CHINA UNIENERGY GROUP LIMITED
中国优质能源集团有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1573

2017 Interim Report

CONTENTS

CHINA UNIENERGY GROUP LIMITED | 2017 INTERIM REPORT

Definitions

"Audit Committee"	the Company's 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 system, risk management and internal control
"Board"	board of Directors
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Company" or "our Company"	CHINA UNIENERGY GROUP LIMITED, an exempted company with limited liability incorporated in the Cayman Islands on 8 January 2014
"Directors" or "our Directors"	directors of the Company
"Group" or "our Group" or "we" or "our"	the Company and its subsidiaries, or where the context refers to any time prior to the Company becoming the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PRC"	the People's Republic of China
"Prospectus"	the prospectus of the Company dated 30 June 2016
"Reporting Period"	the six months ended 30 June 2017
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

We are a producer of anthracite coal based in Guizhou Province of the PRC. We engage in the extraction and sale of anthracite coal. We possess scarce anthracite coal resources with the characteristics of high calorific value, low sulphur content and low ash content. Most of our coal products are suitable to be used as chemical coal and PCI coal, as well as for further value-added applications, such as premium quality active charcoal. We are one of the less than 100 qualified consolidators in Guizhou Province that are permitted to engage in coal mine acquisition and operation.

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 8 January 2014 and was registered as a non-Hong Kong company under Part 16 of the Hong Kong Companies Ordinance on 29 April 2016. The shares of the Company were listed on the Stock Exchange on 13 July 2016.

Currently, we have four underground anthracite coal mines, three of which, namely Weishe Coal Mine, Lasu Coal Mine and Luozhou Coal Mine, are in commercial production, and the remaining one, Tiziyan Coal Mine, is under development. We have grown rapidly in recent years, primarily as a result of the technological upgrades of our coal mines, which have led to increased production capacity and improved mechanisation rate of operation and recovery rate.

Corporate Information

Executive Directors

Mr. Xu Bo *(Chairman and Chief Executive Officer)*
Mr. Wei Yue
Mr. Xiao Zhijun

Independent Non-executive Directors

Mr. Jiang Chenglin
Mr. Choy Wing Hang William
Mr. Lee Cheuk Yin Dannis
Mr. Fu Lui

Members of the Audit Committee

Mr. Fu Lui *(Chairman)*
Mr. Jiang Chenglin
Mr. Choy Wing Hang William

Members of the Remuneration Committee

Mr. Choy Wing Hang William *(Chairman)*
Mr. Xu Bo
Mr. Lee Cheuk Yin Dannis

Members of the Nomination Committee

Mr. Xu Bo *(Chairman)*
Mr. Choy Wing Hang William
Mr. Lee Cheuk Yin Dannis

Joint Company Secretaries

Mr. Zhang Weizhe
Ms. Kam Mei Ha, Wendy *(FCS (PE), FCIS)*

Authorized Representatives

Mr. Xu Bo
Ms. Kam Mei Ha, Wendy

Registered Office

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in the PRC

31/F, Fuzhong International Plaza
Xinhua Road, Nanming District
Guiyang City, Guizhou Province
China

Principal Place of Business in Hong Kong

Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

Company's Website

www.unienergy.hk

Stock Code

1573

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Share Registrar and Transfer Office

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

Legal Advisors

as to Hong Kong law:

DLA Piper Hong Kong
17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

as to PRC law:

Jingtian & Gongcheng
34/F., Tower 3, China Central Place
77 Jianguo Road
Beijing, China

Compliance Advisor

Haitong International Capital Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Auditor

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

Principal Bankers

Shanghai Pudong Development Bank Co., Ltd.
Guiyang Branch*
(上海浦東發展銀行股份有限公司貴陽分行)
20 Yan'an Road Central, Yunyan District
Guiyang City, Guizhou Province
China

Agricultural Bank of China Guizhou Branch
Hezhang Sub-branch*
(中國農業銀行貴州分行赫章縣支行)
654 Qianhe Road, Chenguan Town
Bijie City, Guizhou Province
China

* For identification purpose only

Financial Highlights

The summary of the unaudited interim results of the Group for the Reporting Period and the same period ended 30 June 2016 is set forth as follows:

Results

	Six months ended 30 June	
	2017	2016
	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	**310,555**	298,373
Cost of sales	**(133,429)**	(128,301)
Gross profit	**177,126**	170,072
Other income	**2,782**	914
Net foreign exchange loss	**(559)**	—
Distribution and selling expenses	**(1,787)**	(1,568)
Administrative expenses	**(12,020)**	(10,375)
Listing expenses	**—**	(26,144)
Finance costs	**(17,654)**	(22,555)
Share of loss of a joint venture	**(192)**	(134)
Profit before taxation	**147,696**	110,210
Income tax expense	**(38,123)**	(33,729)
Profit and total comprehensive income for the period	**109,573**	76,481
	RMB	RMB
Earnings per share		
Basic	**0.15**	0.13

The Board does not recommend the distribution of any interim dividend for the Reporting Period.

Assets, Liabilities and Equity

	At 30 June 2017	At 31 December 2016
	RMB'000 (unaudited)	RMB'000 (audited)
Non-current assets	**1,207,967**	1,226,420
Current assets	**310,269**	373,997
Current liabilities	**(355,299)**	(475,530)
Non-current liabilities	**(299,939)**	(371,462)
Total equity	**862,998**	753,425

This management discussion and analysis of the Group was prepared by the Board of Directors, and should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Group for the reporting period and notes thereto.

Business Review and Market Review

According to data from the National Bureau of Statistics of the PRC, GDP for the first half of the year was RMB38,149.0 billion, representing an increase of 6.9% year-on-year. Specifically, the year-on-year growth rate during the first and second quarter were both 6.9%. Overall, the national economy remained stable as a whole with active development made for the first half of 2017.

As an important mission of China's supply-side structural reform, the PRC government has implemented the policy to reduce production capacity continuously and effectively. According to data from the National Development and Reform Commission, in 2016, over 2,000 coal mines across the nation with outdated production capacity had been closed, and the number of coal mines in China has decreased to under 8,000, while the coal production capacity in China has reduced by over 290 million tonnes. In 2017, China is scheduled to reduce the coal production capacity by 150 million tonnes within the year. During the first half of the year, China has reduced its coal production capacity by 111 million tonnes, representing the completion of 74% of the annual mission. It is highly possible to surpass the production capacity reduction target in 2017. The Development and Reform Commission's plan also stated that, in 2017 and 2018, the elimination of outdated production capacity will be accelerated in order to make way for the development of premium quality production capacity.

In 2017, the overall performance of the coal market is relatively active. According to data from the National Bureau of Statistics, the output of raw coal in China was 1.71 billion tonnes for the first half of 2017, representing an increase of 5.0% year-on-year. Based on data from the National Energy Administration, coal consumption in China was approximately 1.83 billion tonnes during the first half of 2017, representing an increase of approximately 1% year-on-year. Coal price at the Qinhuangdao Port has shown continuous and significant increase over the corresponding period last year. During the first half of 2017, saved for construction material industry, the coal-related downstream industries such as the electricity, steel, and chemical industry have seen an increase in their respective coal consumption over the last corresponding period. The overall active performance of the coal market was illustrated by the significant improvement of the operating condition of coal enterprises. In the first 6 months of 2017, the profit of coal enterprises above designated size in China amounted to a total of RMB147.48 billion, representing an increase of RMB140.31 billion over the corresponding period last year.

China's overall economic development is stable and active. The PRC government has continuously deepened the policy to reduce production capacity of the coal mine industry. Combined with the growth in the coal-related downstream production, these factors are beneficial for the coal market to remains stable and rational.

Financial Review

Revenue

During the Reporting Period, the Group recorded a revenue of approximately RMB310.6 million, representing an increase of RMB12.2 million, or a rise of approximately 4.1%, from approximately RMB298.4 million for the six months ended 30 June 2016. The increase in the revenue was primarily attributable to the increased sales volume of anthracite coal recorded in the current period. Sales volume increased by 6.4% from approximately 486,000 tonnes for the six months ended 30 June 2016 to approximately 517,000 tonnes for the Reporting Period benefited by the overall improvement in China's economic development.

Cost of Sales

The Group's cost of sales increased by 4.0% to approximately RMB133.4 million during the Reporting Period from approximately RMB128.3 million for the six months ended 30 June 2016, which was primarily attributable to the increase in the production volume of anthracite coal resulting in the increase in (i) staff costs; (ii) costs of materials, fuels and energy; (iii) depreciation of property, plant and equipment and amortisation of mining rights; and (iv) business taxes and surcharges.

The Group's cost of sales per tonne recorded a decrease from RMB265 per tonne for the six months ended 30 June 2016 to RMB258 per tonne for the Reporting Period.

The following table sets forth a breakdown of the Group's average cost of sales per tonne of anthracite coal in the periods as indicated below:

	Six months ended 30 June	
	2017	2016
Cost of sales per tonne	**RMB/Tonne**	RMB/Tonne
Staff costs	**107**	109
Cost of materials, fuel and energy	**75**	74
Depreciation and amortisation	**34**	38
Business taxes and surcharges	**40**	42
Others	**2**	2
Total	**258**	265

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit increased by 4.1% from approximately RMB170.1 million for the six months ended 30 June 2016 to approximately RMB177.1 million for the Reporting Period. The gross profit margin maintained at 57.0% for both periods.

Distribution and Selling Expenses

During the Reporting Period, the Group's distribution and selling expenses were approximately RMB1.8 million, representing an increase of RMB0.2 million, or a rise of approximately 14.0%, from approximately RMB1.6 million for the six months ended 30 June 2016, which was primarily attributable to the increase in material expenses of diesel fuel used by tractor shovels as a result of increased sales volume of anthracite coal in the current period.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses were approximately RMB12.0 million, representing an increase of RMB1.6 million, or a rise of approximately 15.9%, from approximately RMB10.4 million for the six months ended 30 June 2016, which was primarily attributable to the increase in salaries and employees benefits as a result of the increase in the number of administrative staff and general level of salaries and benefit for administrative staff.

Finance Costs

During the Reporting Period, the Group's finance costs were approximately RMB17.7 million, representing a decrease of RMB4.9 million, or a drop of approximately 21.7%, from approximately RMB22.6 million for the six months ended 30 June 2016, which was primarily attributable to the decrease in average loan balance.

Income Tax Expense

During the Reporting Period, the Group's income tax expense was approximately RMB38.1 million, representing an increase of RMB4.4 million from approximately RMB33.7 million for the six months ended 30 June 2016, which was primarily attributable to the growth in the Group's business and hence resulting in a higher taxable profit.

Profit and Total Comprehensive Income Attributable to Owners of the Company

During the Reporting Period, profit and total comprehensive income attributable to owners of the Company was approximately RMB109.6 million, representing an increase of RMB33.1 million, or a rise of approximately 43.3%, from approximately RMB76.5 million for the six months ended 30 June 2016. The increase was primarily attributable to the sales growth during the Reporting Period.

Liquidity and Capital Resources

As at 30 June 2017, the Group had net current liabilities of approximately RMB45.0 million (31 December 2016: RMB101.5 million).

The Group intends to finance its future capital expenditure requirements mainly with the continuous operating cash flows generated from the Group's business, the net proceeds from the listing and the availability of banking facilities. As of 30 June 2017, the Group had bank balances in the amount of approximately RMB251.3 million (31 December 2016: RMB160.7 million) and unutilised banking facilities in the amount of approximately RMB486.2 million (31 December 2016: RMB325.1 million).

As at 30 June 2017, the Group had bank borrowings of approximately RMB413.8 million (31 December 2016: RMB574.9 million). Bank borrowings carry interest at fixed market rates ranging from 5.50% to 6.60% (31 December 2016: ranging from 4.79% to 6.60%) and are repayable within one to three years (31 December 2016: one to four years) and are denominated in Renminbi.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. As at 30 June 2017, the Group's cash and cash equivalents amounted to approximately RMB251.3 million (31 December 2016: RMB160.7 million).

The management monitors the utilisation of bank borrowings and ensures compliance with the covenants under the relevant loan.

The Group has not engaged in any foreign currency contract to hedge the potential foreign currency exchange exposure.

Pledge of Assets

As at 30 June 2017, the Group's mining rights with carrying amounts of approximately RMB887.3 million (31 December 2016: RMB896.8 million) were pledged as securities for banking facilities.

Capital Commitments

There were no capital commitments as at 30 June 2017 (31 December 2016: Nil).

Gearing Ratio

As at 30 June 2017, the gearing ratio (total bank borrowings over total equity and multiplied by 100%) of the Group was 47.9% (31 December 2016: 76.3%). The decrease in the gearing ratio was primarily attributable to the decrease in total bank borrowings from approximately RMB574.9 million as at 31 December 2016 to approximately RMB413.8 million.

Employee and Remuneration Policy

As of 30 June 2017, the Group had a total of 1,584 employees.

The employee's remuneration policy of the Group is formulated on the basis of the performance, work experience and salary level prevailing in the market. The Group has not experienced any significant employment issues or any suspension of operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

Contingent Liabilities

Between 2013 and 2015, the Group entered into five conditional asset transfer agreements with independent third parties to acquire all the assets and liabilities in five companies (with respect to Daihaizi Coal Mine, Xinfeng Coal Mine, Chengguan Coal Mine, Hongfa Coal Mine and Qingsong Coal Mine), each of which is inactive but holding the mining right of an anthracite coal mine in Guizhou Province of the PRC. Each of the agreements contain a number of condition precedents including, but not limited to, transfer of mining right to the Group, technological upgrade and related application for upgrading the annual production capacity of the mines by the vendors, obtaining the updated mining right licences with the increased production capacity, satisfactory completion of the due diligence by the Group as well as consideration determination based on professional valuation.

In 2016, the Group entered into supplemental agreements with the vendors to delineate the rights and obligations between the parties under the proposed acquisitions and each of the vendors agreed to indemnify the Group and its directors and shareholders for any potential liabilities therefrom. In addition, the Group has the sole and absolute discretion to decide whether or not to proceed with the acquisitions in accordance with the supplemental agreements. Based on the foregoing, the management of the Group is of the view that no provision is considered necessary during the Reporting Period.

At the end of the Reporting Period, the respective acquisitions are yet to complete given the fact that many of the key completion precedents are not satisfied. Hence, the Directors consider that it is unlikely that future economic benefits associated with the mines will flow to the Group in the near term and the consideration of the transactions cannot be accurately measured. The Directors concluded that the risks and rewards of those anthracite coal mines are yet to be transferred to the Group. Notwithstanding certain obligations imposed on the Group in the respective asset transfer agreements as well as those mining licence transfer agreements subsequently entered into, the management of the Group, having consulted its PRC legal advisors, considered that contingent liabilities adhered to those agreements are remote and yet to estimate reliably. Hence, no provision has been made in the financial statements in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

In addition, in connection with one of the above proposed conditional assets transfer agreements, the Group was a defendant to a claim with Guangshengyuan, an independent third party, regarding the non-payment of outstanding consideration and related liquidated damages of approximately RMB25.2 million in relation to the Laowangchong Coal Mine (the "**Litigation**"). In 2015, the Court of First Instance in Guizhou ruled in favour of Guangshengyuan and held that Guizhou Union was liable to pay RMB5.6 million in liquidated damages; and proceed with the mine transfer agreement (and its supplement) and pay RMB19.6 million to Guangshengyuan. Guizhou Union appealed in January 2016 to the Higher People's Court of Guizhou Province and a second instance hearing was held in May 2016. During the Reporting Period, on 21 April 2017, the Company received the judgment of the Higher People's Court of Guizhou Province dated 19 April 2017 (the "**Judgment**"). The Higher People's Court of Guizhou Province ruled in favour of Guizhou Union and held that, among others: (1) the facts affirmed by the Court of First Instance in Guizhou and the applications of law were erroneous, and the judgment at the Court of First Instance in Guizhou is therefore dismissed; (2) the mine transfer agreement (and its supplement) are rescinded; (3) Guangshengyuan shall return the coal mine purchase price of RMB8.4 million to Guizhou Union within 10 days of the Judgment, along with the interest accrued on the amount at the then prevailing bank loan interest rates since 25 March 2014. Litigation fee of the first instance and second instance hearings of about RMB0.55 million in aggregate shall be borne by Guangshengyuan at RMB0.44 million and Guizhou Union at RMB0.11 million, respectively. Since Guizhou Union has already pre-paid about RMB0.38 million litigation fee in advance for the first instance and second instance hearings, Guizhou Union shall be directly reimbursed by Guangshengyuan for the extra payment of about RMB0.27 million. As advised by the PRC legal advisers of the Company, the Judgment is final and binding on the parties. As the Judgment was in favour of Guizhou Union, the Board is of the view that the Litigation does not have any material adverse impact to the financial position of the Group. As such, no provision is considered necessary. During the Reporting Period, the Company has received the reimbursement of RMB0.27 million and the coal mine purchase price of RMB8.4 million from Guangshengyuan.

Significant Investment Held

There was no other significant investment held by the Company during the Reporting Period.

Acquisition and Disposal

There was no other material acquisition or disposal during the Reporting Period.

Subsequent Events after the Reporting Period

There is no material event undertaken by the Group subsequent to 30 June 2017 and up to the date of this report.

Prospect

With the stable development of the PRC economy, the PRC government has implemented the policy to reduce production capacity of the coal mine industry continuously, and has continuously improved the downstream industries, which will lead the coal mine market to a stable and rational state. The management of the Group is optimistic on the overall development of the coal mine industry. As such, the management of the Group has been looking for coal mines with high quality coal resources for mergers and acquisitions. If mergers and acquisitions are identified, the Group will make relevant disclosure pursuant to the Listing Rules and the relevant laws and regulations.

Compliance with the CG Code

Our Directors recognise the importance of good corporate governance in the management of our Group. The Company has adopted the code provisions set out in the CG Code as its own corporate governance framework.

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

Chairman and Chief Executive

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive of the Company should be performed by separate individuals, but due to Mr. Xu Bo's background, qualifications and experience in the Company, he was considered the most suitable person to take up both roles in the current circumstances. The Board believes that it is appropriate and in the best interests of the Company that Mr. Xu Bo holds both positions at the current stage, as it helps to maintain the continuity, the stability and efficiency of the operations of the Company. 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 four independent non-executive Directors offering independent advice from different perspectives. In addition, major decisions are made after consultation with the Board and appropriate Board committee. The Board is therefore of the view that there are adequate balance and safeguards in place.

Change in Director's Information

On 7 June 2017, Mr Lee Cheuk Yin Dannis was appointed as an independent non-executive director of CMBC Capital Holdings Limited (stock code: 1141).

Save as disclosed above, as at 30 June 2017, there has been no change in the director's information of the Company.

Compliance with the Model Code

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have complied with the required standards as set out in the Model Code during the Reporting Period.

Interim Dividend

The Board does not recommend the distribution of any interim dividend for the Reporting Period.

Review of Financial Statements

The Audit Committee together with the management have reviewed the unaudited interim condensed consolidated financial statements of the Group for the Reporting Period. The Audit Committee has also reviewed the effectiveness of the financial control, internal control and risk management systems of the Company.

Purchase, Sale or Redemption of Listed Securities

During the Reporting Period, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

Use of Proceeds from the Listing

Net proceeds from the global offering amounted to approximately HK$154.7 million (including the proceeds received pursuant to the partial exercise of the over-allotment option), and are intended to be used in the manner as set out in the Prospectus. In 2016, a total of HK$3.48 million had been applied to the working capital and other general corporate purposes. During the Reporting Period, a total of HK$6.83 million had been also applied to the working capital and other general corporate purposes.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2017, the following Directors of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV 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, or which were required to be entered in the register under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

(i) The Company

Name of Director	Nature of Interest	Number of Shares[1]	Approximate Percentage of Shareholding Interest
Xu Bo[2]	Interest in controlled corporation; Interest of spouse	360,000,000(L)	50.14%
Xiao Zhijun[3]	Interest in controlled corporation	90,000,000(L)	12.53%

Notes:

1. The letter "L" denotes long position in the shares.

2. Pursuant to the declaration of trust dated 11 April 2016 executed by Ms. Dai Ling, being one of the Company's controlling shareholders and the spouse of Mr. Xu Bo, Ms. Dai Ling, as the sole legal owner of all the issued shares of Lavender Row Limited, holds the beneficial interest of all the issued shares of Lavender Row Limited in trust for the benefit of the family comprising Mr. Xu Bo, Ms. Dai Ling and their children ("Xu Family"). Accordingly, Mr. Xu Bo is deemed to be interested in the shares of the Company held by Lavender Row Limited by virtue of the SFO.

3. As the entire issued share capital of Noble Fox Holdings Limited is held by Mr. Xiao Zhijun, Mr. Xiao Zhijun is deemed to be interested in the shares of the Company held by Noble Fox Holdings Limited under the SFO.

(ii) Associated Corporation

Lavender Row Limited

Name of Director	Nature of Interest	Number of Shares[1]	Approximate Percentage of Shareholding Interest
Xu Bo [2]	Beneficial owner; Interest of spouse	50,000(L)	100%

Notes:

1. The letter "L" denotes long position in the shares.

2. These shares are held by Ms. Dai Ling in trust for the benefit of Xu Family including Mr. Xu Bo.

As at 30 June 2017, save as disclosed above, 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 or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to notify the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which would otherwise be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2017, to the best of the knowledge of the Company and the Directors, the following persons (other than Directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares[1]	Approximate Percentage of Shareholding Interest
Lavender Row Limited	Beneficial owner	360,000,000(L)	50.14%
Dai Ling [2]	Interest in controlled corporation; Interest of spouse	360,000,000(L)	50.14%
CMB International Finance Limited [3]	Security interest in shares	143,600,000(L)	20.00%
China Merchants Bank Co., Ltd. [3]	Interest in controlled corporation	143,600,000(L)	20.00%
Noble Fox Holdings Limited	Beneficial owner	90,000,000(L)	12.53%
Moonfun Miracle Limited	Beneficial owner	87,000,000(L)	12.12%
Ma Dang [4]	Interest in controlled corporation	87,000,000(L)	12.12%

Notes:

1. The letter "L" denotes long position in the shares.

2. Ms. Dai Ling is the sole legal owner of all the issued shares of Lavender Row Limited, holding such shares in trust for the benefit of Xu Family including her spouse, Mr. Xu Bo who is an executive Director and the Chairman of the Company. Accordingly, Ms. Dai Ling is deemed to be interested in the shares of the Company held by Lavender Row Limited by virtue of the SFO.

3. CMB International Finance Limited is wholly-owned by CMB International Capital Corporation Limited, which is wholly-owned by CMB International Capital Holdings Corporation Limited. China Merchants Bank Co., Ltd. has 83.20% of controlling interest in CMB International Capital Holdings Corporation Limited. Therefore, CMB International Capital Corporation Limited, CMB International Capital Holdings Corporation Limited and China Merchants Bank Co., Ltd. are deemed to be interested in 143,600,000 shares of the Company under the SFO.

4. As the entire issued share capital of Moonfun Miracle Limited is held by Mr. Ma Dang, Mr. Ma Dang is deemed to be interested in the shares of the Company held by Moonfun Miracle Limited under the SFO.

As at 30 June 2017, save as disclosed above, the Company was not aware of any other person (other than the Directors and chief executives of the Company) who had interests or short positions in the shares and underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which are required to be entered in the register under section 336 of the SFO.

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

	In commercial production			*Under development*
	Weishe Coal Mine	*Lasu Coal Mine*	*Luozhou Coal Mine*	*Tiziyan Coal Mine*
Location (within Guizhou Province, the PRC)	Yutang village, Weishe Township, Hezhang County	Minxiang village, Liuquhe Township, Hezhang County	Shishan village, Luozhou Township, Hezhang County	Caomen Village, Huangni Township, Dafang County, Bijie City
Equity interest held by the Group	100%	100%	100%	100%
Date of initial/expected commercial production	23 October 2012	17 March 2014	17 February 2013	April 2019
Mining area (square kilometres)	1.9	4.8 (Note 1)	2.3	6.9
Number of mineable	5	4	5	6
Designed annual production capacity (tonnes)	450,000	450,000	450,000	900,000
Permitted annual production capacity under trial run (tonnes) *(Note 2)*	450,000	450,000	450,000	N/A
Permitted annual production capacity (tonnes) *(Note 3)*	450,000	300,000	450,000	450,000
Expiry date of the mining right	June 2026	December 2021	September 2036	January 2030
Reserve data (as at 30 June 2017) ***(Note 4)***				
Proved reserve (million tonnes)	7.6	6.9	0.0	8.9
Probable reserve (million tonnes)	2.0	5.0	15.4	34.1
Total proved and probable reserve(million tonnes)	9.6	11.9	15.4	43.0
Average coal quality of raw coal				
Moisture (%)	3-8	3-8	3-8	3-8
Ash content (%)	23	23	30	32
Volatile matter (%)	6.6	6.5	6.2	5.9
Sulphur (%)	0.6	0.7	1.1	2.2
Calorific value (MJ/kg)	27	27	24	22
Density (tonnes/m^3)	1.5	1.5	1.6	1.7
Reserve data (as at 30 June 2017) ***(Note 5)***				
Proved reserve (million tonnes)	7.02	6.324	0.0	8.9
Probable reserve (million tonnes)	2.0	5.0	14.813	34.1
Total proved and probable reserve (million tonnes)	9.02	11.324	14.813	43.0
Capital expenditure for the six months ended 30 June 2017 (RMB in millions)	0.12	1.19	0.07	
Output - pilot run for the six months ended 30 June 2017 (million tonnes)	N/A	N/A	N/A	N/A
Output - commercial run for the six months ended 30 June 2017 (million tonnes) ***(Note 6)***	0.198	0.19	0.202	

Notes:

(1) 4.8 sq.km. is the reserved mining area of Lasu Coal Mine, which includes its licensed mining area of 1.6 sq.km..

(2) Although the permitted annual production capacity specified in the current mining licenses of Lasu Coal Mine is still at its initial level, the coal mine obtained the approval from Guizhou Energy Administration for joint trial run at the new annual production capacity of 450,000 tonnes on 12 January 2016. The mine has been under joint trial run at the increased capacity since then, and we expect Lasu Coal Mine to obtain the new mining licenses with the increased permitted annual production capacity in late 2017.

(3) The annual production capacity in relation to relevant mining licenses, of which Weishe Mine has obtained the mining licence with permitted annual production capacity of 450,000 tonnes on 23 June 2016 and Luozhou Coal Mine has obtained the mining licence with permitted annual production capacity of 450,000 tonnes on 12 September 2016.

(4) The reserve data as of 30 June 2017 are provided by the Company's internal expert in accordance with the JORC Code. The reserve data as of 15 February 2016 are extracted from the Competent Person' s Report prepared by SRK Consulting China Limited in accordance with the JORC Code in June 2016.

(5) The reserve data as of 30 June 2017 has been adjusted upon exclusion of the reserve data extracted from the mining activities of the Group from 1 January 2017 to 30 June 2017 from the proved reserve data and probable reserve data as of 15 February 2016.

(6) The data of mining activities of the Group as of 30 June 2017.

(7) There was no exploration and development activity for the Group during the Reporting Period, and that the Group has incurred RMB133.4 million, being the cost of sales, for the mining production activities for the six months ended 30 June 2017.

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF CHINA UNIENERGY GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of CHINA UNIENERGY GROUP LIMITED (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 35, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing 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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 August 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

	NOTES	Six months ended 30 June 2017	2016
		RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue	3	**310,555**	298,373
Cost of sales		**(133,429)**	(128,301)
Gross profit		**177,126**	170,072
Other income		**2,782**	914
Net foreign exchange loss		**(559)**	—
Distribution and selling expenses		**(1,787)**	(1,568)
Administrative expenses		**(12,020)**	(10,375)
Listing expenses		**—**	(26,144)
Finance costs	4	**(17,654)**	(22,555)
Share of loss of a joint venture		**(192)**	(134)
Profit before taxation		**147,696**	110,210
Income tax expense	5	**(38,123)**	(33,729)
Profit and total comprehensive income for the period	6	**109,573**	76,481
		RMB	RMB
Earnings per share			
Basic	8	**0.15**	0.13

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	NOTES	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	286,822	293,982
Mining rights	9	887,291	896,759
Rehabilitation deposits		17,874	19,874
Deposits paid for acquisition of property, plant and equipment		291	—
Interest in a joint venture		9,345	9,537
Prepaid lease payments – non-current portion		6,344	6,268
		1,207,967	1,226,420
Current assets			
Inventories		4,876	1,707
Prepaid lease payments – current portion		254	314
Trade and other receivables	10	3,826	81,312
Short-term bank deposits		50,000	130,000
Bank balances		251,313	160,664
		310,269	373,997
Current liabilities			
Trade and other payables	11	187,270	210,661
Tax payables		25,729	32,569
Bank borrowings – current portion	12	142,300	232,300
		355,299	475,530
Net current liabilities		(45,030)	(101,533)
Total assets less current liabilities		1,162,937	1,124,887
Capital and reserves			
Share capital	13	47,988	47,988
Reserves		815,010	705,437
Total equity		862,998	753,425
Non-current liabilities			
Provision for restoration and environmental costs		17,536	17,048
Bank borrowings – non-current portion	12	271,450	342,600
Deferred tax liabilities		10,953	11,814
		299,939	371,462
		1,162,937	1,124,887

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Share capital	Share premium	Statutory reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000 (note i)	RMB'000	RMB'000
At 1 January 2016 (audited)	35,000	—	32,371	337,809	405,180
Profit and total comprehensive income for the period	—	—	—	76,481	76,481
Effect of reorganisation (note ii)	(35,000)	—	—	—	(35,000)
Acquisition of the Company (note 13(i))	305	—	—	—	305
Issue of new shares by the Company (note 13(iii))	324	—	—	—	324
Transfer to statutory reserve	—	—	10,660	(10,660)	—
At 30 June 2016 (unaudited)	629	—	43,031	403,630	447,290
At 1 January 2017 (audited)	**47,988**	**121,517**	**58,455**	**525,465**	**753,425**
Profit and total comprehensive income for the period	**—**	**—**	**—**	**109,573**	**109,573**
Transfer to statutory reserve	**—**	**—**	**11,955**	**(11,955)**	**—**
At 30 June 2017 (unaudited)	**47,988**	**121,517**	**70,410**	**623,083**	**862,998**

Notes:

(i) According to the relevant requirements in the memorandum of association of 貴州優能(集團)礦業股份有限公司 (Guizhou Union (Group) Mining Co. Ltd.) ("Guizhou Union"), a wholly owned subsidiary of the Company established in the People's Republic of China, a portion of its profits after taxation has to be transferred to the statutory reserve. The transfer to this reserve must be made before the distribution of a dividend to the equity owners. The transfer can be ceased when balance of the reserve reaches 50% of the registered capital of Guizhou Union. The reserve can be applied either to set off accumulated losses or to increase capital.

(ii) Upon execution of a group reorganisation for the purpose of the Company's listing as set out in note 1, the Company acquired the entire 100% equity interest in the major operating subsidiary, Guizhou Union, through acquisition of two investment holding vehicles, for a total consideration of approximately RMB35 million. The consideration paid to the then shareholders (who subsequently became the shareholders of the Company) was deemed as distribution to the shareholders.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended 30 June 2017 RMB'000 (unaudited)	Six months ended 30 June 2016 RMB'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES	**187,747**	131,959
INVESTING ACTIVITIES		
Interest received	**2,227**	68
Purchases of property, plant and equipment	**(953)**	(91)
Deposit paid for acquisition of property, plant and equipment	**(291)**	—
Additions to prepaid lease payments	**(143)**	—
Government grants received	**—**	2,000
Additions to mining rights	**—**	(225)
NET CASH FROM INVESTING ACTIVITIES	**840**	1,752
FINANCING ACTIVITIES		
Placement of short-term bank deposits	**(330,000)**	—
Repayment of bank borrowings	**(161,150)**	(167,150)
Interest paid on bank borrowings	**(16,788)**	(21,636)
Withdrawal of short-term bank deposits	**410,000**	—
Repayment to directors	**—**	(40,955)
Deemed distribution to shareholders	**—**	(35,000)
New bank borrowings raised	**—**	90,000
Advance from directors	**—**	40,955
NET CASH USED IN FINANCING ACTIVITIES	**(97,938)**	(133,786)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**90,649**	(75)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**160,664**	31,895
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances	**251,313**	31,820

1. GENERAL, LISTING, REORGANISATION AND BASIS OF PRESENTATION AND PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 8 January 2014. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 July 2016 (the "Listing"). The registered office of the Company is located at Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is located in 31st Floor, Fuzhong International Plaza, Xinhua Road, Nanming District, Guiyang City, Guizhou Province, the People's Republic of China (the "PRC"). Its parent and ultimate holding company is Lavender Row Limited ("Dai BVI"), a limited liability company incorporated in the British Virgin Islands (the "BVI").

The Company is an investment holding company. The principal activities of the Group are the extraction and sale of anthracite coal in the PRC. The Group is holding the mining rights of four anthracite coal mines located in Guizhou Province, the PRC. Three out of the four anthracite coal mines, namely Lasu coal mine, Weishe coal mine and Luozhou coal mine are in commercial production and the remaining one, Tiziyan coal mine is currently under development.

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

In the preparation of the Listing, the Group underwent a group reorganisation (the "Reorganisation") to rationalise the group structure of the companies now comprising the Group.

Prior to the Reorganisation, 貴州優銀投資控股有限公司 (Guizhou Union Investment Holding Company Limited) ("Union Investment") and 貴州瑞聯資產管理有限公司 (Guizhou Ruilian Assets Management Company Limited) ("Guizhou Ruilian") owned Guizhou Union as to 50% and 50%, respectively. Union Investment was owned by two individuals, namely Mr. Xu Bo and Mr. Xiao Zhijun, both being directors of the Company (collectively the "Union Investment Shareholders"), as to 80% and 20%, respectively, while Guizhou Ruilian was owned by Union Investment and other five individuals (the "Guizhou Ruilian Individual Shareholders"), as to 50% and 50% (in aggregate), respectively. In addition, pursuant to the relevant shareholders' resolution of Guizhou Union and Guizhou Ruilian, Union Investment, a company controlled by Mr. Xu Bo, was able to exercise control over Guizhou Union and Guizhou Ruilian prior to the Reorganisation.

1. GENERAL, LISTING, REORGANISATION AND BASIS OF PRESENTATION AND PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - continued

The Reorganisation principally involved the following steps:

(i) Acquisition/establishment of the Company and its wholly owned subsidiaries, China Unienergy Holdings Limited, China Unienergy Development Co., Limited and 深圳能創新能源開發有限公司 (Shenzhen Nengchuang New Energy Development Company Limited) ("Shenzhen WFOE"), as appropriate. The Company is beneficially owned by the Union Investment Shareholders and the Guizhou Ruilian Individual Shareholders as to the percentages which they effectively held prior to the Reorganisation in the companies now comprising the Group through the two investment holding vehicles, namely Union Investment and Guizhou Ruilian; and

(ii) Acquisition of the entire 100% equity interest in Union Investment and the 50% equity interest in Guizhou Ruilian from the Union Investment Shareholders and the Guizhou Ruilian Individual Shareholders by Shenzhen WFOE on 11 April 2016.

Upon completion of the Reorganisation on 11 April 2016, the Company became a holding company of the companies now comprising the Group.

Basis of presentation

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended 30 June 2016 have been prepared to present the financial performance, changes in equity and cash flows of the companies now comprising the Group as if the group structure upon the completion of the Reorganisation had been in existence throughout the reporting period, or since their respective dates of acquisition/establishment, or up to the respective date of disposal, whichever is shorter.

Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

At 30 June 2017, the Group had net current liabilities of approximately RMB45 million. In preparing these condensed consolidated financial statements, the directors of the Company have carefully considered the future liquidity of the Group and concluded that the Group has sufficient working capital to meet in full its financial obligations as and when they fall due in the foreseeable future, after taking into account (i) the continuous operating cash inflows generated from the Group's business; (ii) the Group's capital expenditure plan for its future business development; and (iii) the availability of unutilised banking facilities amounted to approximately RMB486 million. Accordingly, the directors of the Company are satisfied that the adoption of the going concern basis in preparing the condensed consolidated financial statements is appropriate.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and method of computation used in the condensed consolidated financial statements 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.

In the current interim period, the Group has applied, for the first time, certain amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

All revenues are generated in the PRC. The following is an analysis of the Group's revenue in the reporting periods.

	Six months ended 30 June	
	2017	2016
	RMB'000 (unaudited)	RMB'000 (unaudited)
Sale of anthracite coal	**310,555**	298,360
Sale of coalbed methane	**—**	13
	310,555	298,373

Management determines the operating segment based on the information reported to the Group's chief operating decision maker ("CODM"), being the executive directors of the Company. The CODM assesses the operating performance and allocates the resources of the Group as a whole as the Group is primarily engaged in the extraction and sale of anthracite coal in the PRC. Accordingly, there is only one operating and reportable segment. All the principal assets employed by the Group are located in the PRC.

Segment assets and liabilities

Information reported to the CODM for the purposes of resources allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

4. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000 **(unaudited)**	RMB'000 (unaudited)
Interest expenses on bank borrowings	**16,454**	21,355
Interest on resources fees payable	**712**	712
Accretion expenses	**488**	488
	17,654	22,555

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000 **(unaudited)**	RMB'000 (unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**38,984**	35,533
Deferred taxation	**(861)**	(1,804)
	38,123	33,729

During the six months ended 30 June 2017 and 2016, the Group had no assessable profit subject to tax in any jurisdictions other than the PRC. The Group's PRC subsidiaries are subject to EIT at the statutory rate of 25%.

No deferred taxation has been provided in respect of the undistributed earnings of the Group's PRC subsidiaries as the directors consider that such earnings will not be distributed in the foreseeable future.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	RMB'000 **(unaudited)**	RMB'000 (unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of mining rights (included in cost of sales)	**9,468**	9,431
Depreciation of property, plant and equipment		
– included in cost of sales	**7,773**	8,779
– included in distribution and selling expenses	**134**	128
– included in administrative expenses	**207**	221
	8,114	9,128
Release of prepaid lease payments	**127**	126
Cost of inventories recognised as an expense	**133,429**	128,301
Bank interest income	**(2,227)**	(68)

7. DIVIDEND

No dividend was paid, declared or proposed for the six months ended 30 June 2017 and 2016 by the directors of the Company.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2017	2016
	RMB'000 (unaudited)	RMB'000 (unaudited)
Earnings		
Earnings for the purpose of basic earnings per share – profit for the period attributable to owners of the Company	**109,573**	76,481

	Six months ended 30 June	
	2017	2016
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**718,000,000**	600,000,000

The number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 June 2016 had been determined assuming the Reorganisation, subdivision of shares and capitalisation issue of the Company as disclosed in note 13 had been effective on 1 January 2016.

No diluted earnings per share for the six months ended 30 June 2017 and 2016 is presented as there were no potential ordinary shares outstanding during both periods.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND MINING RIGHTS

During the six months ended 30 June 2017, the Group had additions to property, plant and equipment amounted to RMB953,000 (six months ended 30 June 2016: RMB91,000).

During the six months ended 30 June 2016, the Group had additions to mining rights amounted to RMB225,000 (six months ended 30 June 2017: Nil) and received one-off and unconditional government grants of RMB2,000,000 (six months ended 30 June 2017: Nil) from the local government authority as an incentive to the Group for the closure of not up-to-standard coal mines in the PRC for the purpose of upgrading the Group's annual production capacity, which are recognised as a deduction from the cost of the relevant mining rights.

As at 30 June 2017 and 31 December 2016, the Group had pledged its mining rights with carrying amounts of approximately RMB887 million and RMB897 million, respectively, to secure banking facilities granted to the Group.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Trade receivables	132	78,059
Deposits, prepayments and other receivables (note)	3,694	3,253
	3,826	81,312

Note: Included in other receivables as at 30 June 2017 and 31 December 2016 was an amount of RMB305,000 due from ultimate holding company, which is unsecured, interest-free and repayable on demand.

Before accepting any new customers, the Group assesses the customers' credit quality and reputation. This exercise is also performed on a regular basis by the Group. In general, the Group requests advance payments from customers before delivering the goods and no credit period is granted. For certain customers, the Group requests an upfront sales deposit and grants them a credit period of 45 days for the six months ended 30 June 2016 for subsequent purchases. No credit period was granted to customers for the six months ended 30 June 2017 and no upfront sale deposits were received for this purpose.

The following is an aged analysis of trade receivables, presented based on invoice dates which approximated the respective revenue recognition date, at the end of the reporting periods:

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
0 - 30 days	117	58,992
31 - 60 days	15	19,067
	132	78,059

11. TRADE AND OTHER PAYABLES

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Trade payables	6,204	6,311
Upfront sale deposits received	—	17,700
Accruals for staff costs	11,736	13,710
Advanced sales receipts from customers	117	176
Interests payables	14,789	14,411
Other payables and accruals	4,259	6,142
Other tax payables	13,664	15,710
Resources fees payable and accrual (note)	136,501	136,501
	181,066	204,350
	187,270	210,661

Note: Resources fees are charged by the PRC local government authority upon their approval to upgrade the Group's annual production capacity of the relevant coal mines and the payable amounts are determined based on the total coal reserves in the respective mining areas as assessed and approved by the authority in prior years. Included in the amounts are RMB29,055,000 as at 30 June 2017 and 31 December 2016 which carry interest at the Benchmark Lending Rate of the People's Bank of China and are payable on demand. The amount as at 30 June 2017 and 31 December 2016 also included an amount of RMB107,446,000 estimated and accrued by the management upon the PRC local government authority approving the upgrade of the annual production capacity of Lasu coal mine, Weishe coal mine and Luozhou coal mine in late 2015. Such accrual did not bear interest and the Group is in the process of finalising the actual resources fees to be paid and applying for deferring the payment and agreeing an instalment plan with the relevant authority. Up to the date of this interim review report, the approval is yet to obtain.

The following is an aged analysis of trade payables, presented based on the invoice date, at the end of the reporting periods:

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
0 - 30 days	6,204	6,311

The average credit period for purchase of goods is 30 days.

12. BANK BORROWINGS

During the current interim period, the Group repaid bank borrowings of approximately RMB161 million (six months ended 30 June 2016: RMB167 million). During the six months ended 30 June 2016, the Group obtained new bank borrowings amounting to RMB90 million (six months ended 30 June 2017: Nil). The borrowings carry interest at fixed market rates ranging from 5.50% to 6.60% (31 December 2016: ranging from 4.79% to 6.60%) per annum and are repayable within one to three years (31 December 2016: one to four years). The proceeds was used for working capital and general corporate purposes.

Details of the assets pledged for the bank borrowings are further set out in note 9.

13. SHARE CAPITAL

	Number of shares	Amount
		US$
Authorised:		
Ordinary shares of US$1.00 each upon acquisition of the Company (note i)	50,000	50,000
Subdivision of shares (note ii)	4,950,000	—
Increase during the period (note ii)	4,995,000,000	49,950,000
Ordinary shares of US$0.01 each as at 31 December 2016 and 30 June 2017	5,000,000,000	50,000,000
Issued and fully paid:		
Ordinary shares of US$1.00 each upon acquisition of the Company (note i)	50,000	50,000
Subdivision of shares (note ii)	4,950,000	—
Issue of new shares		
– upon reorganisation (note iii)	5,000,000	50,000
– upon capitalisation issue (note iv)	590,000,000	5,900,000
– upon global offering (note v)	116,000,000	1,160,000
– upon exercise of over-allotment option (note vi)	2,000,000	20,000
Ordinary shares of US$0.01 each as at 31 December 2016 and 30 June 2017	718,000,000	7,180,000

	RMB'000
Shown in the condensed consolidated financial statements as	47,988

13. SHARE CAPITAL - continued

Notes:

(i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 January 2014. The initial authorised share capital of the Company was US$50,000 divided into 50,000 shares of US$1.00 each. Upon incorporation, 50,000 shares, representing the entire issued share capital of the Company, were issued at par to and held by an independent third party and subsequently transferred to Dai BVI, a limited liability company wholly owned by Ms. Dai (the spouse of Mr. Xu Bo, controlling shareholder of the Company), on 29 March 2016.

(ii) On 15 April 2016, each of the 50,000 shares with par value of US$1.00 each in the authorised share capital of the Company was subdivided into 100 shares with par value of US$0.01 each, resulting in an authorised share capital of the Company of US$50,000 consisting of 5,000,000 shares. Immediately following the subdivision, the authorised share capital of the Company was further increased from US$50,000 consisting of 5,000,000 shares to US$50,000,000 consisting of 5,000,000,000 shares.

(iii) On 15 April 2016, the Company issued and allotted 1,000,000, 1,450,000, 1,500,000, 500,000, 250,000, 200,000, 100,000 shares representing 10.0%, 14.5%, 15.0%, 5.0%, 2.5%, 2.0% and 1.0% of the then issued share capital of the Company, respectively, to Dai BVI, Moonfun Miracle Limited, Noble Fox Holdings Limited, Hidden Goals Limited, Angelzone Holdings Limited, Jubilee One Limited and Fortune Dynamic Investment Limited, at par for a total consideration of US$50,000.

(iv) On 22 June 2016, pursuant to a written resolution of the shareholders of the Company, the Company allotted and issued 590,000,000 shares of US$0.01 each to the then existing shareholders of the Company. This resolution was conditional on the share premium account being credited as a result of the global offering of the Company and pursuant to this resolution, a sum of US$5,900,000 (equivalent to RMB39,466,000) standing to the credit of the share premium account was subsequently applied in paying up this capitalisation in full upon the Listing.

(v) On 13 July 2016, the Company was successfully listed on the Stock Exchange following the completion of its global offering of 116,000,000 new shares of US$0.01 each issued at a price of HK$1.80 per share. Proceeds of US$1,160,000 (equivalent to RMB7,759,000), representing the par value of the shares issued, was credited to the share capital of the Company. The remaining proceeds of US$25,609,000 (equivalent to RMB172,031,000) was credited to the share premium account.

(vi) On 2 August 2016, the sole global coordinator partially exercised the over-allotment option as described in the prospectus of the Company dated 30 June 2016 on behalf of the international underwriters in respect of 2,000,000 additional new shares. The shares were issued and allotted by the Company at HK$1.80 per share. Proceeds of US$20,000 (equivalent to RMB134,000), representing the par value of the shares issued, was credited to the share capital of the Company. The remaining proceeds of US$441,000 (equivalent to RMB2,966,000) was credited to the share premium account.

14. CONTINGENT LIABILITIES

In prior years, the Group entered into five conditional asset transfer agreements with independent third parties to acquire all the assets and liabilities in five companies, each of which is inactive but holding the mining right of an anthracite coal mine in Guiyang, the PRC. The agreements contain a number of completion precedents including, but not limited to, transfer of mining right title to the Group, technology improvement and related application for upgrading the annual production capacity of the mine by the vendors, obtaining the updated mining right licenses with the enhanced production capacity, satisfactory completion of the due diligence works by the Group as well as consideration determination based on professional valuation and consideration settlement.

During the year ended 31 December 2016, the Group entered into supplemental agreements with the vendors to delineate the rights and obligations between the parties under the proposed acquisitions and each of the vendors agreed to indemnify the Group and its directors and shareholders for any potential liabilities therefrom. In addition, the Group has the sole and absolute discretion to decide whether or not to proceed with the acquisitions in accordance with the supplemental agreements.

As at 30 June 2017, the respective acquisitions are yet to complete given the fact that many of the key completion precedents are yet to complete. Hence, the directors of the Company consider that it is not probable that future economic benefits associated with the mines will flow to the Group and the consideration of the transactions cannot be measured reliably. The directors of the Company concluded that the risks and rewards of those anthracite coal mines are yet to be transferred to the Group.

Notwithstanding there are certain obligations imposed on the Group in the respective sale and purchase agreements as well as those mining license transfer agreements subsequently entered into, the management of the Group, having consulted its legal advisors, considered that contingent liabilities adhered to those agreements are remote and yet to estimate reliably. Hence, no provision has been made in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets.

15. OPERATING LEASE COMMITMENTS

The Group as lessee

	Six months ended 30 June	
	2017	2016
	RMB'000 (unaudited)	RMB'000 (unaudited)
Minimum lease payments paid under operating leases during the period	**913**	686

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 June 2017	At 31 December 2016
	RMB'000 (unaudited)	RMB'000 (audited)
Within one year	**1,928**	1,759
In the second to fifth year inclusive	**3,983**	4,391
	5,911	6,150

Operating lease payments represent rentals payable by the Group for certain of its office properties and staff quarters. Leases are negotiated for terms ranging from three to five years.

16. RELATED PARTY DISCLOSURES

(a) Transactions/balances

During the six months ended 30 June 2017 and 2016, the Group entered into the following transactions with related parties:

	Six months ended 30 June	
	2017	2016
	RMB'000 (unaudited)	RMB'000 (unaudited)
Joint venture		
Sale of coalbed methane by the Group	**—**	13
Purchase of electricity by the Group	**—**	97

There were no significant related party balances as at 30 June 2017 and 31 December 2016.

16. RELATED PARTY DISCLOSURES - continued

(b) Compensation of key management personnel

The emoluments of the directors and other members of key management of the Group during the period are as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000 (unaudited)	RMB'000 (unaudited)
Salaries and other allowances	**905**	474
Retirement benefits scheme contribution	**24**	22
	929	496