103,704	135,202
	157,704	243,202
	928,374	846,790

Certain of the interest-bearing bank and other borrowings are secured by:

(1) Pledges over the Group's mining rights with a carrying amount of CNY599.7 million (31 December 2016: CNY506.4 million) as at 30 June 2017 (Note 13);

(2) Pledges over machinery and equipment owned by Guizhou Dayun Mining Co., Ltd. ("Guizhou Dayun"), Jinsha Juli Energy Co., Ltd. ("Jinsha Juli") and Guizhou Yongfu Mining Co., Limited ("Guizhou Yongfu") with a carrying amount of CNY188.9 million (31 December 2016: CNY200.0 million) as at 30 June 2017 (Note 13);

(3) Pledges over the Company's equity interest in Guizhou Puxin Energy Co., Ltd. ("Guizhou Puxin") and Guizhou Dayun as at 30 June 2017 and 31 December 2016; and

(4) 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 CNY756.2 million (31 December 2016: CNY685.8 million) as at 30 June 2017. Also, the Group's fellow subsidiaries have guaranteed certain of the Group's interest-bearing bank and other borrowings up to CNY917.2 million (31 December 2016: CNY846.8 million) as at 30 June 2017.

All borrowings are denominated in CNY.

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

22. 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/non-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 range of the interest rates for mining right payables for the six months ended 30 June 2017 was 4.75% to 4.90% (six months ended 30 June 2016: 4.75% to 4.90%).

23. DEFERRED INCOME

	Amount CNY'000
At 1 January 2016 (Audited)	1,701
Released to the consolidated statement of profit or loss	(294)
At 31 December 2016 and 1 January 2017 (Audited)	1,407
Released to the condensed consolidated statement of profit or loss	(147)
At 30 June 2017 (Unaudited)	1,260

Government grants were received in 2015 for certain underground construction projects in Guizhou Dayun. 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.

24. ASSET RETIREMENT OBLIGATIONS

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

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

	Amount CNY'000
At 1 January 2016 (Audited)	9,894
Accretion expenses	950
At 31 December 2016 and 1 January 2017 (Audited)	10,844
Accretion expenses	522
At 30 June 2017 (Unaudited)	11,366

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

25. SHARE CAPITAL

	At 30 June 2017 CNY'000 (Unaudited)	At 31 December 2016 CNY'000 (Audited)
Authorised:		
100,000,000,000 (31 December 2016: 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 2016: 1,380,545,800 ordinary shares of HK$0.001 each) ordinary shares of HK$0.001 each	**1,081**	1,081

26. COMMITMENTS

(a) Capital commitments

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

	At 30 June 2017 CNY'000 (Unaudited)	At 31 December 2016 CNY'000 (Audited)
Construction and purchase of property, plant and equipment		
– Contracted, but not provided for	**58,550**	33,047
– Authorised, but not contracted for	**5,201**	4,691
	63,751	37,738

(b) Operating lease commitments

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

	At 30 June 2017 CNY'000 (Unaudited)	At 31 December 2016 CNY'000 (Audited)
Within the first year	**640**	732
After one year but not more than five years	**–**	315
	640	1,047

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

27. 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	
	2017	2016
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Payment of its share of office rental, rates and others to Anka Consultants Limited ("Anka") *	**401**	352

* 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 meters 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	
	2017	2016
	CNY'000	CNY'000
	(Unaudited)	(Unaudited)
Wages, salaries and allowances	**686**	711
Contribution to pension plans	**26**	26
Housing funds	**18**	19
Welfare and other expenses	**18**	18
	748	774

NOTES TO INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

27. 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 2017 CNY'000 (Unaudited)	At 31 December 2016 CNY'000 (Audited)
Non-current		
Payables to a related company:		
Feishang Enterprise Group Co., Ltd.*	**1,802,143**	1,812,727

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

28. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

As at 30 June 2017 and 31 December 2016, there was no financial instrument measured at fair value.

29. MAJOR NON-CASH TRANSACTION

In 2015, the Group entered into several trade receivable factoring arrangements and transferred certain trade receivables to a financial institution, who has received the cash in relation to such trade receivables amounting to CNY11.0 million in 2016. In the first half of 2017, the Group did not enter into such transactions.

30. EVENT AFTER THE REPORTING PERIOD

On 31 July 2017, the Group received and fully drew down a CNY18.0 million short-term bank loan from Guiyang Bank to be repaid on 27 July 2018. The purpose of the loan is to purchase coal. The loan bears a fixed annual interest rate equal to 20% above the one-year base lending rate stipulated by the People's Bank of China. The rate stipulated by the People's Bank of China was 4.35% per annum, resulting in an annual interest rate of 5.22% per annum. The loan is secured by bills receivable of CNY20.0 million.

31. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim financial information was approved and authorised for issue by the board of directors on 31 August 2017.

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:

	Commercial Production						To be closed for consolidation
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)
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 2017) (Note 4)							
Proved reserve (million tonnes)	2.80	0.38	10.98	2.92	1.82	2.07	n/a
Probable reserve (million tonnes)	19.04	48.19	84.79	5.27	11.52	7.41	n/a
Total proved and probable reserve (million tonnes)	**21.84**	**48.57**	**95.77**	**8.19**	**13.34**	**9.48**	**n/a**
Capital Expenditure for the six months ended 30 June 2017 (CNY in millions)	7.87	101.67	52.13	1.43	9.34	–	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 2017 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 2017 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 2017 (except those of Gouchang Coal Mine).

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