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)

(A) ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018 AND (B) CHANGE OF INDEPENDENT NON-EXECUTIVE DIRECTORS, AND CHANGE OF MEMBERS OF AUDIT, NOMINATION, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEES

(A) ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018

- Revenue up approximately 20.6% to approximately CNY1,234.2 million
- Gross profit up approximately 23.7% to approximately CNY656.3 million
- Profit attributable to owners of the parent from continuing operations up approximately 9.7% to approximately CNY200.6 million
- Basic earnings per share from continuing operations was approximately CNY0.15

(B) CHANGE OF INDEPENDENT NON-EXECUTIVE DIRECTORS, AND CHANGE OF MEMBERS OF AUDIT, NOMINATION, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEES

The Board announces that with effect from 29 March 2019, (a) Mr. HU Yongming resigned as an independent non-executive Director, a member of each of the audit committee and the nomination committee of the Company, and a member and the chairman of each of the remuneration committee and the corporate social responsibility committee of the Company; and (b) Mr. WANG Xiufeng was appointed as an independent non-executive Director, a member of each of the audit committee and the nomination committee of the Company , and a member and the chairman of each of the remuneration committee and the corporate social responsibility committee of the Company.

(A) ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Feishang Anthracite Resources Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 DECEMBER 2018

	Notes	**2018** *CNY'000*	2017 *CNY'000*
CONTINUING OPERATIONS			
Revenue	*5*	**1,234,151**	1,022,950
Cost of sales		**(577,860)**	(492,500)
Gross profit		**656,291**	530,450
Selling and distribution expenses		**(48,216)**	(28,235)
Administrative expenses		**(123,372)**	(106,878)
(Impairment)/reversal of impairment of trade and other receivables, net	*7*	**(3,405)**	4,875
Write-down of inventories to net realisable value	*7*	**(2,453)**	–
Other operating expenses, net		**(23,450)**	(1,551)
OPERATING PROFIT		**455,395**	398,661
Finance costs	*6*	**(93,197)**	(74,372)
Interest income		**373**	3,474
Share of profit and loss of an associate		**148**	–
Non-operating income, net		**5,843**	9,972
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	*7*	**368,562**	337,735
Income tax expense	*8*	**(117,275)**	(117,178)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**251,287**	220,557
DISCONTINUED OPERATION			
LOSS FOR THE YEAR FROM A DISCONTINUED OPERATION	*4*	**(1)**	(339)
PROFIT FOR THE YEAR		**251,286**	220,218

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)
YEAR ENDED 31 DECEMBER 2018

	Notes	**2018** **CNY'000**	2017 *CNY'000*
ATTRIBUTABLE TO:			
Owners of the parent			
From continuing operations	*9*	**200,630**	182,873
From a discontinued operation	*4,9*	**(1)**	(336)
		200,629	182,537
Non-controlling interests			
From continuing operations		**50,657**	37,684
From a discontinued operation	*4*	**–**	(3)
		50,657	37,681
PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic (CNY per share)			
– For profit from continuing operations	*9*	**0.15**	0.13
– For profit from a discontinued operation	*9*	*****	*
– Net profit per share		**0.15**	0.13
Diluted (CNY per share)			
– For profit from continuing operations	*9*	**0.15**	0.13
– For profit from a discontinued operation	*9*	*****	*
– Net profit per share		**0.15**	0.13

* Insignificant

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	2018	2017
	CNY'000	*CNY'000*
PROFIT FOR THE YEAR	**251,286**	220,218
Other comprehensive income/(loss):		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Foreign currency translation adjustments	**562**	(1,297)
Total other comprehensive income/(loss) for the year, net of tax	**562**	(1,297)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**251,848**	218,921
ATTRIBUTABLE TO:		
Owners of the parent		
From continuing operations	**201,192**	181,576
From a discontinued operation	**(1)**	(336)
	201,191	181,240
Non-controlling interests		
From continuing operations	**50,657**	37,684
From a discontinued operation	**–**	(3)
	50,657	37,681
	251,848	218,921

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2018

	Notes	**2018**	2017
		CNY'000	*CNY'000*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**2,878,820**	2,457,990
Rehabilitation fund		**13,610**	13,584
Prepayments and other receivables		**103,625**	153,964
Investment in an associate		**2,548**	–
Deferred tax assets	*8*	**18,904**	46,172
TOTAL NON-CURRENT ASSETS		**3,017,507**	2,671,710
CURRENT ASSETS			
Inventories		**45,155**	25,467
Trade and bills receivables	*12*	**166,793**	141,646
Due from an associate company		**1,092**	–
Prepayments and other receivables		**109,026**	116,527
Pledged deposits		**70,000**	10,000
Financial assets at fair value through profit or loss		**5,000**	–
Cash and cash equivalents		**54,468**	77,639
TOTAL CURRENT ASSETS		**451,534**	371,279
TOTAL ASSETS		**3,469,041**	3,042,989
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and bills payables	*13*	**545,602**	237,631
Other payables and accruals		**331,290**	283,482
Interest-bearing bank and other borrowings	*14*	**1,048,125**	525,883
Obligations under finance leases		**39,105**	–
Interest payable		**31,953**	27,474
Income tax payable		**42,956**	36,512
Mining right payables		**43,780**	43,780
Deferred income		**1,570**	–
TOTAL CURRENT LIABILITIES		**2,084,381**	1,154,762

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 DECEMBER 2018

	Notes	**2018**	2017
		CNY'000	*CNY'000*
NON-CURRENT LIABILITIES			
Due to a related company		**1,244,118**	1,652,843
Interest-bearing bank and other borrowings	*14*	**17,000**	450,718
Obligations under finance leases		**74,194**	–
Deferred tax liabilities	*8*	**138,275**	134,987
Deferred income		**10,511**	2,113
Asset retirement obligations		**13,036**	11,888
TOTAL NON-CURRENT LIABILITIES		**1,497,134**	2,252,549
TOTAL LIABILITIES		**3,581,515**	3,407,311
EQUITY			
Share capital		**1,081**	1,081
Reserves		**(277,146)**	(478,337)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**(276,065)**	(477,256)
NON-CONTROLLING INTERESTS		**163,591**	112,934
TOTAL EQUITY		**(112,474)**	(364,322)
TOTAL LIABILITIES AND EQUITY		**3,469,041**	3,042,989

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

As at 31 December 2018, the Group had net current liabilities of approximately CNY1,632.8 million (2017: CNY783.5 million) and total assets less current liabilities of approximately CNY1,384.7 million (2017: CNY1,888.2 million).

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

Going concern

As at 31 December 2018, the Group had net current liabilities of approximately CNY1,632.8 million and shareholders' deficit of approximately CNY112.5 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 new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Except for amendments to IFRS 2, amendments to IFRS 4, amendments to IAS 40 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

a. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement from 1 January 2018

The comparative information is not restated and the Group recognised transition adjustments in relation to the adoption of IFRS 9 against the opening balance of equity at 1 January 2018 as further disclosed below.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

(1) Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

Financial assets	IAS 39 measurement				IFRS 9 measurement	
	Category	Amount CNY'000	Reclassification	ECL	Category	Amount CNY'000
Trade and bills receivables	L&R	141,646	–	–	AC	141,646
Financial assets included in prepayments and other receivables	L&R	26,967	–	–	AC	26,967
Pledged deposits	L&R	10,000	–	–	AC	10,000
Cash and cash equivalents	L&R	77,639	–	–	AC	77,639
		256,252	–	–		256,252

Financial liabilities	IAS 39 measurement		Reclassification	ECL	IFRS 9 measurement	
	Category	Amount CNY'000			Category	Amount CNY'000
Trade and bills payables	AC	237,631	–	–	AC	237,631
Financial liabilities in other payables and accruals	AC	154,519	–	–	AC	154,519
Interest bearing bank and other borrowings – current	AC	525,883	–	–	AC	525,883
Interest bearing bank and other borrowings – non current	AC	450,718	–	–	AC	450,718
Mining right payables	AC	43,780	–	–	AC	43,780
Due to a related company	AC	1,652,843	–	–	AC	1,652,843
		3,065,374	–	–		3,065,374

1 L&R: Loans and receivables
2 AC: Financial assets or financial liabilities at amortised cost

(2) ***Impairment***

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group has applied the simplified approach and recorded lifetime expected losses that were estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group has applied the general approach and recorded twelve-month expected credit losses that were estimated based on the possible default events on its other receivables within the next twelve months. The effect of adoption on the Group's financial statements was minimal.

b. IFRS 15 Revenue from Contracts with Customers and its amendments

IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 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 disclosures are included in Note 5 to the financial statements.

The Group adopted IFRS 15 using the modified retrospective method to all contracts that are not completed at the date of initial application. The Group concluded that the transitional adjustment to be made on 1 January 2018 to retained earnings upon initial adoption of IFRS 15 is nil and the comparative information is not restated. It is because the Group recognised revenue upon the transfer of significant risks and rewards before the adoption, which coincides with the fulfilment of performance obligations. From 1 January 2018, revenue is recognised when a customer obtains control of a good or service and the customer has the ability to direct the use and obtain the benefits from the good or service. Additionally, the Group's contracts with customers generally have only one performance obligation.

The Group's revenue is substantially generated from the sale of coal.

(a) Sale of coal

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

(b) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance as other payables. Under IFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

Therefore, upon adoption of IFRS 15, the Group reclassified CNY74.9 million from advances from customers disclosed in other payables and accruals to contract liabilities in other payables and accruals as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

(c) Presentation and disclosure requirements

Disclosures on disaggregated revenue are included in Note 5.

c. **IFRIC 22 Foreign Currency Transactions and Advance Consideration**

IFRIC 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

3. OPERATING SEGMENT INFORMATION

During the year ended 31 December 2018, the Group had only one operating segment: the construction and development of anthracite coal mines, extraction and sale of anthracite coal, and trading of anthracite coal.

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

Geographic information

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

Information about major customers

During the year ended 31 December 2018, revenue derived from sales to two customers accounted for 21.6% and 11.0% of the consolidated revenue, respectively. During the year ended 31 December 2017, revenue derived from sales to the largest customer accounted for 15.2% of the consolidated revenue.

4. DISCONTINUED OPERATION

Gouchang Coal Mine is a coal mine located in Guizhou Province, the PRC, which is wholly owned by Nayong Gouchang Coal Mining Co., Ltd., a subsidiary of the Company. The operation of Gouchang Coal Mine has been suspended since March 2013 pending on the acquisition of a nearby coal mine and Gouchang Coal Mine achieving certain production targets in accordance with Guizhou Province's coal mine consolidation policy. The Group therefore planned to close down Gouchang Coal Mine in accordance with the second batch of the restructuring proposal approved by the Energy Bureau of Guizhou Province* (貴州省能源局) and the Leading Group Office of Guizhou Province on Coal Enterprises Consolidation* (貴州省煤礦企業兼併重組工作領導小組辦公室) on 5 January 2016. In the year of 2018, substantially all the work at Gouchang Coal Mine had ceased, therefore, the operating results have been reclassified to a discontinued operation for the purpose of preparing the consolidated statement of profit or loss.

The results of Gouchang Coal Mine for the years ended 31 December 2018 and 2017 are presented below:

	2018	2017
	CNY'000	*CNY'000*
Revenue	**–**	–
Cost of sales	**–**	–
Gross profit	**–**	–
Administrative expenses	**–**	(62)
Impairment loss on property, plant and equipment	**–**	(277)
OPERATING LOSS	**–**	(339)
Finance costs	**(1)**	–
Non-operating expenses, net	**–**	–
LOSS BEFORE INCOME TAX	**(1)**	(339)
Income tax expense	**–**	–
LOSS FOR THE YEAR FROM A DISCONTINUED OPERATION	**(1)**	(339)
Attributable to:		
Owners of the parent	**(1)**	(336)
Non-controlling interest	**–**	(3)
	(1)	(339)

* *For identification purpose only*

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

	2018	2017
	CNY'000	*CNY'000*
Operating activities	**(322)**	(316)
Financing activities	**322**	238
Net cash outflow	**–**	(78)

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

	2018	2017
	CNY'000	*CNY'000*
Loss attributable to owners of the parent from a discontinued operation	**(1)**	(336)
Weighted average number of ordinary shares ('000 shares):		
Basic	**1,380,546**	1,380,546
Diluted	**1,380,546**	1,380,546
Loss per share attributable to ordinary equity holders of the parent (CNY per share):		
Basic, from a discontinued operation	*	*
Diluted, from a discontinued operation	*	*

* Insignificant

5. REVENUE FROM CONTINUING OPERATIONS

Revenue from continuing operations represents the following:

	2018	2017
	CNY'000	*CNY'000*
Revenue from contracts with customers		
Sale of coal	**1,234,151**	1,022,950

(i) Disaggregated revenue information

For the year ended 31 December 2018	**Total**
	CNY'000
Types of goods and service	
Sale of coal	**1,234,151**
Geographic market	
Mainland China	**1,234,151**
Timing of revenue recognition	
Goods transferred at a point of time	**1,234,151**

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018
	CNY'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of coal	**74,946**

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of coal

The performance obligation is satisfied upon delivery of the coal and payment is generally due within 30 days from delivery, except for new customers, where payment in advance is normally required.

6. FINANCE COSTS FROM CONTINUING OPERATIONS

	2018 *CNY'000*	2017 *CNY'000*
Interest on interest-bearing bank and other borrowings	**76,336**	62,331
Interest on finance leases	**2,153**	–
Interest on payables for mining rights	**2,145**	2,246
Total interest expense	**80,634**	64,577
Bank charges	**361**	454
Discount interest	**11,054**	8,297
Accretion expenses	**1,148**	1,044
	93,197	74,372

7. PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS

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

	2018 *CNY'000*	2017 *CNY'000*
Crediting:		
Interest income on bank deposits	**373**	3,474
Government grant	**21,999**	14,213
Charging:		
Cost of inventories sold (a)	**432,890**	393,366
Sales tax and surcharge	**73,174**	50,217
Utilisation of safety fund and production maintenance fund	**71,796**	48,917
Cost of sales	**577,860**	492,500
Employee benefit expenses	**193,750**	153,538
Depreciation, depletion and amortisation:		
Property, plant and equipment	**193,387**	211,534
Auditors' remuneration:		
Audit fee	**3,400**	3,000
Operating lease rental:		
Office properties	**1,019**	913
Write-down of inventories to net realisable value	**2,453**	–
Impairment/(reversal of impairment) of trade and bills receivables, net	**3,291**	(5,889)
Impairment of prepayments and other receivables, net	**114**	1,014
Gains from financial assets at fair value through profit or loss	**60**	–
Repairs and maintenance	**26,092**	27,482
Losses arising from temporary suspension of production	**12,168**	–

(a) Included in the cost of inventories sold is a total amount of approximately CNY317.3 million for the year ended 31 December 2018 (2017: CNY320.7 million) relating to employee benefit expenses and depreciation, depletion and amortisation, and these amounts are also included in the respective amounts disclosed separately above for each type of expenses.

8. INCOME TAX AND DEFERRED TAX

The Company is a limited liability company incorporated in the BVI and conducts its primary business through its subsidiaries in Mainland China. It also has an intermediate holding company in Hong Kong. Under the current laws of the BVI, the Company incorporated in the BVI is not subject to tax on income or capital gains. The Hong Kong profits tax rate was 16.5% during the year ended 31 December 2018 (2017: 16.5%). The Company's Hong Kong subsidiary has both Hong Kong sourced and non-Hong Kong sourced incomes. The latter is not subject to Hong Kong profits tax and the related expenses are non-tax-deductible. For the Hong Kong sourced income, no provision for Hong Kong profits tax was made as this operation sustained tax losses during the years ended 31 December 2018 and 2017. 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% (2017: 25%).

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

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

	2018	2017
	CNY'000	*CNY'000*
Current – Mainland China	**86,719**	99,432
Deferred – Mainland China	**30,556**	17,746
	117,275	117,178

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:

	2018	2017
	CNY'000	*CNY'000*
Profit before income tax from continuing operations	**368,562**	337,735
Tax at the statutory tax rate of 25%	**92,141**	84,434
Effect of different tax rates for the Company and the Hong Kong subsidiary	**1,510**	1,433
Non-deductible expenses	**4,069**	3,109
Tax losses not recognised	**19,404**	27,709
Others	**151**	493
Income tax charge from continuing operations	**117,275**	117,178

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

	2018	2017
	CNY'000	*CNY'000*
Deferred tax assets		
Accrued liabilities and other payables	**3,302**	1,680
Capitalised pilot run income	**13,056**	13,922
Tax losses	**16,913**	13,724
Depreciation of property, plant and equipment	**3,336**	32,743
Bad debt provision	**5,438**	5,387
	42,045	67,456
Deferred tax liabilities		
Depreciation and fair value adjustment of property, plant and equipment*	**(161,416)**	(156,271)
Net deferred tax liabilities	**(119,371)**	(88,815)
Classification in the consolidated statement of financial position:		
Deferred tax assets	**18,904**	46,172
Deferred tax liabilities	**(138,275)**	(134,987)

* Included in the deferred tax liabilities, there were approximately CNY115.1 million and CNY117.1 million deferred tax liabilities recognised relating to the fair value adjustment on property, plant and equipment as at 31 December 2018 and 2017, respectively.

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

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

The total amounts of unused tax losses for which no deferred tax assets were recognised amounted to approximately CNY692.2 million and CNY733.2 million as at 31 December 2018 and 2017, respectively. As at 31 December 2018, unused tax losses not utilised of approximately CNY167.0 million, CNY117.2 million, CNY219.6 million, CNY110.8 million and CNY77.6 million, will expire by end of 2019, 2020, 2021, 2022 and 2023, respectively.

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

	2018	2017
	CNY'000	*CNY'000*
At beginning of the year	**(88,815)**	(71,069)
Credited to the consolidated statement of profit or loss	**(30,556)**	(17,746)
At end of the year	**(119,371)**	(88,815)

9. PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic and diluted profit per share for the year were calculated as follows:

	2018	2017
	CNY'000	*CNY'000*
Profit for the year attributable to ordinary equity holders of the parent:	**200,629**	182,537
From continuing operations	**200,630**	182,873
From a discontinued operation	**(1)**	(336)
Weighted average number of ordinary shares ('000 shares):		
Basic	**1,380,546**	1,380,546
Diluted	**1,380,546**	1,380,546
Profit per share attributable to ordinary equity holders of the parent (CNY per share):		
Basic		
From continuing operations	**0.15**	0.13
From a discontinued operation	*	*
	0.15	0.13
Diluted		
From continuing operations	**0.15**	0.13
From a discontinued operation	*	*
	0.15	0.13

* Insignificant

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

10. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2018 (2017: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Mining structures and mining rights	Machinery and equipment	Motor vehicles	Construction in progress	Total
	CNY'000	*CNY'000*	*CNY'000*	*CNY'000*	*CNY'000*	*CNY'000*
Cost						
At 1 January 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 and 1 January 2018	118,561	3,067,527	476,167	39,575	195,407	3,897,237
Additions	–	45,174	179,249	7,694	382,100	614,217
Transfers	–	137,574	25,100	2,518	(165,192)	–
At 31 December 2018	**118,561**	**3,250,275**	**680,516**	**49,787**	**412,315**	**4,511,454**
Accumulated depreciation						
At 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 and 1 January 2018	(12,478)	(478,594)	(168,304)	(16,404)	–	(675,780)
Depreciation charge	(3,235)	(62,832)	(119,713)	(7,607)	–	(193,387)
At 31 December 2018	**(15,713)**	**(541,426)**	**(288,017)**	**(24,011)**	**–**	**(869,167)**
Impairment						
At 1 January 2017	(16,226)	(711,771)	(29,618)	(554)	(5,021)	(763,190)
Impairment	–	–	–	–	(277)	(277)
At 31 December 2017 and 1 January 2018	(16,226)	(711,771)	(29,618)	(554)	(5,298)	(763,467)
Impairment	–	–	–	–	–	–
At 31 December 2018	**(16,226)**	**(711,771)**	**(29,618)**	**(554)**	**(5,298)**	**(763,467)**
Net carrying amount						
At 31 December 2017	89,857	1,877,162	278,245	22,617	190,109	2,457,990
At 31 December 2018	**86,622**	**1,997,078**	**362,881**	**25,222**	**407,017**	**2,878,820**

As at 31 December 2018, certain mining rights with a carrying amount of approximately CNY582.8 million (2017: CNY595.1 million) were pledged to secure bank loans with a carrying amount of approximately CNY835.0 million (2017: CNY620.0 million) (note 14).

As at 31 December 2018, certain machinery and equipment with a carrying amount of approximately CNY102.8 million (2017: CNY176.1 million) were pledged to secure loans with a carrying amount of approximately CNY96.1 million (2017: CNY135.2 million) (note 14).

As at 31 December 2018, certain buildings with a carrying amount totalling approximately CNY79.0 million (2017: CNY81.0 million) were without title certificates. The Group has obtained the relevant confirmation letters issued by the local authorities confirming that they will not impose any penalties in connection with the construction of these buildings, and that the Group may continue to use these buildings in accordance with the current use. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter will not have any significant impact on the Group's financial position as at the end of the year.

As at 31 December 2018, certain properties and equipment of the Group with an aggregate net book value of CNY123.2 million (2017: Nil) were accounted for as finance leases with maturity periods of 2 to 3 years.

Impairment loss for cash-generating units

In 2018, owing to the operating losses in the Group's certain coal mines during the year ended 31 December 2018, 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 every 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 value-in-use method, and pre-tax discount rate is 11.4%-11.5% (2017: 11.3%). 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 Group did not recognise impairment loss (2017: Nil) for Baiping Coal Mine, Liujiaba Coal Mine and Zhulinzhai Coal Mine for the year ended 31 December 2018.

Impairment loss for individual assets

The operations of Gouchang Coal Mine has been suspended since March 2013 up to date. In 2017, the Directors further examined and concluded that certain equipment cannot be further utilised. As a result of the impairment assessment, the Directors recognised an impairment of approximately CNY0.3 million for Gouchang Coal Mine for the year ended 31 December 2017, and all the properties and equipment were fully impaired.

12. TRADE AND BILLS RECEIVABLES

	2018	2017
	CNY'000	*CNY'000*
Trade receivables	**175,849**	137,825
Less: Provision for impairment	**(47,294)**	(44,003)
	128,555	93,822
Bills receivable	**38,238**	47,824
	166,793	141,646

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.

No bills receivable (2017: CNY26.0 million) were pledged as security for short-term loans (2017: CNY23.4 million) as at 31 December 2018 (note 14).

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

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

	2018	2017
	CNY'000	*CNY'000*
Within 3 months	**68,367**	76,621
3 to 6 months	**26,167**	3,967
6 to 12 months	**5,397**	4,969
Over 12 months	**28,624**	8,265
	128,555	93,822

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018	2017
	CNY'000	*CNY'000*
At the beginning of the year	**44,003**	49,892
Impairment losses, net	**3,291**	(5,889)
At the end of the year	**47,294**	44,003

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if the Group is satisfied that recovery of the amount is remote.

The Group applies the simplified approach to the provision for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. To measure the expected credit loss on trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the ageing.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

	Within 1 year	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 4 years**	**Between 4 and 5 years**	**Over 5 years**	**Total**
Expected credit loss rate	**9%**	**29%**	**48%**	**62%**	**100%**	**100%**	
Gross carrying amount (CNY'000)	**109,865**	**17,832**	**2,535**	**39,053**	**5,928**	**636**	**175,849**
Expected credit losses (CNY'000)	**9,934**	**5,233**	**1,218**	**24,345**	**5,928**	**636**	**47,294**
Net carrying amount (CNY'000)	**99,931**	**12,599**	**1,317**	**14,708**	**–**	**–**	**128,555**

Impairment under IAS 39 for the year ended 31 December 2017 included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under IAS 39, as at 31 December 2017 were provisions for individually impaired trade receivables of CNY44.0 million with carrying amounts before provision of CNY137.8 million. The individually impaired trade receivables as at 31 December 2017 related to customers that were in financial difficulties and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

	2017
	CNY'000
Neither past due nor impaired	76,621
Within one year past due	9,484
More than one year past due	7,717
	93,822

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

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the Directors were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

13. TRADE AND BILLS PAYABLES

	2018	2017
	CNY'000	*CNY'000*
Trade payables (a)	**425,602**	227,631
Bills payable	**120,000**	10,000
	545,602	237,631

(a) Included in trade payables was amounts of approximately CNY160.3 million (2017: CNY105.1 million) due to construction related contractors as at 31 December 2018.

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

	2018	2017
	CNY'000	*CNY'000*
Within one year	**340,093**	168,727
More than one year	**85,509**	58,904
	425,602	227,631

Bills payable are bills of exchange with maturity of less than one year. Time deposits of CNY70.0 million (2017: CNY10.0 million) were pledged to secure the bank bills as at 31 December 2018.

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2018	2017
	CNY'000	*CNY'000*
Current		
Bank and other borrowings – guaranteed	**100,000**	90,000
Bank and other borrowings – secured and guaranteed	**220,000**	243,400
Current portion of long term bank and other borrowings – secured and guaranteed	**711,125**	84,483
Current portion of long term bank and other borrowings – guaranteed	**17,000**	108,000
	1,048,125	525,883
Non-current		
Bank and other borrowings – guaranteed	**17,000**	–
Bank and other borrowings – secured and guaranteed	**–**	450,718
	17,000	450,718
	1,065,125	976,601

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

(1) pledges over the Group's mining rights with a carrying amount of approximately CNY582.8 million (2017: CNY595.1 million) as at 31 December 2018 (note 11);

(2) pledges over machinery and equipment owned by Guizhou Dayun Mining Co., Ltd. ("Guizhou Dayun"), Jinsha Juli Energy Co., Ltd. ("Jinsha Juli") and Guizhou Yongfu Mining Co., Limited ("Guizhou Yongfu") with a carrying amount of approximately CNY102.8 million (2017: CNY176.1 million) as at 31 December 2018 (note 11);

(3) pledges over the Company's equity interests in Guizhou Puxin Energy Co., Ltd. ("Guizhou Puxin") and Guizhou Nayong Dayuan Coal Mining Co., Ltd. as at 31 December 2018 and pledges over the Company's equity interests in Guizhou Puxin as at 31 December 2017;

(4) pledges over the bills receivable in Guizhou Puxin with a carrying amount of nil (2017: CNY26.0 million) as at 31 December 2018 (note 12); and

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

In addition, Mr. LI Feilie has guaranteed certain of the Group's interest-bearing bank and other borrowings up to approximately CNY995.1 million (2017: CNY805.2 million) as at 31 December 2018. Also, the Group's fellow subsidiaries have guaranteed certain of the Group's interest-bearing bank and other borrowings up to approximately CNY895.1 million (2017: CNY783.2 million) as at 31 December 2018.

All borrowings are denominated in CNY.

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

	2018	2017
	%	*%*
Fixed-rate bank and other borrowings	**4.35~9.34**	5.00~9.34
Floating-rate bank and other borrowings	**5.70~6.96**	5.39~6.96

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

	2018	2017
	CNY'000	*CNY'000*
Bank and other borrowings repayable:		
Within one year or on demand	**1,048,125**	525,883
In the second year	**17,000**	450,718
	1,065,125	976,601

EXTRACT FROM INDEPENDENT AUDITORS' REPORT

The auditor's opinion on the Group's consolidated financial statements for the year ended 31 December 2018 is as follows:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs issued by IASB and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to Note 2.1 to the consolidated financial statements which indicates that as at 31 December 2018 the Group had net current liabilities of approximately CNY1,632.8 million and shareholders' deficit of approximately CNY112.5 million. This condition indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During 2018, coal price remained at relatively high levels and only fluctuated within a narrow range, which generally supported coal enterprise earnings. However, liquidity crisis, intensified supply-side reform, tightening safety supervision and environmental policies, and government-guided supply of thermal coal at controlled prices were also part of the theme of the coal industry. Production was dampened, operating costs surged, and profitability was adversely affected in such a difficult operating environment. During the year, the Group built on the strategy and success of the past year and achieved further growth in production and sales volume. By strictly adhering to production safety, capacity expansion, efficiency improvement, quality enhancement and product diversification to fully exploit the surrounding market, the Group recorded consolidated profit from continuing operations of approximately CNY251.3 million, representing a year-on-year increase of approximately 13.9%.

In 2018, the Group continued to expand production capacity and output. The government's guidance on the supply of at least 50% of coal produced as thermal coal at controlled prices to power plants severely and adversely affected the Group's average selling price. Output expansion not only brought economies of scale but was also a prerequisite for better product diversification and market segmentation with increased profitability. High output volume and stable quality helped to create synergy effects among different mines and allowed the Group more flexibility in market segmentation and product allocation. 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, gradually, a brand name, and was able to penetrate and retain the high-end market. During the year, the Group continued to increase market share and secure orders from cement plants and was able to balance coal supply to chemical producers, iron and steel producers and power plants. 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 in mine construction to improve operational efficiency, 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 2018, the Group continued to make progress in optimising its logistics network to improve transportation capacity and efficiency and reduce logistics cost, in developing and penetrating new and high-end markets to secure market share and adjust product structure, 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 build on the success of the past year and achieved further growth in operating results.

FINANCIAL REVIEW

Continuing Operations

Revenue

The Group's revenue from continuing operations increased by approximately 20.6% from approximately CNY1,023.0 million in 2017 to approximately CNY1,234.2 million in 2018. The approximately CNY211.2 million surge in revenue was mainly attributable to the increase in sales volume of self-produced anthracite coal, which was partially offset by the drop in average selling price of self-produced anthracite coal. The sales volume of self-produced anthracite coal increased from 2,376,948 tonnes in 2017 to 3,171,476 tonnes in 2018, representing a rise of approximately 33.4%. This increase in sales volume was mainly attributable to the increased production volume of Baiping Coal Mine and Liujiaba Coal Mine, which resumed production in March 2017 and August 2018, respectively. However, the average selling price of self-produced anthracite coal decreased from CNY426.9 per tonne in 2017 to CNY388.1 per tonne in 2018, representing a drop of approximately 9.1%, mainly as a result of (i) increasing supply of thermal coal to the Chayuan power plant in order to meet the Guizhou government's annual guidance on the provision of certain minimum amounts of thermal coal to power plants; as well as (ii) the lower coal quality of the current mine faces at Baiping Coal Mine and Liujiaba Coal Mine.

The Group's revenue from sales of processed coal (including coal screening and/or coal washing and coal blending) increased from approximately CNY653.0 million with sales volume of 1,175,672 tonnes in 2017 to approximately CNY733.6 million with sales volume of 1,264,131 tonnes in 2018. The increase in revenue from sales of processed coal was mainly due to the rise in average selling price from CNY555.4 per tonne in 2017 to CNY580.3 per tonne in 2018 and the increase in sales volume, mainly as a result of the enlarged market share and customer base and supplying customised coal products to various customers to meet their specific requirements.

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 2017 and 2018, the Group derived approximately 42.6% and 48.4% of its revenue from anthracite coal sales to its five largest customers, respectively, out of which, one and two customers were power producers 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 17.3% from approximately CNY492.5 million in 2017 to approximately CNY577.9 million in 2018 mainly due to the increase in sales volume.

Cost of Sales for Coal Mining

Labour costs in 2018 were approximately CNY151.0 million, representing an increase of approximately CNY39.5 million, or approximately 35.4%, as compared with approximately CNY111.5 million in 2017. The increase in labour costs was generally in line with the increase in sales volume of self-produced anthracite coal.

Material, fuel and energy costs in 2018 were approximately CNY125.3 million, an increase of approximately CNY28.2 million or approximately 28.9% as compared with approximately CNY97.1 million in 2017. The increases in material, fuel and energy costs were proportionally slightly lower than the rise in sales volume of the Group's self-produced anthracite products in 2018 because (i) the Group implemented the stringent cost control measures; and (ii) the major repair and maintenance costs of mine roadways, mining machinery and equipment and the costs for safety work had incurred and done in 2017.

Depreciation and amortisation in 2018 were approximately CNY180.2 million, representing a decrease of approximately CNY7.1 million, or approximately 3.8%, as compared with approximately CNY187.3 million in 2017. The decrease in depreciation and amortisation in 2018 was caused by (i) the construction costs of mining faces at Yongsheng Coal Mine which were larger than that of 2018 due to the complicated geological factors having been fully depreciated in 2017; (ii) the decrease in the depreciable base of mining structures, mainly due to the Group adopting gob-side entry retaining technology and designing roadways with multiple uses; and (iii) certain machinery and equipment having been fully depreciated in 2017, while the additions of mining machinery and equipment at Baiping Coal Mine and Liujiaba Coal Mine mainly occurring at the end of 2018.

Taxes and levies in 2018 were approximately CNY68.4 million, an increase of approximately CNY24.3 million or approximately 55.1% as compared with approximately CNY44.1 million in 2017. The increase in the unit sales tax and levies in 2018, was mainly due to (i) the increase in ad valorem resource tax resulting from the rise in the average selling price of anthracite coal of Yongsheng Coal Mine and Dayun Coal Mine; and (ii) the increase in environmental protection tax levied from January 2018.

Cost of Sales for Coal Processing

Coal processing costs, which included coal screening costs and/or coal washing costs and coal blending costs, decreased from approximately CNY43.8 million in 2017 to approximately CNY40.6 million in 2018. This was mainly due to (i) the decrease in repair and maintenance of equipment; and (ii) the decrease 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 purchased price of anthracite coal and materials. The decrease in coal processing cost was partially offset by the increase in depreciation, which was mainly due to the increase in property, plant and equipment in Jinsha Juli.

Breakdown of the Group's Unit Cost of Sales

Cost Items for Coal Mining Activities	**2018**	2017
	CNY/tonne	*CNY/tonne*
Labour costs	**47.6**	46.9
Raw materials, fuel and energy	**39.5**	40.9
Depreciation and amortisation	**56.8**	78.8
Taxes & levies payable to governments	**21.6**	18.6
Other production-related costs	**3.9**	3.6
Total unit cost of sales for coal mining	**169.4**	188.8

Cost Items for Coal Processing Activities	**2018**	2017
	CNY/tonne	*CNY/tonne*
Labour costs	**12.2**	10.6
Materials, fuel and energy	**8.7**	14.9
Depreciation	**7.0**	5.8
Taxes & levies payable to governments	**3.7**	5.3
Other coal processing related costs	**0.6**	0.7
Total unit cost of sales for coal processing	**32.2**	37.3

Gross Profit and Gross Margin

As a result of the foregoing, the overall gross profit from continuing operations increased by approximately 23.7% from approximately CNY530.5 million in 2017 to approximately CNY656.3 million in 2018. The overall gross margin from continuing operations, which is equal to gross profit divided by revenue, increased from approximately 51.9% in 2017 to approximately 53.2% in 2018. This was primarily due to the increase in sales volume and the decrease in unit cost of sales as discussed above.

Selling and Distribution Expenses

The selling and distribution expenses from continuing operations increased by approximately 70.8% from approximately CNY28.2 million in 2017 to approximately CNY48.2 million in 2018, which was primarily attributable to the increase in transportation fee and the increase in staff cost in 2018.

Administrative Expenses

The administrative expenses from continuing operations increased by approximately 15.4% from approximately CNY106.9 million in 2017 to approximately CNY123.4 million in 2018. The increase was mainly due to the increase in loss arising from temporary suspension production of Baiping Coal Mine and Dayun Coal Mine, and travel and entertainment expenses as the Group's operation expanded in 2018.

Impairment/Reversal of Impairment of Trade and Other Receivables

The Group made the provision for impairment of trade and other receivables from continuing operations of approximately CNY3.4 million in 2018 according to the expected credit loss prescribed by IFRS 9, as compared with 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. The Group applied the simplified approach and recorded lifetime expected losses that were estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables in 2018. Furthermore, the Group has applied the general approach and recorded twelve-month expected credit losses that were estimated based on the possible default events on its other receivables within the next twelve months.

Other Operating Expenses

Other operating expenses from continuing operations increased to approximately CNY23.5 million in 2018 from approximately CNY1.6 million in 2017 which was primarily due to the compensation paid to local residents for repairing the damaged houses and/or relocation affected by the mines' operations of the Group in 2018.

Operating Profit

As a result of the foregoing, the operating profit from continuing operations increased from approximately CNY398.7 million in 2017 to approximately CNY455.4 million in 2018.

Finance Costs

The finance costs from continuing operations increased by approximately 25.3% from approximately CNY74.4 million in 2017 to approximately CNY93.2 million in 2018, which was principally due to a 22.5% increase in interest expenses on interest-bearing bank and other borrowings from approximately CNY62.3 million in 2017 to approximately CNY76.3 million in 2018. 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, Net

The net non-operating income was approximately CNY5.8 million in 2018 compared to approximately CNY10.0 million in 2017. This decrease in net non-operating income was mainly due to input value-added tax transferred out, which was partially offset by the coal mines' receipt more of the price subsidy of thermal coal from municipal government for supply of thermal coal to power plants in 2018.

Income Tax Expense

The Group had an income tax expense from continuing operations of approximately CNY117.3 million in 2018, compared to that of approximately CNY117.2 million in 2017. The slight increase in income tax expense was mainly due to the increase in deferred income tax expense of Guizhou Yongfu resulting from the decrease in depreciation, which was partially offset by a decrease in current income tax expense in 2018 resulting from the decrease in profit before income tax of Jinsha Juli.

Profit 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 CNY200.6 million in 2018, an increase of approximately CNY17.7 million from approximately CNY182.9 million in 2017. This was mainly contributed by the increase of approximately CNY125.8 million in gross profit resulting from the increase in sales volume in 2018. The increase in profit was partially offset by (i) the increase of approximately CNY21.9 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 mines' operations of the Group in 2018; (ii) the increase of approximately CNY20.0 million in selling expenses mainly due to the increase in transportation fee and staff cost; (iii) the increase of approximately CNY18.8 million in finance costs mainly due to the increase in interest-bearing bank and other borrowings; (iv) the increase of approximately CNY16.5 million in administrative expenses mainly due to the increase of loss arising from temporary suspension production of Baiping Coal Mine and Dayun Coal Mine and travel and entertainment expenses in 2018; and (v) the increase of approximately CNY8.3 million in impairment of trade and other receivables.

Discontinued Operation

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

In 2018, works at Gouchang Coal Mine had substantially ceased, therefore the operating results have been reclassified as a discontinued operation.

OUTLOOK

Since the deepening of supply-side structural reform in 2016, within three years, a major part of the 13th Five-Year Plan to reduce production capacity was completed by the end of 2018. The future focus should be on promoting industry merger and acquisition, integration and consolidation, and upgrading and optimisation. Meanwhile, the government encourages the acceleration of the release of high-quality production capacity, but weak industrial investment in the previous years and intensified supply-side reform should keep the future increase in production output under control. Nevertheless, newly released production capacity will gradually increase market supply and create intensified market competition.

On the demand side, as China's economy is expected to remain stable, coal demand, as well as demand concentration, is expected to increase steadily. Electricity consumption by industrial production, the tertiary industry and domestic households is expected to enjoy further growth, whereas the development of hydropower, the main competitor of thermal power, will slow down during the 13th Five-Year Plan. As a result, thermal power generation should maintain positive growth momentum and continue to support coal demand. Also, iron and steel and building materials production will likely remain stable. Overall, coal demand in the near future should be well supported. The principle of guaranteeing coal supply and stabilising coal price is still central to policy making. Under current policy guidance, it is expected that demand and supply relationship in the coal market will remain healthy and stable in the near future, and the coal price will hover within a reasonable range.

Within Guizhou province, the government's annual guidance on the supply of certain minimum amounts of thermal coal to power plants will continue to affect the profitability of coal enterprises. High-quality coal products from northern China also started to enter the south-western market. Market competition in the future will intensify. Nevertheless, 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. In order to succeed in future competition, the Group will vigorously commit to its 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 retain high-quality customers and 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. It is widely used in thermal power generation, iron and steel production, building materials production, and the chemical industry. 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 of the Company with promising returns and benefit the Group as a whole as and when suitable opportunities arise.

CAPITAL COMMITMENTS AND EXPECTED SOURCE OF FUNDING

As at 31 December 2018, the Group had contractual capital commitments mainly in respect of machinery and equipment and materials purchased by coal mines for operations amounting to approximately CNY82.4 million. The Group plans to finance the capital commitments by internal resources, additional short-term and long-term bank and other borrowings, and/or possible equity financing.

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had employed 1,006 full time employees (not including 1,304 workers provided by third party labour agencies) for its principal activities (2017: 1,982). Employees' costs (including Directors' emoluments) amounted to approximately CNY219.5 million (including payment to workers provided by third party labour agencies) for the year ended 31 December 2018 (2017: CNY190.2 million). The Group recognises the importance of retaining high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme of the Company.

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

PURCHASE, SALE OR REDEMPTION OF THE SHARES OF THE COMPANY

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year ended 31 December 2018.

CORPORATE GOVERNANCE

The Company has adopted the code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own corporate governance code. Throughout the year ended 31 December 2018, 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 stipulates that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Currently, Mr. HAN Weibing assumes the role of both the chairman and chief executive officer of the Company. The Board considers that this arrangement is in the best interests of the Group as it allows for efficient discharge of the executive functions of the chief executive officer. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board, which comprises experienced and high-calibre individuals including three independent non-executive Directors offering independent advice from different perspectives. In addition, major decisions are made after consultation with the Board and senior management as well as the relevant Board committees. The Board is therefore of the view that there are adequate measures in place to balance power and safeguard shareholders' interests.

SUBSEQUENT EVENTS

On 4 January 2019, Jinsha Juli received and fully drew down CNY30.0 million short-term bank loan from Bank of Guiyang to be repaid on 4 January 2020. 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 25 January 2019, Guizhou Yongfu received and fully drew down CNY30.0 million short-term bank loan from China Everbright Bank Co., Ltd. to be repaid on 24 January 2020. The purpose of the loans is to finance the working capital. The loans bear a floating 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).

On 28 December 2016, certain subsidiaries of the Group, Guizhou Dayun, Jinsha Juli, and Guizhou Yongfu and Haitong Unitrust International Leasing Corporation ("**Haitong Unitrust**") contemporaneously entered into the sale agreement for the sale of the relevant machinery and equipment to Haitong Unitrust for an aggregate consideration of CNY200.0 million and the leaseback agreement for the lease of the relevant machinery and equipment from Haitong Unitrust for an aggregate consideration of CNY231.9 million. The Group considered that the relevant machinery and equipment with a carrying amount of CNY200.0 million were pledged to secure other borrowings with a carrying amount of CNY194.0 million. Details of the sale and leaseback agreement have been disclosed in the Company's announcement dated 28 December 2016. The leaseback agreement will be matured on 28 December 2019. On 13 February 2019, the Group repaid the total outstanding balance of approximately CNY100.5 million in advance to Haitong Unitrust. The ownership of the pledged relevant machinery and equipment has transferred to the Group since 14 February 2019.

REVIEW OF ANNUAL RESULTS

The figures in relation to the results of the Group for the year ended 31 December 2018 in this preliminary announcement have been reviewed by the audit committee of the Company and have been agreed to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2018 by the Group's auditors, Ernst & Young. The work of Ernst & Young, in this respect, did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants.

ANNUAL GENERAL MEETING

The 2019 annual general meeting of the Company is scheduled to be held on 31 May 2019 (the "**2019 AGM**"). The notice of 2019 AGM will be published on the website of the Company at www.fsanthracite.com and the designated website of the Stock Exchange at www.hkexnews.hk in due course.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

Pursuant to the requirements of the Listing Rules, the 2018 annual report of the Company will set out all information required by the Listing Rules and will be published on the website of the Company (www.fsanthracite.com) and the designated website of the Stock Exchange (www.hkexnews.hk) on or before 30 April 2019.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 28 May 2019 to Friday, 31 May 2019 (both days inclusive) during which period no transfer of shares of the Company will be effected. In order to determine the entitlement to attend and vote at the 2019 AGM, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 27 May 2019.

APPRECIATION

The chairman of the Company would like to take this opportunity to express his appreciation to the staff and management team of the Group for their hard work and dedication during the year. The chairman of the Company would also like to express his sincere gratitude to all the shareholders of the Company for their continuous support.

(B) CHANGE OF INDEPENDENT NON-EXECUTIVE DIRECTORS, AND CHANGE OF MEMBERS OF AUDIT, NOMINATION, REMUNERATION AND CORPORATE SOCIAL RESPONSIBILITY COMMITTEES

The Board announces that with effect from 29 March 2019, Mr. HU Yongming ("**Mr. Hu**") resigned as an independent non-executive Director, a member of each of the audit committee and the nomination committee of the Company and a member and the chairman of each of the remuneration committee and the corporate social responsibility committee of the Company due to his other business commitments which require more of his dedication.

Mr. Hu confirmed that he has no disagreement with the Board and there is no matter relating to his resignation as a Director that needs to be brought to the attention of the shareholders of the Company.

The Board wishes to express its sincere gratitude to Mr. Hu for his invaluable contributions to the Company during the tenure of his service.

The Board also announces that with effect from 29 March 2019, Mr. WANG Xiufeng ("**Mr. Wang**") was appointed as an independent non-executive Director, a member of each of the audit committee and the nomination committee of the Company and a member and the chairman of each of the remuneration committee and the corporate social responsibility committee of the Company.

Biographical details of Mr. Wang

Mr. WANG Xiufeng (王秀峰), aged 61, has over 30 years' experience in the coal industry. He has been appointed as director of Yunan An Run Chuang Zhan Science and Technology Company (雲南安潤創展科技有限公司) since November 2015. He was the chairman of the board of director of Guizhou Coal Mine Design and Geological Engineering Company (貴州煤設地質工程有限責任公司) from December 2013 to September 2018. From September 1986 to December 2017, he worked in Guizhou Coal Mine Design and Research Institute (貴州省煤礦設計研究院). He served in the coal mining department of that institute as its staff member and principal engineer from September 1986 to February 1997, as head of coal mining and processing department from February 1997 to March 2003 and as deputy head of institute primarily responsible for production management from March 2003 to December 2017 and was also in charge of discipline inspection and supervision from August 2009 to December 2017. From August 1982 to September 1986, he worked as a technician in the comprehensive mechanized mining team and mechanized driving team at Yaoqao Mine (姚橋煤礦) and Zhangshuanglou Mine (張雙樓煤礦) of Jiangsu Datun Coal and Electricity Co., Ltd. (江蘇大屯煤電公司). Mr. Wang graduated from Chongqing University (重慶大學) with a bachelor's degree in mining engineering in 1982. He was accredited as a senior engineer by the Professional Titles Reform Work Leading Group of State Administration of Coal

Industry (國家煤炭工業局職稱改革工作領導小組) and the Senior Professional Technical Service and Appraisal Committee for Engineering Technology of Coal Industry Administration Bureau of Guizhou Province (貴州省煤炭工業管理局工程技術高級專業技術服務評審委員會) in April 1997 and a Registered Mining/Mineral Exploration & Design Engineer 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 April 2008. He has received a number of awards in recognition of his contribution to the coal mining industry over the years.

Pursuant to the service agreement entered into between Mr. Wang and the Company on 29 March 2019, Mr. Wang was appointed for a term of three years from 29 March 2019 and is subject to the retirement by rotation and re-election provisions of the Articles of Association of the Company. Mr. Wang is entitled to a director's fee of HK$10,000 per month which is determined by the Board based on the recommendation of the remuneration committee of the Company and with reference to his duties and responsibilities with the Company, the Company's performance and the prevailing market situation.

As at the date of this announcement, Mr. Wang does not have any relationship with any director, senior management, substantial or controlling shareholder of the Company as defined in the Listing Rules nor have any interest in any share of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above and as at the date of the announcement, Mr. Wang does not hold any other position in the Group, and does not hold any directorship in other listed public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Other than the aforesaid, in relation to the appointment of Mr. Wang, as the independent non-executive Director of the Company, there is no other information which is required to be disclosed pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there are no other matter that needs to be brought to the attention of the shareholders of the Company.

The Board would also like to extend a warm welcome to Mr. Wang to the Board.

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

Hong Kong, 29 March 2019

As at the date of this announcement, the executive Directors of the Company are Mr. HAN Weibing (Chairman and Chief Executive Officer), Mr. HU Lubao, Mr. TAM Cheuk Ho, Mr. WONG Wah On Edward and Mr. YUE Ming Wai Bonaventure; and the independent non-executive Directors of the Company are Mr. LO Kin Cheung, Mr. HUANG Zuye and Mr. WANG Xiufeng.