FEISHANG

Feishang Anthracite Resources Limited

飛尚無煙煤資源有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code : 1738

2017 ANNUAL 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. HUANG Zuye
Mr. HU Yongming

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. HUANG Zuye
Mr. HU Yongming

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

AUDITOR

Ernst & Young
Certified Public Accountants
22nd Floor, 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

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.
Industrial and Commercial Bank of China Limited
Bank of Chongqing
Bank of Guiyang


We are committed to
becoming one of the
MOST COMPETITIVE
ANTHRACITE RESOURCE
ENTERPRISES
in Southwest China

CHAIRMAN'S STATEMENT

Chairman and Chief Executive Officer
HAN Weibing

On behalf of the board (the "Board") of directors (the "Directors") of Feishang Anthracite Resources Limited ("Feishang Anthracite" or the "Company"), I present the results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017 to the shareholders of the Company (the "Shareholders").

REVIEW

70% of the global growth acceleration in 2017 was owed to a rebound in the commodity cycle. More specifically, one of the main engines for this global growth pick-up was Chinese property. The recovery in property sector spurred stronger demand for construction and building materials. At the same time, supply-side reforms, including capacity cuts, tougher environmental rules and credit access, and industry consolidation, as well as increased investment in new strategic areas, have dampened industrial production and investment growth. These positive macroeconomic signals and demand-supply relationship supported industrial prices and corporate earnings and transmitted into a firm recovery in the coal market since late 2016.

In 2017, excess supply in the Chinese coal market generally reversed: demand and supply were basically balanced, with tight supply recurring in certain regions. Consumption and production of coal increased modestly. Coal price fluctuated following changes in demand and supply relationship but generally remained at the relatively high level reached in the last quarter of 2016. The price of anthracite coal throughout 2017 followed a steady but modest upward trend. Seizing such favourable market opportunities, the Group vigorously focused on quality enhancement and efficiency improvement and strengthened operational management, safety production and marketing efforts. As a result, for the year ended 31 December 2017, the Group for the first time recorded a turnaround from loss to consolidated profit attributable to owners of the parent from continuing operations of approximately CNY182.9 million, representing a year-on-year increase of approximately 188.9%.

OUTLOOK

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

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

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the staff and management team of the Group for their hard work and dedication during the year. I would also like to express my sincere gratitude to the Shareholders for their continuous support.

HAN Weibing
Chairman and Chief Executive Officer

Hong Kong, 29 March 2018

BUSINESS REVIEW

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

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

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

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

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

Snapshot of major developments of the Group throughout the year:

- In February 2017, the mechanisation renovation project of Liujiaba Coal Mine commenced.
- In July 2017, the mechanisation renovation project of Baiping Coal Mine was completed.
- In October 2017, the port expansion project was completed.

Compliance

The Group and its activities are subject to requirements under various laws. These include, among others, the laws of the People's Republic of China (the "PRC") relating to the coal industry, environmental protection, safety production, mining resource consolidation, taxation, and labour and the applicable rules, regulations, guidelines, notices and policies issued or promulgated under or in connection with these statutes. On the listed company level, the Group is also subject to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Codes on Takeovers and Mergers and Share Buy-backs, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and/or the laws, rules and regulations of the jurisdictions where the Group companies are incorporated. The Company seeks to ensure compliance with these requirements through various measures such as internal controls, trainings and oversight of various business units at different levels of the Group. The Group highly values the importance of ensuring compliance with applicable legal and regulatory requirements.

During the year, 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.

Customer and Supplier Relationship

In 2016 and 2017, sales to the Group's largest customer accounted for approximately 12.8% and 15.2% of the Group's total sales, respectively and sales to the Group's five largest customers accounted for approximately 40.6% and 42.6% of the Group's total sales, respectively.

The major suppliers for the Group's mining operations include third party contractors, suppliers of machinery and equipment and suppliers of ancillary materials used in the mining operations. In 2016 and 2017, purchases from the largest supplier accounted for approximately 8.0% and 9.1% of the total purchases, respectively, and the total purchases (including those from coal mine construction contractors) from the five largest suppliers accounted for approximately 31.3% and 29.8% of the total purchases, respectively.

None of the Directors, their close associates or any Shareholders, which to the knowledge of the Directors, owned more than 5% of the Company's issued share capital, had an interest in any of the Group's five largest customers and suppliers.

In 2016 and 2017, the Group's top five customers were primarily coal trading companies (for onward sales to cement plants, chemical plants and steel manufacturers) and a power plant. The trading terms with the major customers mainly included payment in advance or payment with a credit period of one month. For most of non-power plant customers, the Group adhered to the term of "advance payment before delivery" to minimise potential credit risk. The Group has established relationship with its major customers for 3 to 5 years. As of the date of this report, the Group has maintained sound business relationships with its major customers.

The payment terms offered by the major suppliers (other than construction related contractors) are usually deposit and cash on delivery followed by a balance payment with credit term up to one year. The Group is not dependent on any single supplier. The Group typically selects suppliers based on various factors, including the quality and safety standard of the products, the ability to reliably meet the product requirements, the credit terms and the after-sales service. The Group has established relationship with its major suppliers for 1 to 5 years.

The average accounts payable turnover days (which is calculated by dividing the arithmetic mean of opening and ending balance of accounts payable (excluding amounts due to construction-related contractors) for the year by cost of sales in the year and then multiplying by 360 days) in year 2017 was approximately 64 days, compared to approximately 59 days in 2016. As of the date of this report, the Group did not have any major outstanding disputes in relation to accounts payable and the Group's business relationships with its suppliers were fair.

Employees and Remuneration Policy

The Group recognises the importance of retaining high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme. Employees of the Group are encouraged to attend training and development courses to acquire the right knowledge and skills, and the training expenses are charged to the Group. The emolument policy of the employees of the Group is based on their merit, qualifications and competence. The emoluments of the Directors are determined by taking into account the Group's operating results, individual performance and comparable market statistics. No Director, or any of his associates, and executive is involved in determining his own remuneration.

As at 31 December 2017, the Group had employed 814 full time employees (not including 1,168 workers provided by third party labour agencies) for its principal activities (2016: 1,163). Employees' costs (including Directors' emoluments and payment to workers provided by third party labour agencies) amounted to approximately CNY190.2 million for the year ended 31 December 2017 (2016: CNY140.0 million).

The Company adopted the share option scheme as an incentive to Directors and eligible employees of the Group, details of which are set out in note 29 to the consolidated financial statements and under the paragraph headed "Share Option Scheme of the Company" in the section headed "Report of the Directors" of this report.

As at 31 December 2017 and the date of this report, the Group has maintained good working relationship with its employees. The Group has assembled a management team consisting of key employees with many years of experience in various aspects of the coal mining industry, particularly in coal mine operations management, coal safety production, mining-related engineering and technologies, and coal sales and marketing. All of the key employees have served the Group for over 5 years. The management team and employees have remained stable.

For more information about the employee relations, please refer to the environmental, social and governance ("ESG") report for the year of 2017 to be published by the Company.

Community Relationship

The Group understands the importance of relationships with its surrounding communities. The Group has made community donations in Jinsha county from time to time. The Group did not run into any disputes or conflicts with its surrounding communities for the year ended 31 December 2017.

Environmental Policy and Measure

The Group believes that the establishment of corporate social responsibility is essential for improving environmental and occupational health and safety, building up a good corporate and social relationship and motivating staff and creating a sustainable return to the Group.

The Group is also committed to environmental protection in its operations and has made financial commitments towards the construction of environmental protection facilities and the establishment of an environmental protection management and monitoring system. In 2017, the cost of compliance with environmental obligations was approximately CNY19.3 million, of which approximately CNY3.4 million was related to the construction of environmental protection facilities. The Group has set aside restricted cash and placed cash with the relevant government authorities for the purpose of future environmental rehabilitation obligations as well as the settlement of asset retirement obligations. As at 31 December 2017, the rehabilitation fund was approximately CNY13.6 million.

For details of the Group's performance on environmental, social and governance, please refer to the Group's separate ESG report for the year of 2017 to be published by the Company.

Safety Measure

The Group is committed to maintaining high safety standards at the coal mines, such as providing a safe working environment at coal mines, conducting regular safety training sessions for employees, including mine managers, methane inspectors, blasters, electricians, coal miners and other workers, to improve their safety awareness and knowledge, and arranging periodic health checks for employees. The Group has implemented a six-part safety system at operating coal mines which consists of the following components: an electronic safety monitoring system; a wireless tracking system that tracks the location of underground workers; emergency exits; emergency water supplies; emergency underground communication equipment; and compressed air stations that provide emergency underground oxygen supplies.

FINANCIAL REVIEW

Key Performance

Items	For the year ended 31 December 2017 CNY'000	For the year ended 31 December 2016 CNY'000	Change (%)
Continuing Operations			
Revenue	**1,022,950**	557,863	83.4%
Cost of sales	**(492,500)**	(380,644)	29.4%
Gross profit	**530,450**	177,219	199.3%
Selling and distribution expenses	**(28,235)**	(21,802)	29.5%
Administrative expenses	**(106,878)**	(87,235)	22.5%
Reversal of impairment/(impairment) of trade and other receivables	**4,875**	(52,957)	109.2%
Impairment loss on property, plant and equipment	**–**	(100,515)	(100%)
Other operating expenses	**(1,551)**	(26,087)	(94.1%)
Operating profit/(loss)	**398,661**	(111,377)	457.9%
Finance costs	**(74,372)**	(72,151)	3.1%
Interest income	**3,474**	3,994	(13.0%)
Non-operating income/(expenses), net	**9,972**	(564)	1,868.1%
Income tax expense	**(117,178)**	(20,744)	464.9%
Profit/(loss) attributable to owners of the parent	**182,873**	(205,714)	188.9%
Discontinued Operation			
Loss for the year	**(339)**	(7,100)	(95.2%)
Loss attributable to owners of the parent	**(336)**	(7,029)	(95.2%)

Continuing Operations

Revenue

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

Processed coal was the main revenue driver in 2017. The Group's revenue from sales of processed coal increased from approximately CNY316.1 million with sales volume of 1,072,683 tonnes in 2016 to approximately CNY653.0 million with sales volume of 1,175,672 tonnes in 2017. The increase in revenue from sales of processed coal was mainly due to the rise in average selling price from CNY294.7 per tonne in 2016 to CNY555.4 per tonne in 2017. The reasons for the rise in average selling price have been discussed above.

In the past, the Group sold a significant portion of its anthracite coal as thermal coal to power producers in Guizhou province, and was dependent on a limited number of customers for a substantial portion of its revenue. The Group has reduced the portion of its anthracite coal sold as thermal coal since 2015. In 2016 and 2017, the Group derived approximately 40.6% and 42.6% of its revenue from anthracite coal sales to its five largest customers, respectively, out of which, one and one customer was a power producer in Guizhou province who purchased thermal coal from the Group, respectively. The management of the Group believes that by further expanding the product mix through coal washing and coal blending, the dependency on a limited number of large customers will decrease gradually and the Group's profit margin will increase.

Cost of Sales

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

Cost of Sales for Coal Mining

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

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

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

Taxes and levies in 2017 were approximately CNY44.1 million, an increase of approximately CNY17.3 million or approximately 64.4% as compared with approximately CNY26.8 million in 2016. The increase in the unit sales tax and levies in 2017, which mainly consisted of ad valorem resource tax, was mainly due to the rise in the average selling price of anthracite coal.

Cost of Sales for Coal Processing

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

Breakdown of the Group's Unit Cost of Sales

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

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

Gross Profit and Gross Margin

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Impairment Loss on Property, Plant and Equipment

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

Reversal of Impairment/Impairment of Trade and Other Receivables

The Group made a reversal of impairment of trade and other receivables from continuing operations of approximately CNY4.9 million in 2017 mainly because of the recovery of trade receivables, as compared with a provision for impairment of trade and other receivables of approximately CNY53.0 million in 2016. The Group considered that the provision for impairment of trade and other receivables was necessary after assessing the recoverability of the ageing past due trade and other receivables in 2016.

Other Operating Expenses

Other operating expenses from continuing operations decreased to approximately CNY1.6 million in 2017 from approximately CNY26.1 million in 2016 which was primarily due to the compensation paid to local residents for repairing the damaged houses and/or relocation affected by the mine's operations of the Group in 2016.

Operating Profit/Loss

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

Finance Costs

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

Non-operating Income/Expenses, Net

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

Income Tax Expense

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

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

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

Discontinued Operation

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

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

FINANCIAL RESOURCES REVIEW

Liquidity, Financial Resources and Capital Structure

As of 31 December 2016 and 31 December 2017, the Group had net current liabilities of approximately CNY815.5 million and CNY783.5 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 short-term and long-term bank and other borrowings, and/or possible equity financing.

No equity fund raising activity was conducted by the Company during the year ended 31 December 2017. As at 31 December 2017, the Group had cash and cash equivalents of approximately CNY77.6 million.

The interest-bearing loans consist of short-term and long-term bank and other borrowings. As at 31 December 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 CNY525.9 million. The Group had total outstanding long-term bank borrowings (excluding the current portion) of approximately CNY450.7 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 and other borrowings are secured by pledges of 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"), equity interests in Guizhou Puxin Energy Co., Ltd. ("Guizhou Puxin"), the mining rights, and bills receivable in Guizhou Puxin. As at 31 December 2017, the Group had loans amounting to approximately CNY378.6 million with fixed interest rates ranging from 5.00% to 9.34% per annum. The remaining loans held by the Group as at 31 December 2017 had floating interest rates ranging from 5.39% to 6.96% per annum.

Pledge of Assets of the Group

As at 31 December 2016 and 31 December 2017, the amounts of outstanding bank borrowings that were guaranteed by Mr. LI Feilie were approximately CNY685.8 million and approximately CNY805.2 million, respectively, and the amounts of outstanding bank borrowings that were guaranteed by certain associates of Mr. LI Feilie were approximately CNY846.8 million and approximately CNY783.2 million, respectively.

As at 31 December 2016 and 31 December 2017, certain mining rights with carrying amounts of approximately CNY506.4 million and approximately CNY595.1 million, respectively, were pledged to secure bank loans with carrying amounts of approximately CNY491.8 million and approximately CNY620.0 million, respectively.

As at 31 December 2016, equity interests in Guizhou Puxin and Guizhou Dayun were pledged to secure bank loans with a carrying amount of approximately CNY441.8 million and as at 31 December 2017, equity interests in Guizhou Puxin were pledged to secure bank loans with a carrying amount of approximately CNY400.0 million.

As at 31 December 2016 and 31 December 2017, certain machinery and equipment owned by the Group with carrying amounts of CNY200.0 million and approximately CNY176.1 million, respectively, were pledged to secure loans with carrying amounts of CNY194.0 million and approximately CNY135.2 million, respectively.

As at 31 December 2016 and 31 December 2017, certain bills receivable with carrying amount of nil and CNY26.0 million, respectively, were pledged to secure bank loans with carrying amounts of nil and CNY23.4 million, respectively.

Capital Commitments and Expected Source of Funding

As at 31 December 2017, the Group had contractual capital commitments in respect of machinery and equipment purchased by coal mines for operations amounting to approximately CNY64.4 million. The Group plans to finance the capital commitments by internal resources, additional short-term and long-term bank and other borrowings, and/or possible equity financing.

Gearing Ratio

As at 31 December 2016 and 31 December 2017, the gearing ratio (which is calculated by dividing total interest-bearing debt by total capital at the end of the year and multiplying by 100%) was approximately 289.8% and 155.5%, respectively. The gearing ratio decreased in 2017 as the Group recorded a turnaround from loss to profit for the year.

Contingent Liabilities

As at 31 December 2017, except for bank borrowings disclosed above, 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.

Subsequent Events

On 3 January 2018, Jinsha Juli received the remaining loan facility amounting to CNY30.0 million out of the total CNY100.0 million long-term bank loan from Bank of Guiyang to be repaid on 2 January 2019. The purpose of the loan is to pay the purchase of coal. The loan bears a floating annual interest rate equal to 60% above the one-year base lending rate stipulated by the People's Bank of China from time to time (4.35% per annum, resulting in an annual interest rate of 6.96% per annum).

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

On 30 January 2018 and 31 January 2018, Guizhou Yongfu received and fully drew down CNY24.0 million and CNY6.0 million short-term bank loans from China Everbright Bank Co., Ltd. to be repaid on 29 January 2019 and 30 January 2019, respectively. The purpose of the loans is to finance the working capital. The loans bear a fixed annual interest rate equal to 30% above the one-year base lending rate stipulated by the People's Bank of China (4.35% per annum, resulting in an annual interest rate of 5.655% per annum).

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.

EXECUTIVE DIRECTORS

Mr. HAN Weibing (韓衛兵), aged 46, has been an executive Director of the Company since December 2013, chief executive officer of the Company from 29 March 2016, and the chairman of the Board since 26 July 2016. From December 2013 and up to 28 March 2016, he was the chief operating officer of the Company. He is also a member of the corporate social responsibility committee of the Company (the "Corporate Social Responsibility Committee") and the remuneration committee of the Company (the "Remuneration Committee"). Mr. Han is primarily responsible for overseeing the day-to-day management and operations of the Group. Mr. Han has served as the vice president of the coal division of China Natural Resources, Inc. ("CHNR"), a director and the chairman of the board of directors of Guizhou Puxin and Guizhou Yongfu, subsidiaries of the Company, since January 2012, taking charge of the development and management of their coal mining related business. He has also served as a director of Jinsha Juli, a subsidiary of the Company, since November 2012. He was the general manager and the vice president of the human resources department of Feishang Enterprise Group Co., Ltd. ("Feishang Enterprise") from March 2009 to March 2012, and he also served as the assistant president of Feishang Enterprise from February 2010 to February 2011. From August 1995 to March 2007, Mr. Han served as the deputy manager of the human resources department of a multinational logistics equipment manufacturing company listed on the Shenzhen Stock Exchange. He graduated from Sun Yat-Sen University (中山大學) with an executive master of business administration degree in June 2007 and from Wright State University in the United States with a master of business administration degree in November 2008. Save as disclosed above, Mr. Han did not hold any directorship in other listed public companies in the past three years.

Mr. WAN Huojin (萬火金), aged 72, was appointed as an executive Director and chief technical officer of the Company in December 2013. He is also a member of the Corporate Social Responsibility Committee. Mr. Wan is primarily responsible for overseeing the coal mine construction and coal production of the Group. He has served as a director of Jinsha Juli, a subsidiary of the Company, since November 2012. Mr. Wan has over 48 years of experience in the mining industry, particularly on coal production. He was the deputy general manager of Guizhou Puxin from March 2010 to June 2010, and has been its general manager since June 2010. His responsibilities include determining and overseeing the overall business strategies and plans, including the plans for coal mine operation and development. During the period between August 1968 and December 2007, Mr. Wan served different positions in Fengcheng Mining Bureau of Jiangxi Province (江西省豐城礦務局) and was finally promoted to its head in January 2001. Mr. Wan graduated from Jiangxi Polytechnic College (江西工業工程職業技術學院) with a secondary vocational school's diploma in coal mining in August 1968. He was accredited as a senior engineer by the Jiangxi Branch of China Universal Allocation Coal Mining Company (中國統配煤礦總公司江西公司) in September 1992. He has received a number of awards in recognition of his contribution to the coal mining industry over the years. Mr. Wan did not hold any directorship in other listed public companies in the past three years.

Mr. TAM Cheuk Ho (譚卓豪), aged 55, was appointed as an executive Director of the Company in February 2013. He is also a member of the nomination committee of the Company (the "Nomination Committee"). Mr. Tam had been with the CHNR group for more than 20 years and resigned from position of executive vice president and executive director of CHNR in January 2014. He has been appointed as a director of CHNR since April 2015. During the period from May 2002 to April 2003, Mr. Tam was an executive director and the deputy chairman of a Hong Kong listed company engaged in property development and securities investment operations. He has been a partner of a certified public accountant firm in Hong Kong since July 1995, and was the finance director of a private investment company from October 1992 to December 1994. He was the company secretary of a Hong Kong listed company operating Chinese restaurants chain and engaging in property investments from February 1993 to December 2012, and was its financial controller from February to September 1992. From July 1984 to December 1991, Mr. Tam worked at an international certified public accountant firm and his last position at such firm was as an audit manager. Mr. Tam graduated from the Chinese University of Hong Kong with a bachelor of business administration degree in 1984. He was accredited as a certified public accountant (practising) by the Hong Kong Institute of Certified Public Accountants in July 1992, and was admitted as a fellow member in November 1999. He was also admitted as a fellow of the Association of Chartered Certified Accountants in October 1992. Save as disclosed above, Mr. Tam has not held any directorship in other listed public companies in the past three years.

Mr. WONG Wah On Edward (黃華安), aged 54, was appointed as an executive Director of the Company in February 2013. Mr. Wong had been with the CHNR group for more than 20 years and resigned from the positions of chief financial officer, executive director and company secretary in January 2014. He has been appointed as a director of CHNR since April 2015, and an independent non-executive director of Quali-Smart Holdings Limited, a company listed in Hong Kong (stock code: 1348) since September 2015, and the chairman and chief executive officer of CHNR since August 2016. He has served as a director of Hong Kong Smartact Limited, a subsidiary of the Company, since January 2010. From December 2000 to December 2006, Mr. Wong was an independent non-executive director of a Hong Kong listed company engaged in the trading of construction materials. He has also served as a partner of a certified public accountant firm in Hong Kong since July 1995. From October 1992 to December 1994, Mr. Wong was the deputy finance director of a private investment company. From July 1988 to October 1992, Mr. Wong worked at the audit department of an international certified public accountant firm, providing professional auditing services to clients in a variety of business sectors, and he left the firm as a senior auditor. Mr. Wong graduated from the Hong Kong Polytechnic University with a professional diploma in company secretaryship and administration in 1988. He was accredited as a certified public accountant (practising) by the Hong Kong Institute of Certified Public Accountants in September 1993, and was admitted as a fellow member in November 1999. He was also a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Chartered Secretaries. Save as disclosed above, Mr. Wong has not held any directorship in other listed public companies in the past three years.

Mr. YUE Ming Wai Bonaventure (余銘維), aged 50, was appointed as the chief financial officer and the company secretary of the Company in January 2014, and an executive Director of the Company in May 2015. He was the financial controller of CHNR from 2008 to 2014 and has been appointed as the chief financial officer and the corporate secretary of CHNR since April 2015, and an executive director of CHNR since August 2016. He has also been appointed as an independent non-executive director of A.Plus Group Holdings Limited (a company listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) (stock code: 8251) since March 2016. Mr. Yue has been an executive director and the legal representative of Shenzhen Chixin Information Consulting Co., Ltd., a subsidiary of the Company, since July 2012. Mr. Yue has over 25 years of experience in accounting, finance and compliance for various industries gained in an international certified public accountant firm, an investment advisory firm, and listed companies in both Hong Kong and New York State. Mr. Yue graduated from Hong Kong Baptist University with a bachelor of business administration degree in 1990 and was awarded a master of science degree in accounting and finance from the University of Manchester in 1994. He is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Hong Kong Institute of Certified Public Accountants, and the Institute of Chartered Accountants in England & Wales. Mr. Yue is also a member of Chartered Accountants Australia & New Zealand and a member certified in entity and intangible valuations of the American Institute of Certified Public Accountants. Save as disclosed above, he did not hold any directorship in other listed public companies in the past three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LO Kin Cheung (盧建章), aged 53, was appointed as an independent non-executive Director of the Company in December 2013. He is also the chairman of audit committee of the Company (the "Audit Committee") and a member of the Remuneration Committee and Nomination Committee. He acted as an independent non-executive director of CHNR from December 2004 to June 2006 and an independent non-executive director of China Resources Development, Inc., a member of the predecessor group of CHNR, from May 2000 to December 2004. He also served as an independent non-executive director of a Hong Kong listed company operating Chinese restaurant chains and engaged in property investments during the period from August 2004 to August 2011. Mr. Lo has been the chief financial officer of a private company engaging in the printing business since September 2001. From March 1998 to July 2001, Mr. Lo was an executive director of a Hong Kong listed company then involved in the baby care product industry and the multimedia industry. From July 1986, Mr. Lo spent nearly 12 years with an international certified public accountant firm and his last position at such firm was as a principal. Over these years, Mr. Lo has gained extensive experience in finance and accounting. He graduated from the University of Hong Kong with a bachelor's degree in science in 1986 and completed the advanced management program at Harvard Business School in May 2004. Mr. Lo was admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in 2000 and 1994, respectively. He is also a fellow member of the Institute of Chartered Accountants in England and Wales. Save as disclosed above, Mr. Lo has not held any directorship in other listed public companies in the past three years.

Mr. HUANG Zuye (黃祖業), aged 73, was appointed as an independent non-executive Director of the Company in December 2013. He is also the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee. Mr. Huang has over 35 years of experience in the coal mining industry. He retired from the Coal Mining Engineering Institute of Guizhou Province (貴州省煤礦設計研究院) in April 2005. Prior to that, he had worked at the institute for 30 years since May 1975, serving as its Communist Party of China secretary from December 1997 to March 2005, its head of institute from June 1994 to March 2003, its deputy head of institute from February 1988 to May 1994 and taking positions of assistant engineer and engineer from May 1975 to February 1988. During such period, Mr. Huang's responsibilities ranged from project construction design, coal mine design, research and development to the overall management of the institute. He worked as a technician at Laoying mine of Shuicheng Mining Bureau (水城礦務局老鷹山礦) from August 1967 to April 1975 and was primarily responsible for handling the general technological issues relating to coal mine extraction. Mr. Huang graduated from Guizhou Institute of Technology (貴州工學院) with a diploma in underground coal mining extraction in August 1967. He obtained his master's degree in project management from University of Quebec at Chicoutimi in Canada in March 2006. Mr. Huang was accredited a number of professional qualifications, such as a senior engineer by the Department of Personnel of Guizhou Province (貴州省人事廳) in August 1992, a consultant engineer and a cost engineer jointly by the Ministry of Personnel of the PRC (中華人民共和國人事部) and the Ministry of Construction of the PRC (中華人民共和國建設部) in March 1997 and October 2001, respectively, and a registered consulting engineer jointly by the Ministry of Personnel of the PRC (中華人民共和國人事部) and the State Development Planning Commission of the PRC (中華人民共和國國家發展計劃委員會) in March 2003. Mr. Huang did not hold any directorship in other listed public companies in the past three years.

Mr. HU Yongming (胡永明), aged 56, was appointed as an independent non-executive Director of the Company in September 2016. He is also the chairman of the Corporate Social Responsibility Committee and Remuneration Committee, and a member of the Audit Committee and Nomination Committee. Mr. Hu has over 38 years' experience in the coal industry. He has been appointed as the division-level consultant of Shandong Duanxin Supply Chain Management Co., Ltd (山東端信供應鏈管理有限公司) since July 2016. He was the chairman, general manager and deputy secretary of the party committee of Yankuang Donghua Logistics Co., Ltd (兗礦東華物流有限公司) from November 2011 to July 2016. From March 2007 to November 2011, he was the administrative assistant general manager and deputy secretary of the party committee of Shandong Yankuang Logistics Co., Ltd (山東兗礦物流有限公司). From October 2005 to March 2007, he was the administrative assistant general manager of Qingdao Dongfang Shenglong Industrial Co., Ltd (青島東方盛隆實業公司). From March 2003 to October 2005, he was the deputy director of Yankuang Group Qingdao Representative Office (兗礦集團青島辦事處). From November 2002 to March 2003, he was the general manager of Qingdao Yankuang International Logistics Co., Ltd (青島兗礦國際物流公司). From July 1995 to November 2002, he was the manager of Qingdao Dongmeijia Industrial Co., Ltd (青島東美嘉實業公司). From June 1985 to July 1995, he was the section chief of Yankuang Group Dongtan Coal Mine (兗礦集團東灘煤礦). From June 1981 to June 1985, he was the deputy sector chief of Yankuang Group Jining No.2 Well Coal Mine (兗礦集團濟寧二號井煤礦). From December 1978 to June 1981, he was the section member of Ministry of Coal No.37 Engineering Department (煤礦部第37工程處). Mr. Hu obtained a college diploma in administrative management from Zhengzhou Coal Management Leadership Academy (鄭州煤炭管理幹部學院) in 1990. He graduated from Shandong Provincial Committee of the CPC Party School (中共山東省委黨校) with a bachelor's degree in economic management in 2006 and was awarded a master of engineering degree in software engineering from Beijing Institute of Technology (北京理工大學) in 2009. Mr. Hu was accredited as an intermediate economist (industrial) by the Ministry of Personnel of the PRC (中華人民共和國人事部) in November 1998 and was accredited as a senior economist by the Human Resources and Social Security Department of Shandong Provincial (山東省人力資源和社會保障廳) in May 2013. He has received a number of awards in recognition of his contribution to the coal industry over the years. Mr. Hu did not hold any directorship in other listed public companies in the past three years.

The Directors present the annual report and the audited consolidated financial statements for the year ended 31 December 2017.

CORPORATE REORGANISATION AND LISTING

The Company was incorporated in the British Virgin Islands ("BVI") as a company with limited liability on 6 January 2010. Pursuant to the group reorganisation as set out in the listing document of the Company dated 31 December 2013 (the "Listing Document"), the Company became the holding company of the Group.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in notes 1 and 33 respectively to the consolidated financial statements of this report. There were no significant changes in the nature of the Group's principal activities during the year of 2017.

BUSINESS REVIEW

A fair review of the business of the Company as well as a discussion and analysis of the Group's performance during the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report – Risk management and internal control" of this report. These discussions form part of this report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 and the Group's financial position at the date are set out in the consolidated financial statements on page 61 to page 63 of the annual report.

No interim dividend was paid to the Shareholders during the year ended 31 December 2017 (2016: Nil).

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 64 of this report.

The Company's reserves available for distribution to Shareholders at 31 December 2017 amounted to CNY148,310,000 (2016: CNY165,403,000).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for each of the last five financial years as extracted from the audited financial statements and restated/reclassified as appropriate is set out on page 132 of this report. This summary does not form part of the audited financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 28 to the consolidated financial statements of this report.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:

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

Independent Non-executive Directors:

LO Kin Cheung
HUANG Zuye
HU Yongming

In accordance with Article 14.19 of the articles of association of the Company (the "Articles of Association"), Mr. HAN Weibing, Mr. WAN Huojin and Mr. LO Kin Cheung shall retire from office at the forthcoming annual general meeting ("AGM"). All of the above retiring Directors, being eligible, will offer themselves for re-election as Directors at the forthcoming AGM.

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company pursuant to Rule 3.13 of the Listing Rules. The Company considers that each of the independent non-executive Directors is independent to the Company.

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

As at 31 December 2017, so far as the Directors were aware, 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) ("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 31 December 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.

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

As at 31 December 2017, the interests and short positions of the Directors and chief executives of the Company in the shares and underlying shares 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)

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 31 December 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 in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DISCLOSURE OF CHANGE OF DIRECTORS' INFORMATION

The Directors are not aware of any change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules subsequent to the publication of the interim report of the Company for the six months ended 30 June 2017.

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

Other than the share option as disclosed under the paragraph headed "Share Option Scheme of the Company" below, at no time during the year 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.

SHARE OPTION SCHEME OF THE COMPANY

A share option scheme was adopted by Shareholders 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 any (a) 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 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 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 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 31 December 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) and the remaining life of the Share Option Scheme was approximately 5 years and 9 months.

Additional information in relation to the Share Option Scheme is set out in note 29 to the consolidated financial statements of this report.

DIRECTORS' SERVICE CONTRACT

There is no unexpired directors' service contract which is not terminable by the Company within one year without payment of compensation, other than statutory compensation, of any Director proposed for re-election at the forthcoming AGM.

DIRECTORS' REMUNERATION

The Directors' fees and other emoluments are determined by the Company's Board with reference to Directors' duties, responsibilities and subject to review from time to time.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, no transactions, arrangements or contracts of significance to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Details of the connected transactions/continuing connected transactions of the Company during the year are as follows:

(a) Connected transactions

During the year, the Group did not enter into any transactions which need to be disclosed as connected transactions pursuant to Chapter 14A of the Listing Rules.

(b) Continuing connected transactions

During the year, the Group did not enter into any transactions which need to be disclosed as continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

Details of the related party transactions are set out in note 32 to the consolidated financial statements of this report. These related party transactions did not constitute any connected transactions/continuing connected transactions under the Listing Rules.

CONSOLIDATION OF COAL MINES IN GUIZHOU AND RESTRUCTURING PROPOSAL

With the view to facilitating the consolidation of the coal mining industry, the Guizhou Government has implemented a number of measures to encourage the consolidation of the coal mine industry and to eliminate small-scaled coal mines in Guizhou province with an annual production capacity of below 300,000 tonnes for each single mine, reduce the total number of coal mining enterprise groups in Guizhou province to below 100, and reduce the total number of coal mines in Guizhou to approximately 1,000.

Under the Guizhou Government's coal mine consolidation policy, Guizhou Feishang Energy Co., Ltd. ("Feishang Energy") (an associate of Mr. LI Feilie, the controlling shareholder of the Company) and the Company were designated as a coal mine consolidator in Guizhou province on 6 June 2014.

Feishang Energy (as agreed by the Company) has adopted and implemented the following Restructuring Proposal:

- Feishang Energy closed down Sanjiazhai Coal Mine (三家寨煤礦);
- Feishang Energy acquired and operated three coal mines, namely Pingqiao Coal Mine (平橋煤礦), Xingwang Coal Mine (興旺煤礦), and Aohe Coal Mine (凹河煤礦); and
- Feishang Energy acquired five coal mines, namely Guojiawuji Coal Mine (國家屋基煤礦), Qiwen Coal Mine (啟文煤礦), Hengfeng Coal Mine (恒豐煤礦), Xinhe Coal Mine (新禾煤礦), and Shangmaying Coal Mine (上馬營煤礦) and has submitted the mining right permits of these coal mines in stage to the relevant authority for cancellation. All of the mining right permits of the five coal mines have been cancelled.

On 26 January 2015, the first batch of the Restructuring Proposal of Feishang Energy together with Guizhou Puxin has been approved by the Energy Bureau of Guizhou Province and the Leading Group Office of Guizhou Province on Coal Enterprises Consolidation. Under the first batch of the Restructuring Proposal, the Group will integrate Zhulinzhai Coal Mine and Liujiaba Coal Mine, both located in Xinhua, Liuzhi Special District, Zhina Coal District, Guizhou province, into a single coal mine under the name of Liujiaba Coal Mine; and retain Dayun Coal Mine and Baiping Coal Mine, both located in Jinsha county, Guizhou province. On 5 January 2016, the second batch of the Restructuring Proposal of Feishang Energy together with Guizhou Puxin has been approved by the Energy Bureau of Guizhou Province and the Leading Group Office of Guizhou Province on Coal Enterprises Consolidation. Under the second batch of the Restructuring Proposal, the Group has closed down Gouchang Coal Mine and retained Yongsheng Coal Mine. The Group is currently working on the Restructuring Proposal of Dayuan Coal Mine.

Upon the full completion of the implementation of the Restructuring Proposal, the Group will own and operate five coal mines in Guizhou province, namely Baiping Coal Mine, Yongsheng Coal Mine, Dayun Coal Mine, Dayuan Coal Mine and Liujiaba Coal Mine.

DEED OF NON-COMPETITION

Feishang Group Limited, Laitan Investments Limited and Mr. LI Feilie (collectively, the "Controlling Shareholders"), Feishang Energy and Feishang Enterprise executed the Deed of Non-Competition in favour of the Company, details of which are set out in the Listing Document, principally to the effect that so long as the Deed of Non-Competition remains in force, each of the Controlling Shareholders, Feishang Energy and Feishang Enterprise has undertaken to, among other things:

(a) not, and procure that their respective subsidiaries or parties controlled by them either solely or jointly with another Controlling Shareholders or any other party will not be interested or engaged in any business which directly or indirectly competes or may so compete with the Core Businesses;

(b) notify the Company of any business opportunity which directly or indirectly competes or may so compete with the Core Businesses ("New Business Opportunity"), if any of them becomes aware of such business opportunity; and

(c) use its best endeavours to procure that the New Business Opportunity is first offered to the Company on terms and conditions that are fair and reasonable.

For the purpose of the Deed of Non-Competition, "Core Businesses" shall include the acquisition and exploitation of coal mining rights (including the exploration, construction, development and operation of coal mines) located in Guizhou province in the PRC.

The Company has been granted, under the Deed of Non-Competition, the Rights of First Refusal and First Offer if such New Business Opportunity arises.

Each of the Controlling Shareholders, Feishang Energy and Feishang Enterprise has reviewed its business and businesses of their respective subsidiaries and advised that there is generally insignificant competition between the operations of the Sanjiazhai Coal Mine and the Core Businesses. Save as disclosed above, during the year, each of the Controlling Shareholders, Feishang Energy and Feishang Enterprise confirmed that there was no New Business Opportunity made available to each of them. Each of the Controlling Shareholders, Feishang Energy and Feishang Enterprise has given a written confirmation to the Company that it had fully complied with the terms of the Deed of Non-Competition. The independent non-executive Directors have reviewed the confirmations and relevant information provided by the Controlling Shareholders, Feishang Energy and Feishang Enterprise and concluded that each of the Controlling Shareholders, Feishang Energy and Feishang Enterprise complied with the relevant terms of the Deed of Non-Competition for the financial year ended 31 December 2017.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, none of the Directors or their close associates has any interest in a business that competes or may compete with the business of the Group.

PERMITTED INDEMNITY

The Articles of Association provides that the Directors shall be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in favour or in which he is acquitted.

A directors' liability insurance is in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued Shares as required under the Listing Rules.

EQUITY-LINKED AGREEMENT

The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees of the Group, details of the Share Option Scheme are set out in note 29 to the consolidated financial statements and under the paragraph headed "Share Option Scheme of the Company" above. No share options were granted during the year ended 31 December 2017.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association although there are no restrictions against such rights under the laws of BVI.

PURCHASE, SALE OR REDEMPTION OF THE SHARES OF THE COMPANY

There was no purchase, sale or redemption of the Company's Shares by the Company or any of its subsidiaries for the year ended 31 December 2017.

AUDIT COMMITTEE

The Audit Committee 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 and internal controls. The Audit Committee comprises three independent non-executive Directors, namely, Mr. LO Kin Cheung (chairman), Mr. HUANG Zuye and Mr. HU Yongming. The Audit Committee meets regularly with the Company's senior management and the Company's auditor to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management. The audited consolidated financial statements of the Company for the year ended 31 December 2017 have been reviewed by the Audit Committee.

AUDITOR

Ernst & Young will retire and a resolution for its re-appointment as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Feishang Anthracite Resources Limited
HAN Weibing
Chairman and Chief Executive Officer

Hong Kong, 29 March 2018

CORPORATE GOVERNANCE REPORT

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, sustainable business growth and enhancing Shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as contained in Appendix 14 to the Listing Rules as its own code of corporate governance. For the year ended 31 December 2017, the Company has complied with the code provisions as set out in the CG Code, save and except for code provision A.2.1, as set out below.

Chairman and Chief Executive

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

BOARD OF DIRECTORS

Composition

As at the date of this report, the Board comprises eight members, consisting of five executive Directors namely Mr. HAN Weibing (chairman of the Board and chief executive officer), Mr. WAN Huojin, Mr. TAM Cheuk Ho, Mr. WONG Wah On Edward, and Mr. YUE Ming Wai Bonaventure and three independent non-executive Directors namely, Mr. LO Kin Cheung, Mr. HUANG Zuye and Mr. HU Yongming.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed in the section headed "Profiles of Directors and Senior Management" of this report.

Independent Non-executive Directors

The Board has not less than one-third of its membership comprising independent non-executive Directors, in compliance with Rule 3.10A of the Listing Rules. One of the three independent non-executive Directors possesses appropriate professional experience and related financial management expertise.

The Company has received from each of the independent non-executive Director a confirmation of his independence, in accordance with Rule 3.13 of the Listing Rules and the Company also considers that they are independent. There is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board.

Directors' Re-election

Pursuant to the Articles of Association, the Directors shall hold office subject to retirement by rotation at the AGM of the Company at least once every three years. In addition, any Director appointed by the Board during a year, whether to fill a casual vacancy or as additional member to the Board, shall hold office only until the next following AGM of the Company and shall then be eligible for re-election in that meeting. Mr. HAN Weibing, Mr. WAN Huojin and Mr. LO Kin Cheung are subject to retirement by rotation and re-election at the forthcoming AGM of the Company in accordance with the Articles of Association.

Term of Appointment of Independent Non-executive Directors

The term of office of Mr. LO Kin Cheung and Mr. HUANG Zuye is for a period of three years from 23 December 2016 to 22 December 2019 whereas that of Mr. HU Yongming is for a period of three years from 20 September 2016 to 19 September 2019, all of whom are subject to retirement by rotation and re-election at the AGM of the Company in accordance with the Articles of Association.

Responsibilities of the Board and Management

The Board, headed by the chairman, is responsible for providing high-level guidance and effective oversight of the management of the Company, formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management in accordance with the regulations governing the meetings of the Board, and the Articles of Association.

The chief executive officer and the other executive Directors are responsible for day-to-day management of the Company's operations. The executive Directors conduct regular meetings with the management of the Group, at which operational issues and financial performance are evaluated.

The Company considers that risk management function and internal control system are essential and that the Board plays an important role in implementing and monitoring risk management and internal financial control.

Matters specifically decided by the Board and those reserved for the management, such as daily management, administration and operation of the Company, etc., are reviewed by the Board on a periodic basis. The management shall report back to the Board.

The procedures to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expenses were established.

The Articles of Association state the responsibilities and operational procedures of the Board. The Board will meet at least four times a year at regular intervals to consider operational reports and financial results of the Company and policies. Significant operational policies have to be discussed and passed by the Board.

During the year ended 31 December 2017, four Board meetings were held and the attendance record of each Director is set out below:

	Attendance/ No. of meeting(s) Board Meeting
Executive Directors	
HAN Weibing *(Chairman and Chief Executive Officer)*	3/4
WAN Huojin	4/4
TAM Cheuk Ho	4/4
WONG Wah On Edward	4/4
YUE Ming Wai Bonaventure	4/4
Independent Non-executive Directors	
LO Kin Cheung	2/4
HUANG Zuye	4/4
HU Yongming	4/4

During the year ended 31 December 2017, one general meeting was held and the attendance record of each Director is set out below:

	Attendance/ No. of meeting(s) General Meeting
Executive Directors	
HAN Weibing *(Chairman and Chief Executive Officer)*	1/1
WAN Huojin	0/1
TAM Cheuk Ho	1/1
WONG Wah On Edward	1/1
YUE Ming Wai Bonaventure	1/1
Independent Non-executive Directors	
LO Kin Cheung	1/1
HUANG Zuye	0/1
HU Yongming	1/1

Directors' Continuous Professional Development

During the financial year, all the Directors viewed training webcast provided by the Stock Exchange. Topics of the training included corporate governance – director and company secretary's roles. In addition, relevant reading materials on risk management and internal control and environmental reporting have been circulated to the Directors.

The Company understands that the Directors should participate in appropriate continuous professional development programs to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

Responsibilities of Directors

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its Shareholders. Their responsibilities include the following:

- attending regular Board meetings and focusing on business strategy, operational issues and financial performance;
- active participation in the respective board of directors of the subsidiaries of the Company;
- approval of annual budgets covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of senior management, the Board and Shareholders;
- consideration of misuse of corporate assets and abuse of related party transactions; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to fulfil their obligations, an appropriate organisational structure is in place with clearly defined responsibilities and limits of authority.

Corporate Governance Functions

The Board is responsible for performing the following corporate governance duties as required under the CG Code:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2017, the Board had performed the following corporate governance duties:

- approval of Ernst & Young as the auditor of the Group and the corresponding audit plan;
- review the compliance with the CG Code; and
- review of the effectiveness of the risk management and internal control systems of the Company through the Audit Committee.

Board Committees

A number of committees of the Board, including the Audit Committee, Nomination Committee, Remuneration Committee and Corporate Social Responsibility Committee, were established by the Company on 23 December 2013, with specific terms of reference relating to authority and duties, to strengthen the Board's functions and enhance its expertise.

Audit Committee

As at the date of this report, the Audit Committee comprises three independent non-executive Directors, namely Mr. LO Kin Cheung, Mr. HUANG Zuye and Mr. HU Yongming and is chaired by Mr. LO Kin Cheung.

The Audit Committee reports directly to the Board and reviews financial statements, risk management and internal control in order to protect the interests of the Shareholders.

The Audit Committee will meet regularly with the Company's independent auditor, at least twice a year, to discuss accounting issues, and reviews effectiveness of internal controls and risk management. Written terms of reference, which describe the authority and duties of the Audit Committee are regularly reviewed and updated by the Board. The terms of reference of the Audit Committee have complied with the CG Code and are posted on the designated website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.fsanthracite.com.

During the year ended 31 December 2017, the Audit Committee held two meetings, in March 2017 and August 2017 respectively, at which it:

- approved Ernst & Young as the auditor of the Group and the corresponding audit plan;
- reviewed the financial statements for the year ended 31 December 2016;
- reviewed the financial statements for the six months ended 30 June 2017;
- reviewed the effectiveness of the risk management and internal control systems;
- reviewed the effectiveness of the internal audit function of the Group's related party shared with the Group;
- reviewed the external auditor's findings; and
- reviewed and approved remuneration of auditor and recommended the re-appointment of external auditor.

The attendance record of the meetings is set out below:

Members of Audit Committee	Attendance/ No. of meeting(s)
LO Kin Cheung *(Chairman of the Audit Committee)*	2/2
HUANG Zuye	2/2
HU Yongming	2/2

Nomination Committee

As at the date of this report, the Nomination Committee comprises one executive Director Mr. TAM Cheuk Ho, and three independent non-executive Directors, namely Mr. HUANG Zuye, Mr. LO Kin Cheung and Mr. HU Yongming and is chaired by Mr. HUANG Zuye.

The terms of reference of the Nomination Committee have complied with the CG Code which are posted on the designated website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.fsanthracite.com.

The Nomination Committee's responsibilities include reviewing and recommending the structure, size, composition and diversity of the Board and recommending any change thereon; assessing the independence of independent non-executive Directors and recommending the re-election of Directors, etc.

During the year ended 31 December 2017, the Nomination Committee held one meeting, at which it:

– reviewed the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board;

– assessed the independence of the independent non-executive Directors; and

– reviewed and made recommendations to the Board on re-election of retiring Directors at the AGM.

The attendance record of the meeting is set out below:

Members of Nomination Committee	Attendance/ No. of meeting(s)
HUANG Zuye *(Chairman of the Nomination Committee)*	1/1
LO Kin Cheung	1/1
HU Yongming	1/1
TAM Cheuk Ho	1/1

The Board adopted the board diversity policy ("Board Diversity Policy") in accordance with the requirement set out in the CG Code. Such policy aims to set out the approach towards achieving diversity on the Board.

In assessing the Board composition, the Nomination Committee would consider a number of perspectives as set out in the Board Diversity Policy, including but not limited to professional qualifications, regional and industry experience, educational and cultural background, skills, industry knowledge and reputation, gender, ethnicity, language skills and length of service, when making recommendations to the Board on the appointment and re-appointment of Directors and Directors' succession planning.

The Company considers that the current composition of the Board is well balanced and of a diverse mix appropriate for the business of the Company.

Remuneration Committee

As at the date of this report, the Remuneration Committee comprises one executive Director Mr. HAN Weibing, and three independent non-executive Directors, namely Mr. HU Yongming, Mr. LO Kin Cheung and Mr. HUANG Zuye and is chaired by Mr. HU Yongming.

The Remuneration Committee's responsibilities include reviewing, considering and making recommendation to the Board on (i) the Company's remuneration policy for Directors and senior management, (ii) remuneration packages for individual executive Directors and senior management including benefits in kind, pension rights and compensation payments, and (iii) remuneration of independent non-executive Directors, etc.

The terms of reference of the Remuneration Committee have complied with the CG Code and are posted on the designated website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.fsanthracite.com.

During the year ended 31 December 2017, the Remuneration Committee held one meeting, at which it made recommendation to the Board on the forthcoming remuneration policy and the remuneration of the executive Directors and the independent non-executive Directors.

The attendance record of the meeting is set out below:

Members of Remuneration Committee	Attendance/ No. of meeting(s)
HU Yongming *(Chairman of the Remuneration Committee)*	1/1
HAN Weibing	1/1
LO Kin Cheung	1/1
HUANG Zuye	1/1

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 benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group (including Directors) in accordance with the terms of the Share Option Scheme.

Pursuant to the code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2017 is set out below:

Remuneration bands (HK$)	Number of person(s)
0 to 1,000,000	8

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 11 and 12 to the audited financial statements of this report.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

As at the date of this report, the Corporate Social Responsibility Committee comprises two executive Directors, being Mr. WAN Huojin and Mr. HAN Weibing, and one independent non-executive Director, being Mr. HU Yongming, and is chaired by Mr. HU Yongming.

The primary purpose of Corporate Social Responsibility Committee is to assist the Board in reviewing the policies and overseeing the issues with respect to corporate social responsibility, including workplace quality, occupational health and safety, environmental protection, operating practices and community involvement.

During the year ended 31 December 2017, the Corporate Social Responsibility Committee held one meeting, at which it discussed the policies and issues with respect to corporate social responsibility, including workplace quality, occupational health and safety, environmental protection, operating practices and community involvement.

The attendance record of the meeting is set out below:

Members of Corporate Social Responsibility Committee	Attendance/ No. of meeting(s)
HU Yongming *(Chairman of the Corporate Social Responsibility Committee)*	1/1
HAN Weibing	1/1
WAN Huojin	1/1

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2017 and up to the date of this report.

The Company also has written guidelines regarding securities transactions on terms no less exacting than the required standard set out in the Model Code for senior management and any individuals who may have access to inside information in relation to the securities of the Company.

INSIDE INFORMATION

The Group acknowledges its responsibilities under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

– the Group conducts its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

– the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;

– the Group has strictly prohibited unauthorised use of confidential or inside information; and

– the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors and company secretary are authorised to communicate with parties outside the Group.

AUDITOR'S REMUNERATION

The services provided by Ernst & Young and the associated fees thereof for the year ended 31 December 2017 were as follows:

Description of services performed	Fee (CNY)
Audit	
– statutory and regulatory filings	3,000,000

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management Philosophy

Risk is inherent in the Group's business and the markets in which it operates. The goal of the Group is to identify and manage these risks so that the risks can be reduced, mitigated, transferred or avoided. To this end, the Group adopts a proactive risk management approach and implements an effective group-wide risk management framework.

The Board oversees the Group's overall risk management process through the Audit Committee, and it forms an important part of the corporate governance regime of the Group. The Group understands that risk management is the responsibility of everyone within the Group. Rather than being a separate and standalone process, risk management is integrated into business and decision-making processes including strategy formulation, business development, business planning, capital allocation, investment decisions, internal control and daily operations.

Group Risk Management and Internal Control Framework

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness, while management is responsible for designing and implementing an internal control system to manage risks.

The Audit Committee assists the Board in monitoring the risk exposures, the design and operating effectiveness of the relevant risk management and internal control systems. The Audit Committee oversees the following procedures on behalf of the Board:

(i) Periodic assessment of key operational risks and control measures aimed at mitigating, reducing or transferring such risks; the strengths and weaknesses of the overall internal control system, and action programs to address the control weaknesses or improve the assessment process;

(ii) Regularly review the business processes and operational reports, including the action plan to address the identified weaknesses in control, and the latest status and monitor results in the implementation of the recommendations; and

(iii) The external auditor regularly report on the control issues identified in the course of their work and meet with the Audit Committee to discuss the scope and results of the review.

The Audit Committee will then report to the Board after properly reviewing the effectiveness of the Group's risk management and internal control systems. The Group does not maintain its own internal audit team due to cost-saving reason but the internal audit team of the Group's related party is shared with the Group to assist the Audit Committee to review the effectiveness of the Group's risk management and internal control systems.

The Board considers the works and findings of the Audit Committee in forming its own view on the effectiveness of the systems.

<table>
<tr><td rowspan="3">"Top-down"
Overseeing, identification, assessment and mitigation of risk at corporate level.</td><td colspan="4">The Board of Directors</td></tr>
<tr><td>Responsible for the Group's risk management and internal control systems.</td><td>Sets strategic objectives and reviews the effectiveness of the Group's risk management and internal control systems.</td><td>Monitors the nature and extent of the Group's major risks.</td><td>Provides guidance on the importance of risk management and risk management culture.</td></tr>
<tr><td>Management</td><td colspan="2">Audit Committee</td><td>Internal Audit</td></tr>
<tr><td rowspan="3">"Bottom-up"
Identification, assessment and mitigation of risk at business unit level and across functional areas.</td><td>Designs, implements, and monitors risk management and internal control systems.</td><td colspan="2">Assists the Board in monitoring risk exposure, design and operating effectiveness of the underlying risk management and internal control systems.</td><td>Assists the Audit Committee to review the effectiveness of the Group's risk management and internal control systems.</td></tr>
<tr><td colspan="4">Operational level</td></tr>
<tr><td colspan="2">Risk identification, assessment and mitigation performed across the business.</td><td colspan="2">Risk management process and internal control practised across business operations and functional areas.</td></tr>
</table>

Risk Management Procedures

This "top-down" approach is complemented by the "bottom-up" aspects, which require the head of the operating unit to participate in the identification of operational risks to determine the Group's major risks.

The Group's risk management and integrated internal control framework are closely intertwined, and major control measures are tested to assess performance.

Major Risk Management and Internal Control Initiatives in 2017

- The Group has adopted a number of policies and procedures to assess and prudently improve the effectiveness of risk management and internal control systems, including requiring the management of the Group to assess the relevant matters every year on a regular basis. The Group believes that this will help enhancing the Group's future corporate governance and business operations.

- The Group has penetrated its risk management system into its core business operations. The operating units of the Company will continue to review and assess the potential risks that may have an impact on the ability to reach operational units and/or the Company's business objectives. The review process includes assessing whether the existing internal control system continues to meet business demand, whether it responds to potential risks sufficiently and/or whether it needs to be supplemented. The results of the relevant review are entered into the risk register of each operating unit for control and loading into the Group's comprehensive risk register for analysis of potential policy implications and for regular reporting to senior management and Directors.

- The Audit Committee has developed and supervised a reporting policy and a comprehensive set of procedures. Employees, customers, suppliers and other interested parties are able to report any actual or suspected misconduct involving the Company so that the matter may be investigated and effectively dealt with in an appropriate and transparent manner.

- The Group regulates the handling and issuance of inside information contained in the corporate responsibility policy and the subsidiary procedures to ensure that inside information is kept confidential until properly approved for disclosure and to ensure the effective and consistent publication of the relevant information.

- Other initiatives include: increasing the number of training courses and risk workshops when necessary; further standardising risk reporting terms, categories and quantifications; making the assessment of internal controls more closely linked to their potential risks; and increasing the frequency and depth of interaction with designated Directors on the Company's risk management system design, operation and findings.

- During 2017, selective reviews of the effectiveness of the systems of risk management and internal control of the Group over financial, operational and compliance controls with emphasis on coal mining, procurement, sales and business continuity management and procurement have been conducted by the internal audit team of the Group's related party. In addition, the heads of major business and corporate functions of the Group were required to undertake self-assessments of their key controls. These results were assessed by the same internal audit team and reported to the Audit Committee and the Board.

Employees are expected to observe the highest standard of ethical, integrity and professional conduct. The Group has adopted a whistle-blowing policy. The Audit Committee meets regularly with the Company's senior management to consider the effectiveness of risk management and internal control of the Company. As far as the Group is aware, there were no fraudulent practices brought to the Group's attention during the year.

Risk Profile

As a basis for the risk management approach, the Group's current risk profile is evaluated as to how these risks change over time. In 2017, the Group's significant risks were identified through the risk identification process as follows:

Introduction to risk	Risk changes in 2017	Major risk mitigation measures
Market risk The Group's business continued to depend on the demand for anthracite of the downstream industries and the business growth of downstream customers, especially in the cement, chemical, construction and steel industries. A significant downturn in these industries or a significant decline in customer demands may have adverse effects on the Group's business, operating results and financial results.	Decline	The Group has established a strategic customer-oriented management system, including: (i) the supply of customised coal products with different specifications and stable quality to various customers by the coal beneficiation plant, coal washing facility and high sieving systems through the Group's own shipping port; and (ii) the improvement of the quality of customer service. Through these measures, the Group had successfully developed a number of new key customers. The sales volume of self-produced anthracite coal increased by approximately 12.3% from last year's.

Introduction to risk	Risk changes in 2017	Major risk mitigation measures
Going concern risk The Group's business is capital intensive and requires sufficient cash flows to construct and develop coal mines, coal beneficiation plants, transport belts and shipping port, and to meet daily working capital demands. As at 31 December 2017, the Group had net current liabilities of approximately CNY783.5 million and shareholders' deficit of approximately CNY364.3 million. If the Group failed to obtain funds in a timely manner, it would have an adverse impact on the Group's financial condition, operations and prospects.	Decline	The Group managed to obtain bank credit facilities from the existing banks and two new banks and obtain financial support from the controlling shareholder. In 2017, the Group for the first time recorded a turnaround from loss to consolidated profit attributable to owners of the parent from continuing operations of approximately CNY182.9 million, representing a year-on-year increase of approximately 188.9%. The Group achieved this remarkable improvement in operating results by strictly adhering to safety production, capacity expansion, cost reduction and quality enhancement to fully exploit the recovery in the coal market. Considering the renewed bank loans, the Group will not need additional funding to meet the working capital requirements in the next 12 months.
Safety production risk Safety risks are inherent in the Group's mining operation. Gas explosion, coal and gas outburst, caving, coal mine floods and secondary geological disasters might lead to injury, death or serious property loss, or disruption to or even suspension of the Group's mine operations.	Unchanged	To improve the safety of coal mines, the Group has implemented a variety of measures to strengthen safety standards, such as establishing safety management committees and safety supervision departments to check the safety of coal mines, installing new safety equipment and facilities, establishing additional operational safety guidelines, and implementing production safety system and strengthening training. In 2017, the Group did not have any major accidents leading to casualty.

Introduction to risk	Risk changes in 2017	Major risk mitigation measures
Supervision risk Coal mining is a highly regulated industry in China. The Group's coal mining operations are subject to supervision under extensive Chinese laws, regulations, policies, and standards for production safety, environmental protection, taxation, and labor and foreign exchange control, and China's coal mine safety and environmental protection supervision are increasingly stringent. Any irregularities or non-compliance may lead to fines and administrative penalties, including suspension of operation or revocation of business licenses.	Unchanged	The Group's Corporate Social Responsibility Committee and the management, with the support of external professional advisers, will review and supervise the compliance of the Group with relevant laws, regulations, codes and related policies and practices, and the Listing Rules on a regular basis.

2017 Annual Risk Management and Internal Control Effectiveness

The Board conducts review of the Group's risk management and internal control systems at least once a year.

For the year ended 31 December 2017, the Board has conducted a review on the risk management and internal control systems of the Group and considered the risk management and internal control systems effective and adequate. No significant areas of concern that may affect the financial, operational, compliance controls, and risk management functions of the Group have been identified.

During the course of the review, the Board believed that the resources, qualification/experience of staff of the Group's accounting and financial reporting function, the internal audit function of the Group's related party, and their training and budget were adequate.

GOING CONCERN

As at 31 December 2017, the Group had net current liabilities of approximately CNY783.5 million and shareholders' deficit of approximately CNY364.3 million. In view of these circumstances, the Directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group has implemented or is in the process of implementing the following measures, namely: (i) obtaining confirmations of continuous financial support from Feishang Group Limited and one entity controlled by Mr. LI Feilie; (ii) entering into loan renewal discussions with the banks in due course; and (iii) taking measures to tighten cost controls over various costs and expenses and to seek business opportunities with the aim to attain profitable and positive cash flow operations.

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

COMPANY SECRETARY

The company secretary of the Company has duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

A copy of the Memorandum and Articles of Association of the Company is posted on the designated website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.fsanthracite.com.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

(a) Procedures for requisitioning an extraordinary general meeting

Shareholders may put forward proposals at general meetings by requisitioning an extraordinary general meeting. Pursuant to Article 10.3 of the Articles of Association, extraordinary general meetings may be convened by the Board on the written requisition of any two or more shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company or any one shareholder which is a recognised clearing house (or its nominee(s)) holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. The requisition shall be deposited at the principal office of the Company in Hong Kong (Room 2205, Shun Tak Centre, 200 Connaught Road Central, Sheung Wan, Hong Kong) or, in the event the Company ceases to have such a principal office, the registered office (Kingston Chambers, P.O. Box 173, Road Town, Tortola, BVI) specifying the objects of the meeting and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

(b) Communication with Shareholders and investors

Shareholders are provided with detailed information about the Company set out in the interim/annual report and/or the circular so that they can exercise their rights in an informed manner.

The Company uses a range of communication tools, such as the AGM, the annual report, interim report, various notices, announcements and circulars, to ensure its Shareholders are kept well informed of key business imperatives.

General meetings of the Company provide a direct forum of communication between its Shareholders and the Board. Shareholders are welcome to put forward enquiries to the Board or the management thereat and the chairman of the Board, or in his absence, an executive Director of the Company, as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee, or in their absence, other members of the respective committees, and where applicable, the independent board committee, will commonly be present and available to answer questions and Shareholders may also contact the company secretary of the Company to direct their written enquiries.

The Company is committed to enhancing communications and relationships with its investors. Designated management maintains an open dialogue with institutional investors and analysts to keep them abreast of the Company's developments.

The Company also maintains a website at www.fsanthracite.com, where updates on the Company's business developments and operations, financial information and news can be found.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows: -

Room 2205, Shun Tak Centre, 200 Connaught Road Central, Sheung Wan, Hong Kong
Fax: (852) 2810 6963
Email: bonyue@fsanthracite.com

In addition, procedure for Shareholders to propose a person for election as a Director is available on the Company's website at www.fsanthracite.com.

The above procedures are subject to the Articles of Association and applicable laws and regulations.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the financial statements which give a true and fair view of the financial position of the Group and of the financial performance and cash flows of the Group for the year and which are in compliance with International Financial Reporting Standards, statutory requirements and other regulatory requirements. As at 31 December 2017, the Board was not aware of any material misstatement or uncertainties that might put doubt on the Group's financial position or ability to continue as a going concern. The Board endeavours to ensure a balanced, clear and understandable assessment of the Group's performance, position and prospects in financial reporting. The statement of the auditor regarding their reporting responsibility for the financial statements is set out in the Independent Auditor's Report on pages 56 to 60 of this report. Save as disclosed in the paragraph headed "Going Concern" above, there are no material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of Feishang Anthracite Resources Limited
(Incorporated in the British Virgin Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Feishang Anthracite Resources Limited (the "Company") and its subsidiaries (the "Group") set out on pages 61 to 129, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 to the consolidated financial statements which indicates that as at 31 December 2017 the Group had net current liabilities of CNY783.5 million and shareholders' deficit of CNY364.3 million. This condition indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Impairment testing on property, plant and equipment	
Owing to the suspension of production in the Group's certain coal mines as at 31 December 2017, certain indicators of impairment of property, plant and equipment relating to coal mines were identified by management. The impairment test involves management's judgement in certain areas including the plan to resume production and the underlying cash flows projection based on the future market supply and demand conditions. Related disclosures are included in Note 2.4(f), Note 2.5(i) in "Estimates and assumptions" and Note 16 to the consolidated financial statements.	Our procedures in relation to the impairment assessment focused on: • testing the key controls related to the impairment assessment on the carrying value of its non-current assets; • comparing input data built in the underlying cash flows with approved budgets and recent historical results; • interviewing with management about the remediation work status and future production plans of the coal mines suspended of production; • checking against the relevant regulatory requirements on the resumption of production of the coal mines; • evaluating the sensitivity analysis performed by management; and • Involving our internal valuation specialists to assist us in evaluating the methodology and discount rates used in the calculation of the recoverable amounts.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Recognition of deferred tax assets ("DTA")	
As set out in Note 13 to the consolidated financial statements, the Group recognised net deferred tax assets amounting to CNY46.2 million as at 31 December 2017, mainly resulting from temporary differences and tax losses carried forward. The Group recognised these deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered. We identified the recognition of deferred tax assets as a key audit matter because significant management judgement is required to assess the recoverability of the balance by reference to the forecast future taxable profits. The Group's disclosures about the accounting policies and judgement of deferred tax assets are included in Note 2.4(p) and Note 2.5(vi) in "Estimates and assumptions" to the consolidated financial statements.	Our audit procedures in relation to the assessment of recoverability of deferred tax assets focused on: • testing the key controls related to the assessment on the recoverability of deferred tax assets; and • evaluating the significant judgements and estimates used in the model to estimate future taxable profits by comparing input data with approved budgets and recent historical results.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis in page 8 and pages 13 to 17, which we obtained prior to the date of this audit report, and the other sections of the Annual Report not including the consolidated financial statements and the auditor's report thereon ("the Other Sections"), which are expected to be made available after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

When we read the Other Sections of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate with the matter to the Group's Audit Committee.

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Bennett S.H. Wai.

Ernst & Young
Certified Public Accountants
Hong Kong
29 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 CNY'000	2016 CNY'000
CONTINUING OPERATIONS			
Revenue	5	1,022,950	557,863
Cost of sales	6	(492,500)	(380,644)
Gross profit		530,450	177,219
Selling and distribution expenses		(28,235)	(21,802)
Administrative expenses		(106,878)	(87,235)
Reversal of impairment/(impairment) of trade and other receivables	9	4,875	(52,957)
Impairment loss on property, plant and equipment	16	–	(100,515)
Other operating expenses		(1,551)	(26,087)
OPERATING PROFIT/(LOSS)		398,661	(111,377)
Finance costs	7	(74,372)	(72,151)
Interest income	9	3,474	3,994
Non-operating income/(expenses), net	8	9,972	(564)
PROFIT/(LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	9	337,735	(180,098)
Income tax expense	13	(117,178)	(20,744)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		220,557	(200,842)
DISCONTINUED OPERATION			
LOSS FOR THE YEAR FROM A DISCONTINUED OPERATION	4	(339)	(7,100)
PROFIT/(LOSS) FOR THE YEAR		220,218	(207,942)
ATTRIBUTABLE TO:			
Owners of the parent			
From continuing operations		182,873	(205,714)
From a discontinued operation		(336)	(7,029)
		182,537	(212,743)
Non-controlling interests			
From continuing operations		37,684	4,872
From a discontinued operation		(3)	(71)
		37,681	4,801
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic (CNY per share)			
– For profit/(loss) from continuing operations	14	0.13	(0.15)
– For profit/(loss) from a discontinued operation	14	*	(0.01)
– Net profit/(loss) per share	14	0.13	(0.16)
Diluted (CNY per share)			
– For profit/(loss) from continuing operations	14	0.13	(0.15)
– For profit/(loss) from a discontinued operation	14	*	(0.01)
– Net profit/(loss) per share	14	0.13	(0.16)

* Insignificant

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 CNY'000	2016 CNY'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	16	**2,457,990**	2,284,273
Rehabilitation fund	17	**13,584**	10,676
Prepayments, deposits and other receivables	20	**153,964**	76,598
Deferred tax assets	13	**46,172**	55,912
TOTAL NON-CURRENT ASSETS		**2,671,710**	2,427,459
CURRENT ASSETS			
Inventories	18	**25,467**	11,743
Trade and bills receivables	19	**141,646**	107,680
Corporate income tax refundable		**–**	31,681
Prepayments, deposits and other receivables	20	**116,527**	65,669
Pledged and restricted time deposits	21	**10,000**	230,000
Cash and cash equivalents	21	**77,639**	117,192
TOTAL CURRENT ASSETS		**371,279**	563,965
TOTAL ASSETS		**3,042,989**	2,991,424
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and bills payables	22	**237,631**	537,402
Other payables and accrued liabilities	23	**283,482**	168,537
Interest-bearing bank and other borrowings	24	**525,883**	603,588
Interest payable		**27,474**	26,199
Income tax payable		**36,512**	–
Mining right payables	25	**43,780**	43,780
TOTAL CURRENT LIABILITIES		**1,154,762**	1,379,506
NON-CURRENT LIABILITIES			
Due to a related company	32	**1,652,843**	1,812,727
Interest-bearing bank and other borrowings	24	**450,718**	243,202
Deferred tax liabilities	13	**134,987**	126,981
Deferred income	26	**2,113**	1,407
Asset retirement obligations	27	**11,888**	10,844
TOTAL NON-CURRENT LIABILITIES		**2,252,549**	2,195,161
TOTAL LIABILITIES		**3,407,311**	3,574,667
EQUITY			
Share capital	28	**1,081**	1,081
Reserves	30	**(478,337)**	(659,577)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**(477,256)**	(658,496)
NON-CONTROLLING INTERESTS		**112,934**	75,253
TOTAL EQUITY		**(364,322)**	(583,243)
TOTAL LIABILITIES AND EQUITY		**3,042,989**	2,991,424

Han Weibing
Chairman and Executive Director

Yue Ming Wai Bonaventure
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent								
	Share capital CNY'000 Note 28	Share premium account* CNY'000	Safety fund and production maintenance fund* CNY'000 Note 30 (a)	Special reserve* CNY'000 Note 30 (b)	Accumulated losses* CNY'000	Exchange fluctuation reserve* CNY'000	Total CNY'000	Non-controlling interests CNY'000	Total equity CNY'000
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 year	–	–	–	–	(212,743)	–	(212,743)	4,801	(207,942)
Foreign currency translation adjustments	–	–	–	–	–	1,521	1,521	–	1,521
Total comprehensive (loss)/ income for the year	–	–	–	–	(212,743)	1,521	(211,222)	4,801	(206,421)
Appropriation and utilisation of safety fund and production maintenance fund, net	–	–	33,298	–	(33,298)	–	–	–	–
At 31 December 2016 and 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 year	–	–	–	–	182,537	–	182,537	37,681	220,218
Foreign currency translation adjustments	–	–	–	–	–	(1,297)	(1,297)	–	(1,297)
Total comprehensive income/ (loss) for the year	–	–	–	–	182,537	(1,297)	181,240	37,681	218,921
Appropriation and utilisation of safety fund and production maintenance fund, net	–	–	64,980	–	(64,980)	–	–	–	–
At 31 December 2017	**1,081**	**204,524**	**136,935**	**30,724**	**(855,026)**	**4,506**	**(477,256)**	**112,934**	**(364,322)**

* These reserve accounts comprise the consolidated reserves of negative CNY478.3 million (2016: CNY659.6 million) as at 31 December 2017.

Year ended 31 December 2017

	Notes	2017 CNY'000	2016 CNY'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before income tax			
From continuing operations		337,735	(180,098)
From a discontinued operation	4	(339)	(7,100)
Adjustments for:			
Interest income	9	(3,474)	(3,994)
Finance costs		65,621	59,528
Depreciation and amortisation	9	211,534	158,403
Impairment loss on property, plant and equipment	16	277	107,205
(Reversal) of impairment/impairment of trade and other receivables	9	(4,875)	53,077
Sub-total		606,479	187,021
(Increase)/decrease in rehabilitation fund		(2,908)	448
Increase in trade and bills receivables		(28,077)	(52,979)
(Increase)/decrease in inventories		(13,724)	5,512
Increase in prepayments, deposits and other receivables		(51,872)	(37,090)
(Decrease)/increase in trade and bills payables		(230,178)	35,781
Increase in other payables and accrued liabilities		115,384	29,844
Decrease in deferred income		(294)	(294)
Cash from operations		394,810	168,243
Interest received		3,474	3,994
Interest paid		(63,302)	(57,749)
Income tax paid		(31,239)	(5,443)
Net cash flows from operating activities		303,743	109,045
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of a government grant		1,000	–
Purchases of items of property, plant and equipment		(532,926)	(242,077)
Net cash flows used in investing activities		(531,926)	(242,077)

continued/...

	Notes	2017 CNY'000	2016 CNY'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from interest-bearing bank and other borrowings		**1,216,400**	567,000
Repayments of interest-bearing bank and other borrowings		**(1,086,589)**	(769,200)
Decrease/(increase) of restricted bank deposits	21	**220,000**	(35,000)
Advances from a related company		**944,096**	1,539,772
Repayments to a related company		**(1,103,980)**	(1,125,724)
Net cash flows from financing activities		**189,927**	176,848
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(38,256)**	43,816
NET FOREIGN EXCHANGE DIFFERENCE		**(1,297)**	1,521
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**117,192**	71,855
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	21	**77,639**	117,192

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

As at 31 December 2017, the Group had net current liabilities of CNY783.5 million (2016: CNY815.5 million) and total assets less current liabilities of CNY1,888.2 million (2016: CNY1,611.9 million).

2.1 BASIS OF PREPARATION

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Groups for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.1 BASIS OF PREPARATION (continued)

Going concern

As at 31 December 2017, the Group had net current liabilities of CNY783.5 million and shareholders' deficit of CNY364.3 million. In view of these circumstances, the Directors have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group has implemented or is in the process of implementing the following measures, namely: (i) obtaining confirmations of continuous financial support from Feishang and one entity controlled by Mr. Li Feilie; (ii) entering into loan renewal discussions with the banks in due course; and (iii) taking measures to tighten cost controls over various costs and expenses and to seek business opportunities with the aim to attain profitable and positive cash flow operations.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

(a) Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 38(b) to the financial statements.

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

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements:

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Annual improvements 2014-2016 Cycle	*Amendments to IFRS 1 and IAS 28*[1]
Annual improvements 2015-2017 Cycle	*Amendments to IFRS 3,IFRS 11,IAS 12 and IAS 23*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt IFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognize any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of IFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group has determined that, due to the unsecured nature of its trade and other receivables, the provision for impairment will be constant and will have no impact related to net deferred tax liabilities upon the initial adoption of the standard.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

IFRS 15, issued in May 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group will adopt IFRS 15 from 1 January 2018 and plans to adopt the full retrospective approach. During the year ended 31 December 2017, the Group performed detailed assessment on the impact of the adoption of IFRS 15. Based on the assessment, the Group expects that there will be no material impacts on its consolidated financial statements upon the adoption of IFRS 15.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

IFRS 16, issued in January 2016, replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt IFRS 16 from 1 January 2019. The Group is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 31(b) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of CNY0.3 million. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combinations

The acquisition of subsidiaries and businesses under common control, where applicable, has been accounted for using merger accounting. The financial statements of the combining entities or businesses under common control are prepared for the same reporting period as the Company, using consistent accounting policies.

The merger method of accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combinations occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling shareholder. The net assets of the combining entities or businesses are combined using the existing book values from the controlling shareholder's perspective. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control combination.

The consolidated statement of profit or loss includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control or since their respective dates of incorporation/establishment, where this is a shorter period, regardless of the date of the common control combination. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation.

Business combinations, other than business combinations under common control, are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owner of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Business combinations (continued)

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRSs. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in the consolidated statement of profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that until is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Related parties

A party is considered to be related to the Group if:

(1) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(2) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (1); and

(vii) a person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment

Property, plant and equipment comprise buildings, mining structures, mining rights, machinery and equipment, motor vehicles, exploration rights and construction in progress.

Exploration rights are capitalised and amortised over the term of the licence granted to the Group by the authorities.

When proved and probable coal reserves have been determined, costs incurred to develop coal mines are capitalised as part of the cost of the mining structures.

Buildings, mining structures, machinery and equipment, and motor vehicles are stated at cost less accumulated depreciation and any impairment losses. Expenditures for routine repairs and maintenance are expensed as incurred.

Mining rights are stated at cost less accumulated amortisation and any impairment losses. The costs of mining rights are initially capitalised when purchased. If proved and probable reserves are established for a property and it has been determined that a mineral property can be economically developed, costs are capitalised and are amortised upon production based on actual units of production over the estimated proved and probable reserves of the mines. For mining rights in which proved and probable reserves have not yet been established, the Group assesses the carrying value for impairment at the end of each reporting period. The Group's rights to extract minerals are contractually limited by time. However, the Group believes that it will be able to extend its licences.

Mining related buildings, mining structures and mining related machinery and equipment are stated at cost less accumulated depreciation and any impairment losses. Those mining related assets for which proved and probable reserves have been established are depreciated upon production based on actual units of production over the estimated proved and probable reserves of the mines.

Reserve estimates are reviewed when information becomes available that indicates a reserve change is needed, or at a minimum once a year. Any material effect from changes in estimates is considered in the period the change occurs.

Depreciation for the following items is calculated on the straight-line basis over each asset's estimated useful life down to the estimated residual value of each asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment (continued)

Estimated useful lives are as follows:

Non-mining related buildings	15 – 35 years
Non-mining related machinery and equipment	5 – 15 years
Motor vehicles	5 – 8 years

Residual values, useful lives and the depreciation method are reviewed and, adjusted if appropriate, at each reporting date.

When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is recognised in the consolidated statement of profit or loss.

Construction in progress is carried at cost and is to be depreciated when placed into service over the estimated useful lives or units of production of those assets. Construction costs are capitalised as incurred. Interest is capitalised as incurred during the construction period.

(d) Fair value measurement

The Group measures derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(e) Exploration and evaluation costs

Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing coal bodies and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is expensed as incurred.

Once the exploration right to explore has been acquired, exploration and evaluation expenditure is charged to the consolidated statement of profit or loss as incurred, unless a future economic benefit is more likely than not to be realised. Exploration and evaluation assets acquired in a business combination are initially recognised at fair value. They are subsequently stated at cost less accumulated impairment.

When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to tangible or intangible assets according to the nature of the exploration and evaluation assets. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, etc.), the asset's recoverable amount is estimated.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. The calculation of fair value less costs of disposal is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset or other appropriate valuation techniques. The value in use calculation is based on a discounted cash flow model, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

(g) Financial assets

As at 31 December 2017 and 2016, the Group's financial assets within the scope of IAS 39 are all classified as loans and receivables. All financial assets are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial assets (continued)

Subsequent measurement of loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables are included in "trade and bills receivables", "prepayments, deposits and other receivables", "pledged and restricted time deposits", "cash and cash equivalents" and "rehabilitation fund" in the consolidated statement of financial position. These assets are subsequently carried at amortised cost using the effective interest method ("EIR") less any provision for impairment. Gains and losses are recognised in interest income or finance costs in the consolidated statement of profit or loss when the loans and receivables are derecognised as well as through the amortisation process. Loss from impairment is recognised in the consolidated statement of profit or loss in finance costs for loans and in operating expenses for receivables.

Fair value of loans and receivables

As at 31 December 2017 and 2016, the carrying amounts of rehabilitation fund are not materially different from their fair values. The carrying values of other financial assets approximated to their fair values due to the short-term maturities of these instruments.

Impairment of loans and receivables

The Group assesses at the end of each reporting date whether there is objective evidence that the loans and receivables are impaired. The Group first assesses whether impairment exists individually for loans and receivables that are individually significant, or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loans and receivables, whether significant or not, it includes the asset in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial assets (continued)

Impairment of loans and receivables (continued)

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the consolidated statement of profit or loss, to the extent that the carrying value of the asset does not exceed amortised cost at the reversal date.

In relation to trade and other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice.

Derecognition of loans and receivables

For financial assets classified as loans and receivables, the financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

(i) the rights to receive cash flows from the asset have expired; or

(ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial liabilities at amortised cost

Financial liabilities including trade and bills payables, amounts due to related companies, other payables and certain accrued liabilities, interest-bearing loans, mining right payable and interest payable are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest rate. The related interest expense is recognised within "finance costs" in the consolidated statement of profit or loss.

Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss.

Fair value

As at 31 December 2017 and 2016, the carrying values of these financial liabilities other than long-term interest-bearing loans and mining right payable approximated to their fair values due to the short-term maturities of these instruments. The carrying values of long-term interest-bearing loans and mining right payable approximated to their fair values as the interest rates on almost all the balances are reset each year based on prevailing interest rates stipulated by the People's Bank of China.

The Group had no financial liabilities measured at fair value on a recurring or a non-recurring basis as at 31 December 2017 and 2016.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position, if and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted-average method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. Major types of inventories include:

- Spare parts and consumables
- Coal

(k) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

(l) Employee benefits

Pension obligations

The Group contributes on a monthly basis to various defined contribution retirement benefit plans administered by the PRC government. The relevant government agencies undertake to assume the retirement benefit obligation payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Further information is set out in Note 10.

Housing funds

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Asset retirement obligations

The Group's legal or constructive obligations associated with the retirement of non-financial assets are recognised at fair value at the time the obligations are incurred and if it is probable that an outflow of resources will be required to settle the obligation, and a reasonable estimate of fair value can be made. Upon initial recognition of a liability, a corresponding amount is capitalised as part of the carrying amount of the related property, plant and equipment. Asset retirement obligations are regularly reviewed by management and are revised for changes in future estimated costs and regulatory requirements. Changes in the estimated timing of retirement or future estimated costs are dealt prospectively by recording an adjustment against the carrying value of the provision and a corresponding adjustment to property and equipment. Depreciation of the capitalised asset retirement cost is generally determined on a units-of-production basis. Accretion of the asset retirement obligation is recognised over time and generally will escalate over the life of the producing asset, typically as production declines. Accretion is included in the finance costs in the consolidated statement of profit or loss. Any difference between the recorded obligation and the actual costs of reclamation is recorded in the consolidated statement of profit or loss in the period the obligation is settled.

(n) Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly relating to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

(o) Revenue recognition

The Group sells its products pursuant to sales contracts entered into with its customers. Revenue for all products is recognised when the significant risks and rewards of ownership have passed to the customer, provided that the Group does not maintain neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and when collectability is reasonably assured. The passing of the significant risks and rewards of ownership to the customer is based on the terms of the sales contract, generally upon delivery and acceptance of the product by the customer.

In accordance with the relevant tax laws in the PRC, value-added tax ("VAT") is levied on the invoiced value of sales and is payable by the purchaser. The Group is required to remit the VAT it collects to the tax authority, but may deduct the VAT it has paid on eligible purchases. The difference between the amounts collected and paid is presented as VAT recoverable or payable in the consolidated statement of financial position. The Group recognises revenues net of VAT.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income taxes

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either as other comprehensive income or loss or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, by the reporting date, taking into consideration interpretations and practices prevailing in the countries where the Group operates and generates taxable income.

Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax assets relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income taxes (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(q) Foreign currencies

The functional currency of substantially all the operations of the Group is the CNY, the national currency of the PRC. Transactions denominated in currencies other than the CNY recorded by the entities of the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in other currencies have been translated into CNY at the functional currency rates of exchange prevailing at the end of the reporting period. The resulting exchange gains or losses are credited or charged to the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the initial transactions.

The financial statements of certain overseas subsidiary operations with a functional currency other than the CNY have been translated into CNY. The assets and liabilities of these entities have been translated using the exchange rates prevailing at the reporting date and their consolidated statements of profit or loss have been translated using the weighted average exchange rate for the year. Resulting translation adjustments are reported as a separate component of other comprehensive income.

On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

(s) Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the lower of its fair value of the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

(t) Dividend

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

(i) Commercial production start date

The Group assesses the stage of each coal mine under construction to determine when a coal mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each coal mine construction project. The Group considers various relevant criteria to assess when the coal mine is substantially complete, ready for its intended use and is reclassified from "Construction in progress" to "Mining structures". The criteria will include, but are not limited, to the following:

- The level of capital expenditure compared to the construction cost estimates
- Completion of a reasonable period of testing of the mine and equipment
- Ability to produce coal in saleable form (within specifications); and
- Ability to sustain ongoing production of coal

When a mine construction project moves into the production stage, the capitalisation of certain coal mine construction costs ceases, and further extraction costs incurred are either regarded as inventories or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. The commercial production start date is also the date when depreciation and/or amortisation of the mining structure assets commence.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group has based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates and assumptions (continued)

(i) Impairment of property, plant and equipment

Long-lived assets to be held and used, such as property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In estimating the recoverable amounts of assets, various assumptions, including future cash flows to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

Other than those disclosed in Note 16, there were no impairments recognised for the year.

(ii) Units-of-production depreciation for mining related assets

The Group determines the depreciation and/or amortisation of mining related assets by the actual units of production over the estimated reserves of the mines. Further details about the reserve estimates are included in Note 2.5 (iv) below.

(iii) Useful lives of non-mining related property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its non-mining related property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of non-mining related property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation and competitor action in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(iv) Reserve estimates

Proved and probable coal reserve estimates are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. In determining the estimates, recent production and technical information of each mine will be considered.

Fluctuations in factors including the price of coal, production costs and transportation costs of coal, a variation on recovery rates or unforeseen geological or geotechnical perils may render it necessary to revise the estimates of coal reserves.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates and assumptions (continued)

(iv) Reserve estimates (continued)

Because the economic assumptions used to estimate reserves changes from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- The carrying values of asset may be affected due to change in estimated future cash flows;
- Depreciation, depletion and amortisation charged to the consolidated statement of profit or loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change;
- Asset retirement obligations may change where changes in estimated reserves affect expectations about the timing or cost of these activities; and
- The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

(v) Trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the provision at the end of each reporting period.

(vi) Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be recovered. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets as at 31 December 2017 was CNY46.2 million (2016: CNY55.9 million). The amount of unrecognised tax losses at 31 December 2017 was CNY733.2 million (2016: CNY678.7 million). Further details are contained in Note 13 to the consolidated financial statements.

(vii) Provision for asset retirement obligations

The provision for asset retirement obligations is determined by management based on the past experience and best estimation of future expenditures, taking into account existing relevant PRC regulations. However, insofar as the effect on the land and the environment from current mining activities becomes apparent in future years, the estimate of the associated costs may be subject to revision from time to time.

3. OPERATING SEGMENT INFORMATION

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

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

Geographic information

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

Information about major customers

During the year ended 31 December 2017, revenue derived from sales to the largest customer accounted for 15.2% of the consolidated revenue. During the year ended 31 December 2016, revenue derived from sales to two customers accounted for 12.8% and 12.0% of the consolidated revenue, respectively.

4. DISCONTINUED OPERATION

Gouchang Coal Mine is a coal mine located in Guizhou Province, the PRC, which is wholly-owned by Nayong Gouchang Coal Mining Co., Ltd., a subsidiary of the Company. The operation of Gouchang Coal Mine has been suspended since March 2013 pending the acquisition of a nearby coal mine and Gouchang Coal Mine achieving certain production targets in accordance with Guizhou Province's coal mine consolidation policy. The Group therefore planned to close down Gouchang Coal Mine in accordance with the second batch of the restructuring proposal approved by the Energy Bureau of Guizhou Province* (貴州省能源局) and the Leading Group Office of Guizhou Province on Coal Enterprises Consolidation* (貴州省煤礦企業兼併重組工作領導小組辦公室) on 5 January 2016. In the year of 2017, substantially all the work at Gouchang Coal Mine had ceased; therefore, the operating results have been reclassified to a discontinued operation for the purpose of preparing the consolidated statement of profit or loss.

* For identification purpose only

4. DISCONTINUED OPERATION (continued)

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

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

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

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

4. DISCONTINUED OPERATION (continued)

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

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

* Insignificant

5. REVENUE FROM CONTINUING OPERATIONS

Revenue from continuing operations represents the following:

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

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

6. COST OF SALES FROM CONTINUING OPERATIONS

Cost of sales from continuing operations represents the following:

	2017 CNY'000	2016 CNY'000
Sale of coal (Note 9)	492,500	380,644

7. FINANCE COSTS FROM CONTINUING OPERATIONS

	2017 CNY'000	2016 CNY'000
Interest on interest-bearing bank and other borrowings	62,331	56,589
Interest on payables for mining rights	2,246	1,989
Total interest expense	64,577	58,578
Bank charges	454	648
Discount interest	8,297	11,975
Accretion expenses (Note 27)	1,044	950
	74,372	72,151

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

	2017 CNY'000	2016 CNY'000
Government grant (Note 9)	14,213	2,247
Surcharges for late tax payments	(2,376)	(2,718)
Donation	(1,600)	–
Others	(265)	(93)
	9,972	(564)

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

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

	2017 CNY'000	2016 CNY'000
Crediting:		
Interest income on bank deposits	3,474	3,994
Government grant (Note 8)	14,213	2,247
Charging:		
Cost of inventories sold (a)	393,366	313,885
Sales tax and surcharge	50,217	26,967
Utilisation of safety fund and production maintenance fund	48,917	39,792
Cost of sales (Note 6)	492,500	380,644
Employee benefit expenses (Note 10)	153,538	104,993
Depreciation, depletion and amortisation:		
Property, plant and equipment	211,534	158,403
Auditors' remuneration:		
Audit fee	3,000	2,850
Operating lease rental:		
Office properties	131	71
Impairment loss on property, plant and equipment	–	100,515
(Reversal of impairment)/impairment of trade and other receivables	(4,875)	52,957
Repairs and maintenance	27,482	6,126
Losses arising from temporary suspension of production	–	491

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

10. EMPLOYEE BENEFITS FROM CONTINUING OPERATIONS

	2017 CNY'000	2016 CNY'000
Wages, salaries and allowances	170,283	123,812
Contribution to pension plans (a)	6,153	5,860
Housing funds (a)	1,255	1,090
Welfare and other expenses	12,524	9,217
Sub-total	190,215	139,979

(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:

	2017 CNY'000	2016 CNY'000
Total employee benefits accrued for the year	190,215	139,979
Less:		
Amount included in inventories	(641)	(287)
Amount included in property, plant and equipment	(36,036)	(34,699)
Amount charged to profit/(loss) from continuing operations (Note 9)	153,538	104,993

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation:

	2017 CNY'000	2016 CNY'000
Fees	312	312
Other emoluments:		
Salaries, allowances and benefits in kind	590	553
Pension scheme contributions	79	74
	669	627
	981	939

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2017 CNY'000	2016 CNY'000
Mr. Lo Kin Cheung (i)	104	104
Mr. Huang Zuye (i)	104	104
Mr. Hu Yongming (ii)	104	29
Mr. Huang Songzhong (ii)	–	75
	312	312

There were CNY0.31 million payable to the independent non-executive directors during the year (2016: CNY0.31 million).

(i) Mr. Lo Kin Cheung and Mr. Huang Zuye were appointed as the Company's non-executive directors with effect from 23 December 2013.

(ii) Mr. Hu Yongming, who substituted for Mr. Huang Songzhong, was appointed as the Company's non-executive director with effect from 20 September 2016.

(b) Executive directors and the chief executive

	Fees CNY'000	Salaries, allowances and benefits in kind CNY'000	Pension scheme contributions CNY'000	Total remuneration CNY'000
2017				
Executive directors:				
Mr. Tam Cheuk Ho	–	–	–	–
Mr. Wong Wah On Edward	–	–	–	–
Mr. Han Weibing	–	189	79	268
Mr. Wan Huojin	–	134	–	134
Mr. Yue Ming Wai Bonaventure	–	267	–	267
	–	590	79	669

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors and the chief executive (continued)

	Fees CNY'000	Salaries, allowances and benefits in kind CNY'000	Pension scheme contributions CNY'000	Total remuneration CNY'000
2016				
Executive directors:				
Mr. Li Feilie	–	–	–	–
Mr. Tam Cheuk Ho	–	–	–	–
Mr. Wong Wah On Edward	–	–	–	–
Mr. Han Weibing	–	167	74	241
Mr. Wan Huojin	–	119	–	119
Mr. Yue Ming Wai Bonaventure	–	267	–	267
	–	553	74	627

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year ended 31 December 2017 (2016: Nil).

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees during the year included two directors (2016: three), details of whose remuneration are set out in Note 11 above. Details of the remuneration for the year of the remaining three (2016: two) highest paid employees who are neither a director nor chief executive officer of the Company are as follows:

	Number of employees	
	2017	2016
Directors	**2**	3
Non-director individuals	**3**	2
	5	5

Details of the remuneration paid to the non-director and non-chief executive officer are as follows:

	2017	2016
	CNY'000	CNY'000
Wages, salaries and allowances	**447**	238
Contribution to pension plans	**34**	9
Housing funds	**10**	4
Welfare and other expenses	**21**	8
	512	259

The number of non-director, non-chief executive officer, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2017	2016
Nil to HK$1,000,000	**3**	2
	3	2

13. INCOME TAX AND DEFERRED TAX

The Company is a limited liability company incorporated in the BVI and conducts its primary business through its subsidiaries in Mainland China. It also has an intermediate holding company in Hong Kong. Under the current laws of the BVI, the Company incorporated in the BVI is not subject to tax on income or capital gains. The Hong Kong profits tax rate was 16.5% during the year ended 31 December 2017 (2016: 16.5%). The Company's Hong Kong subsidiary has both Hong Kong sourced and non-Hong Kong sourced 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 years ended 31 December 2017 and 2016. Furthermore, there are no withholding taxes in Hong Kong on the remittance of dividends.

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

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

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

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

13. INCOME TAX AND DEFERRED TAX (continued)

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

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

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

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

* Included in the deferred tax liabilities, there were CNY117.1 million and CNY117.8 million deferred tax liabilities recognised relating to the fair value adjustment on property, plant and equipment as at 31 December 2017 and 2016, respectively.

13. INCOME TAX AND DEFERRED TAX (continued)

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

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

The total amounts of unused tax losses for which no deferred tax assets were recognised amounted to CNY733.2 million and CNY678.7 million as at 31 December 2017 and 2016, respectively. As at 31 December 2017, unused tax losses not utilised of CNY118.6 million, CNY167.0 million, CNY117.2 million, CNY219.6 million and CNY110.8 million will expire by end of 2018, 2019, 2020, 2021 and 2022, respectively.

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

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

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

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

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

* Insignificant

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

15. DIVIDEND

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

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings CNY'000	Mining structures and mining rights CNY'000	Machinery and equipment CNY'000	Motor vehicles CNY'000	Construction in progress CNY'000	Total CNY'000
Cost						
At 1 January 2016	118,561	2,679,986	378,763	27,724	55,007	3,260,041
Additions	–	79,496	29,523	2,561	140,177	251,757
Transfers	–	51,870	14,944	98	(66,912)	–
Disposals	–	–	(17)	–	–	(17)
At 31 December 2016 and 1 January 2017	118,561	2,811,352	423,213	30,383	128,272	3,511,781
Additions	–	80,891	31,044	9,192	264,404	385,531
Transfers	–	175,284	21,985	–	(197,269)	–
Disposals	–	–	(75)	–	–	(75)
At 31 December 2017	**118,561**	**3,067,527**	**476,167**	**39,575**	**195,407**	**3,897,237**
Accumulated depreciation						
At 1 January 2016	(7,584)	(213,461)	(75,669)	(9,201)	–	(305,915)
Depreciation charge	(2,491)	(116,310)	(37,023)	(2,591)	–	(158,415)
Disposals	–	–	12	–	–	12
At 31 December 2016 and 1 January 2017	(10,075)	(329,771)	(112,680)	(11,792)	–	(464,318)
Depreciation charge	(2,403)	(148,823)	(55,696)	(4,612)	–	(211,534)
Disposals	–	–	72	–	–	72
At 31 December 2017	**(12,478)**	**(478,594)**	**(168,304)**	**(16,404)**	**–**	**(675,780)**
Impairment						
At 1 January 2016	(3,415)	(648,132)	(4,356)	(82)	–	(655,985)
Impairment	(12,811)	(63,639)	(25,262)	(472)	(5,021)	(107,205)
At 31 December 2016 and 1 January 2017	(16,226)	(711,771)	(29,618)	(554)	(5,021)	(763,190)
Impairment	–	–	–	–	(277)	(277)
At 31 December 2017	**(16,226)**	**(711,771)**	**(29,618)**	**(554)**	**(5,298)**	**(763,467)**
Net carrying amount						
At 31 December 2016	92,260	1,769,810	280,915	18,037	123,251	2,284,273
At 31 December 2017	**89,857**	**1,877,162**	**278,245**	**22,617**	**190,109**	**2,457,990**

16. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2017, certain mining rights with a carrying amount of CNY595.1 million (2016: CNY506.4 million) were pledged to secure bank loans with a carrying amount of CNY620.0 million (2016: CNY491.8 million) (Note 24).

As at 31 December 2017, certain machinery and equipment with a carrying amount of CNY176.1 million (2016: CNY200.0 million) were pledged to secure loans with a carrying amount of CNY135.2 million (2016: CNY194.0 million) (Note 24).

As at 31 December 2017, certain buildings with a carrying amount totalling CNY81.0 million (2016: CNY83.0 million) were without title certificates. The Group has obtained the relevant confirmation letters issued by the local authorities confirming that they will not impose any penalties in connection with the construction of these buildings, and that the Group may continue to use these buildings in accordance with the current use. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the 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 year.

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

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

Impairment loss for individual assets

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

16. PROPERTY, PLANT AND EQUIPMENT (continued)

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

17. REHABILITATION FUND

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

18. INVENTORIES

	2017 CNY'000	2016 CNY'000
Spare parts and consumables	22,672	10,582
Coal	2,795	1,161
	25,467	11,743

19. TRADE AND BILLS RECEIVABLES

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

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

Bills receivable of CNY26.0 million (2016: Nil) were pledged as security for short-term loans of CNY23.4 million (2016: Nil) as at 31 December 2017 (Note 24).

19. TRADE AND BILLS RECEIVABLES (continued)

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

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

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

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

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

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

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

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

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

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

	2017 CNY'000	2016 CNY'000
Current:		
Prepaid spare parts and consumables purchases	17,154	12,114
Deposits	15,053	11,889
Staff advances	6,274	7,374
Withheld social security	8,220	7,098
Value-added tax recoverable	4,564	5,511
Prepaid transportation fee	17,827	5,729
Prepaid coals for trade purpose	46,005	16,691
Others	6,949	3,768
Less: Provision for impairment	5,519	4,505
	116,527	65,669
Non-current:		
Prepayments for land use rights	743	5,743
Prepayments for construction related work	125,462	63,958
Deposits for equipment purchases	23,949	7,277
Prepayments for mining plan design	5,259	1,069
Others	2,255	2,255
Less: Provision for impairment	3,704	3,704
	153,964	76,598
	270,491	142,267

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

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

	2017 CNY'000	2016 CNY'000
Current:		
At the beginning of the year	4,505	4,338
Impairment losses recognised	1,014	167
Sub-total	5,519	4,505
Non-current:		
At the beginning of the year	3,704	627
Impairment losses recognised	–	3,077
Sub-total	3,704	3,704
At the end of the year	9,223	8,209

21. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2017 CNY'000	2016 CNY'000
Cash and bank balances	**87,639**	347,192
	87,639	347,192
Less: Pledged time deposits:		
Pledged and restricted for bank bills (Note 22)	**10,000**	230,000
Cash and cash equivalents	**77,639**	117,192

(i) Restricted bank deposits mainly include deposits of CNY10.0 million (2016: CNY230.0 million) held as security for bank bills as at 31 December 2017.

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

	2017 CNY'000	2016 CNY'000
CNY	**71,282**	323,312
Hong Kong dollar	**16,357**	23,880
	87,639	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 for 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.

22. TRADE AND BILLS PAYABLES

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

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

22. TRADE AND BILLS PAYABLES (continued)

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

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

Bills payable are bills of exchange with maturity of less than one year. Time deposits of CNY10.0 million (2016: CNY230.0 million) were pledged to secure the bank bills as at 31 December 2017 (Note 21).

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

23. OTHER PAYABLES AND ACCRUED LIABILITIES

	2017 CNY'000	2016 CNY'000
Natural resources fee (a)	**695**	725
Deposits from contractors	**77,817**	8,441
Social security payable (b)	**29,630**	23,306
Payroll payable	**24,387**	19,312
Advances from customers	**74,946**	65,858
Other taxes payables	**54,182**	35,277
Professional fee	**1,786**	2,287
Payables for emergency rescue of the coal mine	**4,000**	4,000
Geological hazard compensation	**3,094**	2,942
Others	**12,945**	6,389
	283,482	168,537

(a) The natural resources fee represents fees 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 benefit of the Group's employees.

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

24. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

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

(1) Pledges over the Group's mining rights with a carrying amount of CNY595.1 million (2016: CNY506.4 million) as at 31 December 2017 (Note 16);

(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 CNY176.1 million (2016: CNY200.0 million) as at 31 December 2017 (Note 16);

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

(4) Pledges over the bills receivable in Guizhou Puxin with a carrying amount of CNY26.0 million (2016: Nil) as at 31 December 2017 (Note 19); and

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

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

All borrowings are denominated in CNY.

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

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

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

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

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

25. 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.

Maturities of mining right payables are as follows:

	2017 CNY'000	2016 CNY'000
Within one year or on demand	43,780	43,780

The mining right payables bear interest at a rate stipulated by the People's Bank of China from year to year. The interest rates for mining right payables for the year ended 31 December 2017 was 4.90% (2016: 4.75%~4.90%).

26. DEFERRED INCOME

	Amount CNY'000
At 1 January 2016	1,701
Released to the consolidated statement of profit or loss	(294)
At 31 December 2016 and 1 January 2017	**1,407**
Recognised during the year	**1,000**
Released to the consolidated statement of profit or loss	**(294)**
At 31 December 2017	**2,113**

Government grants at the amounts of CNY1.9 million and CNY1.0 million were received in the year 2015 and 2017 for certain underground construction projects in Guizhou Dayun, respectively. The amounts were 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.

Government grants of CNY13.9 million (2016:CNY2.0 million) have been recognised in the consolidated statement of profit or loss directly since there is no unfulfilled condition as at 31 December 2017.

27. 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	9,894
Accretion expenses (Note 7)	950
At 31 December 2016 and 1 January 2017	**10,844**
Accretion expenses (Note 7)	**1,044**
At 31 December 2017	**11,888**

The inflation rate, discount rate and market risk premium used for estimating the provision for asset retirement obligations for the years ended 31 December 2017 and 2016 were 2.53%, 9.91% and 6.09%, respectively. There were no material changes to those rates used in subsequent periods.

28. SHARE CAPITAL

	2017 CNY'000	2016 CNY'000
Authorised:		
100,000,000,000 (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 (2016: 1,380,545,800 ordinary shares of HK$0.001 each) ordinary shares of HK$0.001 each	**1,081**	1,081

29. SHARE OPTION SCHEME

A share option scheme was approved by shareholders of the Company on 23 December 2013 (the "Date of Adoption") (the "2013 Share Option Scheme"), under which the board of directors may, at its discretion, offer any Eligible Persons (as hereinafter defined) options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The 2013 Share Option Scheme has a life of 10 years from the Date of Adoption. The 2013 Share Option Scheme is a share incentive scheme and is established to enable the Group to, (i) recognise and acknowledge the contributions that Eligible Persons have (or may have) made or may make to the Group (whether directly or indirectly); (ii) attract and retain and appropriately remunerate the best possible employees and other Eligible Persons; (iii) motivate the Eligible Persons to optimise their performance and efficiency for the benefit of the Group; (iv) enhance its business, employee and other relations; and/or (v) retain maximum flexibility as to the range and nature of rewards and incentives which the Company can offer to Eligible Persons. The Eligible Persons include (a) any full time or part time employees of the Group or any Directors or any of its subsidiaries; (b) any customer, supplier or provider of services, landlord or tenant, agent, partner, consultant, or adviser of or a contractor to or person doing business with any member of the Group; (c) trustee of any trust the principal beneficiary of which is, or any discretionary trust the discretionary objects of which include, any person referred to (a) or (b) above; (d) a company wholly beneficially owned by any person referred to in (a) or (b) above, and (e) such other persons (or classes of persons) as the board of directors may in its absolute discretion determine.

At 31 December 2017, the Company had no share options outstanding under the scheme (2016: Nil).

30. RESERVES

The amounts of the Group's reserves and movements therein for the reporting period are presented in the consolidated statement of changes in equity.

(a) Safety fund and production maintenance fund

The safety fund and production maintenance fund represent the safety production fund and the production maintenance fund, which are accrued based on production volume in accordance with the circular of the Ministry of Finance on enterprise safety production.

(b) Special reserves

The special reserves represent the equity-settled share option expense related to the coal business in 2010, prepaid listing expenses undertaken and paid by CHNR on behalf of the Group and the loss from the acquisition of non-controlling interests.

31. COMMITMENTS

(a) Capital commitments

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

	2017 CNY'000	2016 CNY'000
Construction and purchase of property, plant and equipment		
– Contracted, but not provided for	64,366	33,047
– Authorised, but not contracted for	4,123	4,691
	68,489	37,738

(b) Operating lease commitments

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

	2017 CNY'000	2016 CNY'000
Within the first year	307	732
After one year but not more than five years	–	315
	307	1,047

32. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Commercial transactions with related companies

Commercial transactions with related companies are summarised as follows:

	2017 CNY'000	2016 CNY'000
Payment of its share of office rental, rates and others to Anka Consultants Limited ("Anka") *	782	757

* 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

	2017 CNY'000	2016 CNY'000
Wages, salaries and allowances	1,855	1,321
Contribution to pension plans	119	66
Housing funds	54	36
Welfare and other expenses	34	16
	2,062	1,439

Further details of the directors' and chief executive's emoluments are included in Note 11 to the financial statements.

(c) Outstanding balance with a related company

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

	2017 CNY'000	2016 CNY'000
Non-current		
Payables to a related company:		
Feishang Enterprise Group Co., Ltd. ("Feishang Enterprise") *	1,652,843	1,812,727

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

The related party transactions in respect of item (a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

33. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries are as follows:

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital CNY'000	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Bijie Feishang Energy Co., Ltd. (畢節飛尚能源有限公司)	PRC/Mainland China 19 October 2010	10,000	–	100	Investment holding
Guizhou Dayun Mining Co., Ltd. (貴州大運礦業有限公司)	PRC/Mainland China 14 April 2004	300,000	–	100	Coal development and mining
Guizhou Fuyuantong Energy Co., Ltd. (貴州福源通能源有限公司)	PRC/Mainland China 10 March 2010	10,000	–	100	Investment holding
Guizhou Nayong Dayuan Coal Mining Co., Ltd. (貴州納雍縣大圓煤業有限公司)	PRC/Mainland China 22 January 2009	46,000	–	100	Coal development and mining
Guizhou Puxin Energy Co., Ltd. (貴州浦鑫能源有限公司)	PRC/Mainland China 15 January 2009	270,000	–	100	Investment holding and coal trading
Guizhou Yongfu Mining Co., Limited (貴州永福礦業有限公司)	PRC/Mainland China 27 June 2005	100,000	–	70	Coal development and mining
Hong Kong Smartact Limited (香港英策有限公司)	Hong Kong 25 January 2010	–	100	–	Investment holding
Hainan Yangpu Dashi Industrial Co., Limited (海南洋浦大石實業公司)	PRC/Mainland China 13 April 2004	1,000	–	100	Investment holding
Jinsha Baiping Mining Co., Ltd. ("Baiping Mining") (金沙縣白坪礦業有限公司)	PRC/Mainland China 15 January 2009	58,000	–	70	Coal development and mining

33. PARTICULARS OF THE SUBSIDIARIES (continued)

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital CNY'000	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Jinsha Juli Energy Co., Ltd. (金沙縣聚力能源有限公司)	PRC/Mainland China 16 November 2012	30,000	–	100	Coal washing
Liuzhi Linjiaao Coal Mining Co., Ltd. (六枝特區林家嶴煤業有限公司)	PRC/Mainland China 19 November 2008	30,600	–	100	Coal development and mining
Liuzhi Xinsong Coal Mining Co., Ltd. (六枝特區新松煤業有限公司)	PRC/Mainland China 13 November 2008	60,000	–	100	Coal development and mining
Nayong Gouchang Coal Mining Co., Ltd. (納雍縣狗場煤業有限公司)	PRC/Mainland China 10 September 2009	40,000	–	99	Coal development and mining
Shenzhen Chixin Information and Consulting Co., Ltd. (深圳市馳鑫信息諮詢有限公司)	PRC/Mainland China 18 July 2012	1,000	–	100	Provision of management and consulting services to other companies in the Group
Jinsha Xinyun Energy Co., Ltd. (金沙縣鑫運能源有限公司)	PRC/Mainland China 11 May 2016	10,000	–	100	Coal washing
Jinsha Xinping Energy Co., Ltd. (金沙縣鑫坪能源有限公司)	PRC/Mainland China 20 June 2017	10,000	–	100	Coal washing
Guizhou Feishang Mineral Resources Co.,Ltd (貴州飛尚工礦物資有限公司)	PRC/Mainland China 8 December 2017	20,000	–	100	Provision of purchasing construction equipment services and consulting services to other companies in the Group

34. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are derecognised in their entirety

At 31 December 2017, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills"), to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of CNY481.3 million (2016: CNY165.9 million). The Derecognised Bills have a maturity from one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the banks in Mainland China default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase the Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). The Endorsement has been made evenly throughout the year.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial instruments of the Group primarily include cash and cash deposits, trade and bills receivables, certain other current assets, trade and bills payables, certain other liabilities, amounts due to related companies, interest-bearing bank and other borrowings and mining right payables.

The Group is exposed to credit risk, foreign currency risk, foreign currency risk, interest rate risk and liquidity risk. The Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The Group reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk

The carrying amounts of the Group's cash and cash equivalents, time deposits, restricted bank deposits, trade and bills receivables, and certain other current assets represent the Group's maximum exposure to credit risk in relation to its financial assets.

Cash and cash deposits

The Group maintains its cash and cash deposits primarily with various PRC state-owned banks and Hong Kong based financial institutions, which management believes are of high credit quality. The Group performs periodic evaluations of the relative credit standing of those financial institutions.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Trade receivables

The Group sells anthracitic coal to companies in Mainland China. Trade receivables are typically unsecured and are mainly derived from revenue earned from customers in Mainland China. The risk with respect to trade receivables is mitigated by credit evaluations that the Group performs on its customers and its ongoing monitoring of outstanding balances. The Group provides impairment for trade receivables primarily based on the age of the balances and factors surrounding the customer's creditworthiness. No provision for impairment of trade receivables was made during the year ended 31 December 2017 (2016: CNY49.8 million). As at 31 December 2017, receivables due from the five largest customers accounted for 0.8% (2016: 8.9%) of the trade receivables.

Sales to the five largest customers accounted for 42.6% (2016: 40.6%) of the consolidated revenue for the year ended 31 December 2017. The five largest customers are all recognised and creditworthy third parties and their trading terms are mainly on payment in advance or with a credit period of one month. The Group expects the concentration of coal customers to subside once the production volume increases in the future.

Bills receivable

Bills receivable represent letters of credit obtained by customers of the Group to finance purchases which have been presented to banks for payment after delivery of goods to customers. As at 31 December 2017, the bills receivable balance was guaranteed by financial institutions. The bills receivable have normal terms of maturity of six months.

(b) Foreign currency risk

These financial statements are presented in CNY, which is the Company's presentation currency. The currency is not freely convertible into foreign currencies. The State Administration of Foreign Exchange, under the authority of the People's Bank of China, controls the conversion of the currency into foreign currencies. The value of the currency is subject to changes in PRC government policies and to international economic and political developments affecting supply and demand in the China Foreign Exchange Trading System market. All foreign exchange transactions continue to take place either through the People's Bank of China or other banks authorised to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The interest rate risk is closely monitored by the Group's senior management. As at 31 December 2017, the interest rates for 37.1% (2016: 30.0%) of the Group's interest-bearing debts were fixed. The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the portion of interest-bearing bank and other borrowings and mining right payables with floating interest rates except for interest which is capitalised. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows:

	Increase/ (decrease) in basis points	Decrease/ (increase) in profit before tax CNY'000
Year ended 31 December 2017	**100**	**3,618**
	(100)	**(3,618)**
Year ended 31 December 2016	100	4,156
	(100)	(4,156)

(d) Liquidity risk

The Group manages its liquidity risk by regularly monitoring its liquidity requirements and its compliance with debt covenants to ensure that it maintains sufficient cash and cash equivalents, and adequate time deposits to meet its liquidity requirements in the short and long term. Bank facilities have been put in place for contingency purposes.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 December 2017	Less than 1 year CNY'000	1 to 5 years CNY'000	More than 5 years CNY'000	Total CNY'000
Trade and bills payables	237,631	–	–	237,631
Other payables and accrued liabilities	154,519	–	–	154,519
Interest-bearing bank and other borrowings	586,802	473,181	–	1,059,983
Due to a related company	–	–	1,652,843	1,652,843
Mining right payables	70,404	–	–	70,404
	1,049,356	473,181	1,652,843	3,175,380

31 December 2016	Less than 1 year CNY'000	1 to 5 years CNY'000	More than 5 years CNY'000	Total CNY'000
Trade and bills payables	537,402	–	–	537,402
Other payables and accrued liabilities	168,537	–	–	168,537
Interest-bearing bank and other borrowings	636,056	264,017	–	900,073
Due to a related company	–	–	1,812,727	1,812,727
Mining right payables	70,280	–	–	70,280
	1,412,275	264,017	1,812,727	3,489,019

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group also relies on financial support from its controlling shareholder.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders, raise new debt or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital on the basis of the debt to capital ratio (gearing ratio), which is calculated as an interest-bearing debt divided by total capital. An interest-bearing debt includes interest-bearing bank and other borrowings and mining right payables. Capital includes total equity and an interest-bearing debt. The gearing ratios as at the end of the reporting periods were as follows:

	2017 CNY'000	2016 CNY'000
Interest-bearing debt	1,020,381	890,570
Total equity	(364,322)	(583,243)
Total capital	656,059	307,327
Gearing ratio	155.5%	289.8%

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The Group has two subsidiaries with material non-controlling interests ("NCI"). Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	2017	2016
Percentage of equity interest held by non-controlling interests:		
Baiping Mining	30%	30%
Guizhou Yongfu	30%	30%

	2017 CNY'000	2016 CNY'000
Profit/(loss) for the year allocated to non-controlling interests as disclosed in the consolidated financial statements:		
Baiping Mining	59	(3,544)
Guizhou Yongfu	37,625	8,416
Dividends paid to non-controlling interests of Baiping Mining & Guizhou Yongfu	–	–
Accumulated balances of non-controlling interests at the reporting date as disclosed in the consolidated financial statements:		
Baiping Mining	60,398	60,339
Guizhou Yongfu	52,895	15,270

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed include the consolidation adjustments but are before any inter-company eliminations:

2017

	Baiping Mining CNY'000	Guizhou Yongfu CNY'000
Revenue	62,853	490,934
Cost of sales	(52,164)	(280,345)
Total expenses	(10,491)	(85,172)
Profit for the year	198	125,417
Total comprehensive income for the year	198	125,417
Current assets	58,000	315,535
Non-current assets	346,792	663,536
Current liabilities	147,992	753,941
Non-current liabilities	55,474	48,814
Net cash flows generated from operating activities	36,027	337,618
Net cash flows used in investing activities	(20,311)	(151,218)
Net cash flows used in from financing activities	(16,095)	(186,423)
Net decrease in cash and cash equivalents	(379)	(23)

2016

	Baiping Mining CNY'000	Guizhou Yongfu CNY'000
Revenue	–	315,294
Total expenses	(11,814)	(287,239)
(Loss)/profit for the year	(11,814)	28,055
Total comprehensive (loss)/income for the year	(11,814)	28,055
Current assets	49,177	166,168
Non-current assets	316,218	659,506
Current liabilities	107,477	659,885
Non-current liabilities	56,790	114,888
Net cash flows (used in)/generated from operating activities	(9,660)	74,680
Net cash flows generated from/(used in) investing activities	17,398	(137,401)
Net cash flows (used in)/generated from financing activities	(7,190)	56,749
Net increase/(decrease) in cash and cash equivalents	548	(5,972)

37. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

In 2017, the Group did not enter into several trade receivable factoring arrangements and transfer certain trade receivables to a financial institution, who has received the cash in relation to such trade receivables amounted to nil in 2017 (2016: CNY11.0 million).

(b) Changes in liabilities arising from financing activities

	Bank and other loans CNY'000	Due to a related company CNY'000
At 1 January 2017	846,790	1,812,727
Changes from financing cash flows	129,811	(159,884)
At 31 December 2017	976,601	1,652,843

39. EVENTS AFTER THE REPORTING PERIOD

On 3 January 2018, Jinsha Juli received the remaining loan facility amounting to CNY30.0 million out of the total CNY100.0 million long-term bank loan from Bank of Guiyang to be repaid on 2 January 2019. The purpose of the loan is to pay the purchase of coal. The loan bears a floating annual interest rate equal to 60% above the one-year base lending rate stipulated by the People's Bank of China from time to time (4.35% per annum, resulting in an annual interest rate of 6.96% per annum).

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

On 30 January 2018 and 31 January 2018, Guizhou Yongfu received and fully drew down CNY24.0 million and CNY6.0 million short-term bank loans from China Everbright Bank Co., Ltd. to be repaid on 29 January 2019 and 30 January 2019, respectively. The purpose of the loans is to finance the working capital. The loans bear a fixed annual interest rate equal to 30% above the one-year base lending rate stipulated by the People's Bank of China (4.35% per annum, resulting in an annual interest rate of 5.655% per annum).

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 CNY'000	2016 CNY'000
NON-CURRENT ASSETS		
Investment in a subsidiary	–	–
TOTAL NON-CURRENT ASSETS	–	–
CURRENT ASSETS		
Due from a subsidiary	133,735	143,813
Prepayment to suppliers	165	177
Cash and cash equivalents	16,249	23,757
TOTAL CURRENT ASSETS	150,149	167,747
TOTAL ASSETS	150,149	167,747
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Other payables and accrued liabilities	1,839	2,344
TOTAL CURRENT LIABILITIES	1,839	2,344
TOTAL LIABILITIES	1,839	2,344
EQUITY		
Share capital (Note)	1,081	1,081
Reserves (Note)	147,229	164,322
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	148,310	165,403
TOTAL EQUITY	148,310	165,403
TOTAL LIABILITIES AND EQUITY	150,149	167,747

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's equity movement is as follows:

	Share capital CNY'000	Share premium account CNY'000	Accumulated losses CNY'000	Exchange fluctuation reserve CNY'000	Total CNY'000
At 1 January 2016	1,081	204,524	(54,208)	8,530	159,927
Loss for the year	–	–	(5,349)	–	(5,349)
Foreign currency translation adjustments	–	–	–	10,825	10,825
Total comprehensive (loss)/income for the year	–	–	(5,349)	10,825	5,476
At 31 December 2016 and 1 January 2017	**1,081**	**204,524**	**(59,557)**	**19,355**	**165,403**
Loss for the year	**–**	**–**	**(5,719)**	**–**	**(5,719)**
Foreign currency translation adjustments	**–**	**–**	**–**	**(11,374)**	**(11,374)**
Total comprehensive loss for the year	**–**	**–**	**(5,719)**	**(11,374)**	**(17,093)**
At 31 December 2017	**1,081**	**204,524**	**(65,276)**	**7,981**	**148,310**

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2018.

SUMMARY OF MINE PROPERTIES

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

	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 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**
Average Coal Quality of Raw Coal							
Moisture (%)	2.47	2.28	2.40	1.15	1.38	1.87	n/a
Ash (%)	19.04	17.95	18.27	24.60	25.03	21.84	n/a
Volatile Matter (%)	9.88	11.72	9.20	9.33	12.57	11.49	n/a
Sulfur (%)	2.35	1.27	2.12	1.16	2.30	1.81	n/a
Heating Value (MJ/kg)	28.33	28.62	28.03	25.79	23.95	28.14	n/a
Density (tonnes/m^3)	1.45	1.43	1.49	1.49	1.49	1.41	n/a
Reserve data (as of 31 December 2017) (Note 4)							
Proved reserve (million tonnes)	2.60	–	10.40	2.92	1.78	2.07	n/a
Probable reserve (million tonnes)	19.04	48.11	84.79	5.27	11.52	7.41	n/a
Total proved and probable reserve (million tonnes)	**21.64**	**48.11**	**95.19**	**8.19**	**13.30**	**9.48**	**n/a**
Capital expenditure for the year ended 31 December 2017 (CNY in millions)	28.56	185.48	215.55	–	53.71	–	n/a
Output – Commercial run for the year ended 31 December 2017 (million tonnes)	0.24	0.89	0.82	–	0.04	–	n/a

Notes:

(1) The Group has closed 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 31 December 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 December 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 have not been materially changed and are continued to apply to the reserve data as of 31 December 2017 (except those of Gouchang Coal Mine).

(5) There was no exploration activity for the Group during 2017.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000
Continuing Operations					
Revenue	**1,022,950**	557,863	239,888	363,365	175,011
Cost of sales	**(492,500)**	(380,644)	(237,741)	(276,147)	(104,041)
Gross profit	**530,450**	177,219	2,147	87,218	70,970
Administrative expenses	**(106,878)**	(87,235)	(78,168)	(112,971)	(132,757)
Other operating expenses	**(1,551)**	(26,087)	(4,717)	(6,460)	(4,938)
Operating profit/(loss)	**398,661**	(111,377)	(474,568)	(107,384)	(257,240)
Finance costs	**(74,372)**	(72,151)	(118,666)	(144,099)	(115,194)
Profit/(loss) before income tax	**337,735**	(180,098)	(592,350)	(251,802)	(186,769)
Income tax (expense)/benefit	**(117,178)**	(20,744)	86,393	27,877	2,687
Profit/(loss) for the year	**220,557**	(200,842)	(505,957)	(223,925)	(184,082)
Profit/(loss) attributable to owners of the parent	**182,873**	(205,714)	(488,400)	(220,727)	(185,169)
Discontinued Operation					
Loss before income tax	**(339)**	(7,100)	(28,944)	(2,129)	(195,585)
Income tax benefit/(expense)	**–**	–	2,096	(773)	45,130
Loss for the year	**(339)**	(7,100)	(26,848)	(2,902)	(150,455)
Loss attributable to owners of the parent	**(336)**	(7,029)	(26,580)	(2,873)	(148,950)
Total profit/(loss) for the year	**220,218**	(207,942)	(532,805)	(226,827)	(334,537)
Basic profit/(loss) per share (CNY per share)	**0.13**	(0.16)	(0.37)	(0.18)	(2.78)

	As at 31 December				
	2017	2016	2015	2014	2013
	CNY'000	CNY'000	CNY'000	CNY'000	CNY'000
Assets and Liabilities					
Current assets	**371,279**	563,965	475,074	453,615	296,760
Non-current assets	**2,671,710**	2,427,459	2,430,256	2,767,364	2,609,801
Current liabilities	**1,154,762**	1,379,506	1,358,192	1,480,168	1,464,968
Non-current liabilities	**2,252,549**	2,195,161	1,923,960	1,583,978	1,186,217
Total equity	**(364,322)**	(583,243)	(376,822)	156,833	255,376