CHINA UNIENERGY GROUP LIMITED
中 国 优 质 能 源 集 团 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1573)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the "**Board**") of directors (the "**Directors**") of CHINA UNIENERGY GROUP LIMITED (the "**Company**") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 (the "**Reporting Period**").

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB310.7 million (six months ended 30 June 2017: RMB310.6 million).
- Sales volume of anthracitic coal amounted to approximately 519,000 tonnes (six months ended 30 June 2017: 517,000 tonnes).
- Gross profit amounted to approximately RMB170.3 million (six months ended 30 June 2017: RMB177.1 million).
- Gross profit margin was 54.8% (six months ended 30 June 2017: 57.0%).
- Profit attributable to owners of the Company amounted to approximately RMB110.4 million (six months ended 30 June 2017: RMB109.6 million).
- Basic earnings per share was RMB0.15 (six months ended 30 June 2017: RMB0.15).

INTERIM RESULTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June **2018**	2017
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	**310,659**	310,555
Cost of sales		**(140,366)**	(133,429)
Gross profit		**170,293**	177,126
Other income		**2,086**	2,782
Net foreign exchange loss		**(165)**	(559)
Distribution and selling expenses		**(1,399)**	(1,787)
Administrative expenses		**(11,115)**	(12,020)
Finance costs		**(11,608)**	(17,654)
Share of results of a joint venture		**(134)**	(192)
Profit before taxation		**147,958**	147,696
Income tax expense	4	**(37,514)**	(38,123)
Profit and total comprehensive income for the period	5	**110,444**	109,573
		RMB	RMB
Earnings per share			
Basic	7	**0.15**	0.15

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	**At 30 June 2018 RMB'000 (unaudited)**	At 31 December 2017 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**272,069**	279,898
Mining rights		**868,896**	878,274
Exploration right		**288,000**	—
Deposit paid for acquisition of an exploration right		**—**	86,400
Rehabilitation deposits		**16,873**	17,874
Interest in a joint venture		**9,427**	9,561
Prepaid lease payments – non-current portion		**5,930**	6,089
		1,461,195	1,278,096
Current assets			
Inventories		**2,293**	1,174
Prepaid lease payments - current portion		**318**	318
Trade and other receivables	8	**2,356**	3,941
Short-term bank deposits		**50,000**	50,000
Bank balances		**152,203**	227,584
		207,170	283,017
Current liabilities			
Trade and other payables	9	**251,160**	184,703
Contract liabilities		**86**	—
Tax payable		**25,232**	23,174
Bank borrowings – current portion	10	**142,300**	142,300
		418,778	350,177
Net current liabilities		**(211,608)**	(67,160)
Total assets less current liabilities		**1,249,587**	1,210,936
Capital and reserves			
Share capital		**47,988**	47,988
Reserves		**1,045,955**	935,511
Total equity		**1,093,943**	983,499
Non-current liabilities			
Provision for restoration and environmental costs		**18,513**	18,025
Bank borrowings - non-current portion	10	**129,150**	200,300
Deferred tax liabilities		**7,981**	9,112
		155,644	227,437
		1,249,587	1,210,936

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL

For the six months end 30 June 2018

1. BASIS OF PREPARATION

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

At 30 June 2018, the Group had net current liabilities of approximately RMB212 million. In preparing the condensed consolidated financial statements, the directors of the Company have carefully considered the future liquidity of the Group and concluded that the Group has sufficient working capital to meet in full its financial obligations as and when they fall due in the foreseeable future, after taking into account (i) the continuous operating cash inflows generated from the Group’s business; (ii) the Group’s capital expenditure plan for its future business development; and (iii) the availability of banking facilities, amounting to approximately RMB629 million. Accordingly, the directors of the Company are satisfied that the adoption of the going concern basis in preparing the condensed consolidated financial statements is appropriate.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies which became first applicable during the current interim period and resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2017.

2. **PRINCIPAL ACCOUNTING POLICIES -** continued

In addition, the Group has applied the following accounting policy which became first applicable during the current interim period:

Exploration right

Exploration right is stated at cost less subsequent accumulated impairment losses. Exploration right includes the cost of acquiring exploration license.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2. PRINCIPAL ACCOUNTING POLICIES - continued

Application of new and amendments to HKFRSs - continued

Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group solely recognises revenue from the sale of anthracite coal.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and the related interpretations.

The revenue of the Group is recognised at a point in time. Under HKFRS 15, revenue from sale of anthracite coal is recognised when the goods are delivered and titles have passed, which is the point of time when the customer obtains control of the goods.

2. PRINCIPAL ACCOUNTING POLICIES - continued

Application of new and amendments to HKFRSs - continued

Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" - continued

Upon adoption of HKFRS 15, advanced sales receipts from customers included in trade and other payables amounting to RMB115,000 was reclassified to contract liabilities as at the date of initial application, 1 January 2018.

Other than reclassification to contract liabilities mentioned above, there is no impact from the adoption of HKFRS 15 on the amounts reported on the condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current interim period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, and 2) expected credit losses ("**ECL**") for financial assets, and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2. PRINCIPAL ACCOUNTING POLICIES - continued

Application of new and amendments to HKFRSs - continued

Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" - continued

Classification and measurement of financial assets and financial liabilities

The adoption of HKFRS 9 does not have any impact on the classification and measurement of financial assets and financial liabilities.

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which used a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the Group has assessed and reviewed the existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9 and no additional impairment loss was identified.

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

3. REVENUE AND SEGMENT INFORMATION

All revenues are generated in the People's Republic of China (the "**PRC**"). The following is an analysis of the Group's revenue in the reporting periods.

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sale of anthracite coal	**310,659**	310,555

The sale of anthracite coal is recognised at point-in-time.

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

Segment assets and liabilities

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

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**38,645**	38,984
Deferred tax	**(1,131)**	(861)
	37,514	38,123

4. **INCOME TAX EXPENSE** - continued

During the six months ended 30 June 2018 and 2017, the Group had no assessable profit subject to tax in any jurisdictions other than the PRC.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

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

5. **PROFIT FOR THE PERIOD**

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of mining rights (capitalised in inventories)	**9,378**	9,468
Depreciation of property, plant and equipment	**7,855**	8,114
Capitalised in inventories	**(7,601)**	(7,773)
	254	341
Release of prepaid lease payments	**159**	127
Cost of inventories recognised as an expense	**140,366**	133,429
Bank interest income	**(1,355)**	(2,227)

6. DIVIDEND

No dividend was paid, declared or proposed for the six months ended 30 June 2018 and 2017 by the directors of the Company.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	**110,444**	109,573

	Six months ended 30 June	
	2018	2017
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**718,000,000**	718,000,000

No diluted earnings per share for the six months ended 30 June 2018 and 2017 was presented as there were no potential ordinary shares outstanding during both periods.

8. TRADE AND OTHER RECEIVABLES

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Trade receivables	**92**	91
Deposits, prepayments and other receivables (note)	**2,264**	3,850
	2,356	3,941

note: Included in other receivables as at 30 June 2018 and 31 December 2017 was an amount of RMB305,000 due from ultimate holding company, which is unsecured, interest-free and repayable on demand.

Before accepting any new customers, the Group assesses the customers' credit quality and reputation. This exercise is also performed on a regular basis by the Group. In general, the Group requests advance payments from customers before delivering the goods and no credit period is granted.

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

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
0 - 30 days	**72**	91
31 - 60 days	**20**	—
	92	91

9. TRADE AND OTHER PAYABLES

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Trade payables	**6,156**	2,498
Accruals for staff costs	**12,762**	12,006
Advanced sales receipts from customers	**—**	115
Consideration payable for purchase of an exploration right	**57,600**	—
Interests payables	**15,964**	15,433
Other payables and accruals	**6,906**	6,128
Other tax payables	**15,271**	12,022
Resources fees payable and accrual (note)	**136,501**	136,501
	245,004	182,205
	251,160	184,703

note: Resources fees are charged by the PRC local government authority upon their approval to upgrade the Group's annual production capacity of the relevant coal mines and the payable amounts are determined based on the total coal reserves in the respective mining areas as assessed and approved by the authority. Included in the amounts are RMB29,055,000 as at 30 June 2018 and 31 December 2017 which carry interest at the Benchmark Lending Rate of the People's Bank of China and are payable on demand. The amount as at 30 June 2018 and 31 December 2017 also included an amount of RMB107,446,000 estimated and accrued by the management upon the PRC local government authority approving the upgrade of the annual production capacity of Lasu Coal Mine, Weishe Coal Mine and Luozhou Coal Mine in late 2015. Such accrual did not bear interest and the Group is in the process of finalising the actual resources fees to be paid and applying for deferring the payment and agreeing an instalment plan with the relevant authority. Up to the date of approval of these condensed consolidated financial statements, the approval is yet to obtain.

9. **TRADE AND OTHER PAYABLES** - continued

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

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
0 - 30 days	**6,156**	2,498

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

10. **BANK BORROWINGS**

During the current interim period, the Group repaid bank borrowings of approximately RMB71 million (six months ended 30 June 2017: RMB161 million). The borrowings carry interest at fixed market rates ranging from 5.50% to 6.60% (31 December 2017: ranging from 4.79% to 6.60%) per annum and are repayable within one to three years (31 December 2017: one to three years).

MANAGEMENT DISCUSSION AND ANALYSIS

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

Business Review and Market Review

According to data from the National Bureau of Statistics of the People's Republic of China ("**PRC**"), gross domestic product (GDP) was RMB41,896.1 billion in the first half of 2018, representing a year-on-year growth of 6.8%. The year-on-year growth of the first quarter and the second quarter were 6.8% and 6.7% respectively. The national economy remained in a trend of steady development in the first half of 2018.

The Chinese government continued to implement the production capacity reduction policy in the coal industry. Outdated production capacity of 150 million tonnes were planned to close down in the year of 2018. As the production capacity reduction policy has been implemented for years, its effectiveness was reflected by an overall equilibrium of coal market demand and supply and a growth in the production volume and consumption volume of raw coal. According to data from the National Bureau of Statistics, the premium production capacity of coal increased steadily in the first half of 2018. The production capacity of raw coal increased 3.9% year-on-year, and the total profit of coal mining industry was approximately RMB127.9 billion, reaching a year-on-year growth of 14.8%. According to data from the National Energy Administration of the PRC, the national coal consumption improved by 3.1% year-on-year in the first half of 2018, with an obvious increment of coal consumption in power generation and chemical industries. Their strong demand for coal was maintained even in the second quarter which was their low season.

Given an overall steady and active development of the national economy, intensifying production capacity reduction policy in the coal industry, equilibrium of market supply and demand and strong consumption, the coal market would remain stable and reasonable.

The overall performance of the coal industry is also manifested in the performance of coal enterprises. A number of coal enterprises listed in Hong Kong have shown a stable profit growth rate in the first half of 2018. With the investors' confidence in coal enterprises growing strong, the overall performance in share prices of such coal enterprises is also relatively steady. Evidenced by the multiple sources of information, the current supply and demand levels of the coal market are favourable and the market remains active, with overall steady coal prices.

In regard to the three coal mines of the Group, namely the Weishe Coal Mine, Luozhou Coal Mine and Lasu Coal Mine, they produced 523,000 tonnes of coal in total. The production capacity of the Group during the first half of 2018 year-on-year decreased by 5,000 tonnes, while the revenue increased by RMB0.1million. As the closing inventory of the current period year-on-year decreased by RMB1.75 million, the Group has recorded an increase of RMB0.87 million in consolidated net profit during the Reporting Period, as compared with the unaudited consolidated net profit for the period ended 30 June 2017.

Financial Review

Revenue

During the Reporting Period, the Group recorded a revenue of approximately RMB310.7 million, representing an increase of RMB0.1 million, or a rise of approximately 0.03%, from approximately RMB310.6 million for the six months ended 30 June 2017. The increase in the revenue was primarily attributable to an increase in productivity. Sales volume increased by 0.36% from approximately 517,000 tonnes for the six months ended 30 June 2017 to approximately 519,000 tonnes for the Reporting Period due to the need to satisfy demand of the government on electricity.

Cost of Sales

The Group's cost of sales increased by 5.2% to approximately RMB140.4 million during the Reporting Period from approximately RMB133.4 million for the six months ended 30 June 2017, which was primarily attributable to an increase in salary of the employees.

The Group's cost of sales per tonne recorded an increase from RMB258 per tonne for the six months ended 30 June 2017 to RMB270 per tonne for the Reporting Period.

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

	Six months ended 30 June	
Cost of sales per tonne	**2018**	2017
	RMB/Tonne	RMB/Tonne
Staff costs	**118**	107
Cost of materials, fuel and energy	**74**	75
Depreciation and amortisation	**33**	34
Business taxes and surcharges	**39**	40
Others	**6**	2
Total	**270**	258

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit decreased by 3.8% from approximately RMB177.1 million for the six months ended 30 June 2017 to approximately RMB170.3 million for the Reporting Period, which was primarily attributable to increase in remuneration of employees. The gross profit margin decreased by 2.2% from 57.0% for the six months ended 30 June 2017 to 54.8% for the Reporting Period, which was primarily attributable to increase in remuneration of employees.

Distribution and Selling Expenses

During the Reporting Period, the Group's distribution and selling expenses were approximately RMB1.4 million, representing a decrease of RMB0.4 million, or a drop of approximately 22%, from approximately RMB1.8 million for the six months ended 30 June 2017, which was primarily attributable to the difference arising from the material consumption of inventory.

Administrative Expenses

During the Reporting Period, the Group's administrative expenses were approximately RMB11.1 million, representing a decrease of RMB0.9 million, or a drop of approximately 7.5%, from approximately RMB12.0 million for the six months ended 30 June 2017, which was primarily attributable to the adjustment of capitalisation cost upon listing, where the proportion of provision decreased from 25% to 16%.

Finance Costs

During the Reporting Period, the Group's finance costs were approximately RMB11.6 million, representing a decrease of RMB6.1 million, or a drop of approximately 34.5%, from approximately RMB17.7 million for the six months ended 30 June 2017, which was primarily attributable to the repayment of part of the loans.

Income Tax Expense

During the Reporting Period, the Group's income tax expense was approximately RMB37.5 million, representing a decrease of RMB0.6 million from approximately RMB38.1 million for the six months ended 30 June 2017, which was primarily attributable to the decrease in taxable income.

Profit and Total Comprehensive Income Attributable to Owners of the Company

During the Reporting Period, profit and total comprehensive income attributable to owners of the Company was approximately RMB110.4 million, representing an increase of RMB0.8 million, or a rise of approximately 0.8%, from approximately RMB109.6 million for the six months ended 30 June 2017. The increase was primarily attributable to a decrease in finance costs of loan.

Liquidity and Capital Resources

As at 30 June 2018, the Group had net current liabilities of approximately RMB211.6 million (31 December 2017: RMB67.2 million).

The Group intends to finance its future capital expenditure requirements mainly with the continuous operating cash flows generated from the Group's business, the net proceeds from the listing and the availability of banking facilities. As of 30 June 2018, the Group had bank balances in the amount of approximately RMB152.2 million (31 December 2017: RMB227.6 million) and un-utilised banking facilities in the amount of approximately RMB628.6 million (31 December 2017: RMB557.4 million).

As at 30 June 2018, the Group had bank borrowings of approximately RMB271.5 million (31 December 2017: RMB342.6 million). Bank borrowings carry interest at fixed market rates ranging from 5.5% to 6.6% (31 December 2017: ranging from 4.79% to 6.60%) and are repayable within 1 to 3 years (31 December 2017: 1 to 3 years) and are denominated in Renminbi.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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

Foreign Exchange Exposure

The Group's business is mainly located in the PRC with most of its transactions effected in RMB. Other than certain bank balances denominated in HKD, most of the assets and liabilities of the Group are denominated in RMB. As the fluctuation of the exchange rate of RMB against HKD was limited during the Reporting Period, the Group was not exposed to a materially adverse risk of exchange fluctuation during the Reporting Period.

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

Pledge of Assets

As at 30 June 2018, the Group's mining rights with carrying amounts of approximately RMB869 million (31 December 2017: RMB878 million) were pledged as securities for banking facilities.

Capital Commitments

The Group did not have any capital commitment during the Reporting Period (31 December 2017: approximately RMB201.6 million).

Gearing Ratio

As at 30 June 2018, the gearing ratio (total bank borrowings over total equity and multiplied by 100%) of the Group was 24.8% (31 December 2017: 34.8%). The decrease in the gearing ratio was primarily attributable to a decrease in bank borrowings.

Employee and Remuneration Policy

As of 30 June 2018, the Group had a total of 1,593 employees.

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

Contingent Liabilities

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

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

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

Significant Investment Held

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

Acquisition and Disposal

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

Proposed Issue of Warrants

Unless otherwise specified, capitalised terms used in this section shall have the same meaning as those defined in the announcements of the Company dated 27 June 2018 and 31 July 2018.

On 27 June 2018, the Company entered into the Subscription Agreement with the Subscriber, Mr. Yang Wei. Subject to the fulfillment of the conditions to the Subscription Agreement, the Company has agreed to issue and the Subscriber has agreed to subscribe for, an aggregate of 5,000,000 Warrants at the Issue Price of HK$2.32 per Warrant. Each Warrant carries the right to subscribe at any time during the Subscription Period for one Warrant Share at the Subscription Price of HK$12 per Warrant Share (subject to certain adjustment events). The aggregate nominal value of the Warrant Shares amount to US$50,000. The closing price per Share as of the date of the Subscription Agreement is HK$9.50.

The Board considers that the issue of Warrants, with a subscription price at a premium, represents an opportunity to raise additional funds for the Company to cater for its future needs while broadening the Shareholder and capital base of the Company. In addition, the Warrants are not interest bearing and will not result in any immediate dilution effect on the shareholding of the existing Shareholders. The total gross proceeds from the subscription of Warrants are approximately HK$11,600,000 which will be applied as general working capital.

Assuming the full exercise of the subscription rights attaching to the Warrants, the total gross funds to be raised, including the funds raised by the subscription of Warrants, are approximately HK$71,600,000. The gross proceeds of approximately HK$71,600,000 shall be applied as general working capital and for future possible business expansion in local and overseas and investment opportunities of the Group.

Assuming the full exercise of the subscription rights attaching to the Warrants, the net price to the Company of each Warrant, which is calculated by dividing the aggregate net proceeds from the subscription of Warrants and the exercise of the subscription rights attaching to the Warrants by the total number of the Warrants, is approximately HK$14.28.

As additional time is required for the fulfillment of certain condition(s) under the Subscription Agreement, on 31 July 2018, the parties to the Subscription Agreement entered into a supplemental subscription agreement to extend the date for fulfillment of the conditions set out in the Subscription Agreement to 30 September 2018 (or such other time and date as may be agreed between the parties in writing).

As of the date of this announcement, the conditions to the Subscription Agreement and the Supplemental Subscription Agreement have not been fulfilled. For details of the proposed issue of Warrants, please refer to the announcements of the Company dated 27 June 2018 and 31 July 2018.

Subsequent Events after the Reporting Period

There is no material event undertaken by the Group subsequent to 30 June 2018 and up to the date of this announcement.

Prospect

With the steady development of the national economy, on-going production capacity reduction policy in the coal industry carried out by the Chinese government, equilibrium of market supply and demand and strong market demand, the coal market in PRC would become stable and reasonable. The management of the Group remains optimistic towards the overall development of the coal industry. The management of the Group has been exploring coal mines with premium coal resources as our target of merger and acquisition. When target is identified, the Group would disclose relevant information according to the Listing Rules (as defined below) and relevant laws and regulations.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

Use of Proceeds from the Listing

Net proceeds from the global offering amounted to approximately HK$154.7 million (including the proceeds received pursuant to the partial exercise of the over-allotment option). Such proceeds are intended to be used as disclosed in the prospectus of the Company. As at 31 December 2017, a total of HK$89.21 million had been utilized, of which HK$77.35 million was used in acquisition of Anlang Syncline Coal Mine, HK$0.35 million was used as the capital expenditure of Tiziyan Coal Mine, and HK$11.51 million was used as operating capital. As at 1 January 2018, unutilized proceeds amounted to HK$65.49 million. During the Reporting Period, no proceeds were utilized. The unutilized proceeds from the global offering, being HK$65.49million, will be applied according to the intentions disclosed by the Group in the prospectus and are expected to be utilised after obtaining approvals for all the newly built coal mines.

INTERIM DIVIDEND

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Directors recognise the importance of good corporate governance in the management of the Group. The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") as its own corporate governance framework.

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

Chairman and Chief Executive

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions.

The Company has made specific enquiry to all Directors, and all Directors have confirmed that they have complied with the required standard as set out in the Model Code during the Reporting Period.

AUDIT COMMITTEE

The Company has an audit committee (the "**Audit Committee**") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting system, risk management and internal control. The Audit Committee comprises three independent non-executive Directors. The members of the Audit Committee are Mr. Fu Lui (chairman), Mr. Jiang Chenglin and Mr. Choy Wing Hang William.

The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2018 of the Group. The Audit Committee has also reviewed the effectiveness of the financial control, internal control and risk management systems of the Company.

The interim results of the Group for the Reporting Period are unaudited, but have been reviewed by Deloitte Touche Tohmatsu in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by Independent Auditor of the Entity" issued by the HKICPA.

PUBLICATION OF THE INTERIM RESULTS AND 2018 INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.unienergy.hk), and the 2018 Interim Report will be dispatched to the shareholders of the Company and will be made available on the websites of the Stock Exchange and the Company in due course.

By order of the Board
CHINA UNIENERGY GROUP LIMITED
Xu Bo
Chairman

Guiyang, People's Republic of China

28 August 2018

As at the date of this announcement the executive directors of the Company are Mr. Xu Bo, Mr. Wei Yue and Mr. Xiao Zhijun; and the independent non-executive directors of the Company are Mr. Jiang Chenglin, Mr. Choy Wing Hang William, Mr. Lee Cheuk Yin Dannis and Mr. Fu Lui.