中 國 秦 發 集 團 有 限 公 司

CHINA QINFA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00866)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

The Board refers to the profit alert announcement of the Company dated 15 August 2017. The financial highlights of the Group for the six months ended 30 June 2017 are set out as follows:

- Revenue for the six months ended 30 June 2017 was RMB1,370.0 million, representing an increase of 568.9% as compared to the corresponding period in 2016.

- Coal handling and trading volume for the six months ended 30 June 2017 was 3.25 million tonnes, representing an increase of 302.0% as compared to the corresponding period in 2016.

- Gross profit margin for the six months ended 30 June 2017 was 33.2% as compared with gross loss margin 35.9% to the corresponding period in 2016.

- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2017 was RMB151.4 million, as compared with loss of RMB442.5 million for the corresponding period in 2016.

The board (the "**Board**") of directors (the "**Directors**") of China Qinfa Group Limited (the "**Company**") refers to the profit alert announcement of the Company dated 15 August 2017. The Board hereby announces the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2017 with comparative figures for the six months ended 30 June 2016.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**1,370,008**	204,828
Cost of sales		**(915,328)**	(278,450)
Gross profit/(loss)		**454,680**	(73,622)
Other income, gains and losses	*6*	**(1,069)**	(35,785)
Distribution expenses		**(31,164)**	(3,668)
Administrative expenses		**(116,550)**	(88,236)
Reversal of impairment, net	*8(b)*	**67,898**	5,724
Other expenses		**(37,104)**	(19,438)
Results from operating activities		**336,691**	(215,025)
Finance income		**195**	612
Finance costs		**(187,024)**	(243,900)
Net finance costs	*7*	**(186,829)**	(243,288)
Profit/(loss) before taxation	*8(a)*	**149,862**	(458,313)
Income tax credit/(expense)	*9*	**7,111**	(26,202)
Profit/(loss) for the period		**156,973**	(484,515)
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(4,700)**	7,801
Other comprehensive (loss)/income for the period, net of tax		**(4,700)**	7,801
Total comprehensive income/(loss) for the period		**152,273**	(476,714)

	Notes	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Profit/(loss) for the period attributable to:			
Equity shareholders of the Company		**151,417**	(442,522)
Non-controlling interests		**5,556**	(41,993)
Profit/(loss) for the period		**156,973**	(484,515)
Total comprehensive income/(loss) for the period attributable to:			
Equity shareholders of the Company		**146,717**	(434,721)
Non-controlling interests		**5,556**	(41,993)
Total comprehensive income/(loss) for the period		**152,273**	(476,714)
Earnings/(loss) per share attributable to the equity shareholders of the Company during the period	*10*		
Basic earnings/(loss) per share		**RMB5.97 cents**	(RMB19.38 cents)
Diluted earnings/(loss) per share		**RMB5.80 cents**	(RMB19.38 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**2,585,380**	2,614,793
Coal mining rights	*12*	**2,249,403**	2,292,588
Lease prepayments		**5,003**	5,073
Interest in an associate		**–**	–
		4,839,786	4,912,454
Current assets			
Inventories		**100,334**	49,652
Trade and bill receivables	*13*	**556,177**	392,342
Prepayments and other receivables	*14*	**391,586**	281,158
Pledged and restricted deposits		**685**	2,113
Cash and cash equivalents		**135,103**	24,713
		1,183,885	749,978
Current liabilities			
Trade and bill payables	*15*	**(949,457)**	(981,827)
Other payables	*16*	**(3,223,281)**	(2,946,743)
Borrowings	*17*	**(6,025,385)**	(6,043,271)
Tax payable		**(249,169)**	(242,050)
		(10,447,292)	(10,213,891)
Net current liabilities		**(9,263,407)**	(9,463,913)
Total assets less current liabilities		**(4,423,621)**	(4,551,459)
Non-current liabilities			
Other payables	*16*	**(50,028)**	(67,717)
Accrued reclamation obligations		**(98,831)**	(96,458)
Deferred tax liabilities		**(197,893)**	(205,673)
		(346,752)	(369,848)
Net liabilities		**(4,770,373)**	(4,921,307)

	Notes	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Capital and reserves			
Share capital		**211,224**	211,224
Perpetual subordinated convertible securities		**156,931**	156,931
Deficit		**(5,302,324)**	(5,447,702)
Total deficit attributable to equity shareholders of the Company		**(4,934,169)**	(5,079,547)
Non-controlling interests		**163,796**	158,240
Total deficit		**(4,770,373)**	(4,921,307)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. COMPANY BACKGROUND AND BASIS OF PREPARATION

1.1 General information

China Qinfa Group Limited (the "**Company**") was incorporated in the Cayman Islands on 4 March 2008 as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 3 July 2009 (the "**Listing Date**"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company's subsidiaries in China is 22nd Floor, South Tower, Poly International Plaza, No.1 Pazhou East Road, Haizhu District, Guangzhou, Guangdong, the People's Republic of China (the "**PRC**").

The principal activities of the Company and its subsidiaries (together, the "**Group**") are coal mining, purchase and sales, filtering, storage, blending of coal in the PRC and shipping transportation.

1.2 Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2016, except that the Group has applied, for the first time, certain amendments to International Financial Reporting Standards ("**IFRSs**") issued by the IASB that are effective for the current period, as disclosed in Note 2.

The condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory information. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2016. The condensed consolidated financial statements and information thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

The condensed consolidated financial statements are unaudited.

Going concern basis

As at 30 June 2017, the Group's current liabilities exceed its current assets by approximately RMB9,263,407,000 and capital deficiency of RMB4,770,373,000. As at 30 June 2017, borrowings and accrued interest amounting to an aggregate amount of RMB1,712,155,000 and RMB514,986,000 respectively were not renewed or rolled over upon maturity of which, up to the date of this announcement, the banks had renewed such borrowings of RMB73,500,000. Subsequent to 30 June 2017, the Group had settled the principal of such borrowings of RMB1,000,000. The non-payment of loan principal and interest in accordance with the scheduled repayment dates caused the banks having the rights to call for immediate repayment of all borrowings and their respective interest. In this connection, certain borrowings with scheduled repayment terms over one year totaling RMB1,427,342,000 have been classified as current liabilities.

As at the date of this announcement, the Group has not obtained waivers from the relevant banks on these cross default clauses, but these banks have not taken any action against the Group to demand immediate repayment except for as disclosed in Note 19(a)(iii).

In addition, as at 30 June 2017, there were several pending litigations mainly requesting repayment of long outstanding payables with interest against the Group, as set out in Note 19.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The condensed consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 30 June 2017 and subsequently thereto up to the date of this announcement. In order to improve the Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted several measures together with other measures in progress at the date of this announcement which include, but not limited to, the followings:

(i) The Group applies cost control measures in cost of sales, administrative expenses and capital expenditures;

(ii) The Group is maximising its sales effort including seeking long term orders from power plants and coal trading companies in the PRC with a view to improving operating cash flows. Considering the stability of coal market and steady coal prices, the Group is expected to generate operating cash inflows in the coming years from its existing production facilities continuously;

(iii) The Group has been actively negotiating with certain banks to renew its borrowings. During the six months ended 30 June 2017, the Group has successfully extended the repayment and renewed the terms of certain existing bank loans that had original maturity before 30 June 2018, totaling RMB526,111,000, which RMB378,611,000 and RMB147,500,000 will be falling due before and after 30 June 2018 respectively;

(iv) Subsequent to 30 June 2017, the banks had renewed the borrowings of RMB73,500,000. The renewed borrowings would be repayable after 30 June 2018;

(v) In relation to those bank loans that were not renewed or rolled over upon maturity or those bank loans that became immediately repayable under the cross default clauses, the Group is in the process of negotiating with the relevant banks to extend the repayment and renew the loans and to obtain waivers from the lenders for the due payment pursuant to the relevant cross default clauses;

(vi) For borrowings which will be mature before 30 June 2018, the Group will actively negotiate with the banks when they fall due to secure necessary fund to meet the Group's working capital and financial requirements in the future. The Group has not experienced any significant difficulties in renewing most of its short-term borrowings upon their maturities and there is no indication that the banks will not renew the existing short-term borrowings upon the Group's request. The directors of the Company, have evaluated all the relevant facts available to them, are of the opinion that the Group would be able to renew such borrowings upon maturity; and

(vii) The Group is actively negotiating with the plaintiffs for settlement of the court cases. During the six months ended 30 June 2017, the Group has successfully reached an agreement with certain plaintiffs at a PRC court on a settlement plan over 40 cases with an aggregated amount of RMB72,062,000 that will be repaid by monthly installment. The aggregated amount to be settled before 30 June 2018 amounted to RMB24,000,000. The directors of the Company are of the view that the Group will be able to resolve these matters without significant impact on the Group's cash flow in the next twelve months.

On the basis of the successful implementation of the measures described above in the foreseeable future and after assessing the Group's current and forecasted cash positions, the directors of the Company are satisfied that the Group will be able to meet in full the Group's financial obligations as they fall due for the twelve months from 30 June 2017. Accordingly, the condensed consolidated financial statements of the Group have been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the condensed consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

IAS 7 Amendments	Disclosure Initiative
IAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. ESTIMATES

The preparation of the condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

4. SEGMENT REPORTING

(a) Segment results, assets and liabilities

The Group has two reportable segments – coal business and shipping transportation – which are the Group's strategic business units. These strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chief Executive Officer (the "**CEO**") reviews internal management reports on a monthly basis.

For the purposes of assessing segment performance and allocating resources between segments, the CEO monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

The measure used for reporting segment profit/(loss) is adjusted profit/(loss) before net finance costs and income tax credit/(expense). Items not specifically attributable to individual segments, such as unallocated head office and corporate expenses are further adjusted.

Segment assets include all tangible assets, coal mining rights, lease prepayments, interest in an associate and current assets with the exception of unallocated corporate assets. Segment liabilities include trade and bill payables, other payables attributable to activities of the individual segments, accrued reclamation obligations and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments.

	Coal business Six months ended		**Shipping transportation Six months ended**		**Total Six months ended**	
	30 June 2017	30 June 2016	**30 June 2017**	30 June 2016	**30 June 2017**	30 June 2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue from external customers	**1,303,113**	159,419	**66,895**	45,409	**1,370,008**	204,828
Reportable segment profit/ (loss) before taxation	**338,485**	(165,139)	**3,868**	(40,450)	**342,353**	(205,589)
(Reversal of impairment)/ impairment losses on trade receivables	**(50,324)**	2,989	**–**	–	**(50,324)**	2,989
Reversal of impairment losses on prepayments and other receivables	**(17,574)**	(8,713)	**–**	–	**(17,574)**	(8,713)
	At 30 June 2017	At 31 December 2016	**At 30 June 2017**	At 31 December 2016	**At 30 June 2017**	At 31 December 2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Reportable segment assets (including interest in an associate)	**6,063,598**	5,745,978	**412,452**	428,635	**6,476,050**	6,174,613
Reportable segment liabilities	**(10,621,309)**	(10,454,739)	**(975,532)**	(1,015,360)	**(11,596,841)**	(11,470,099)

(b) Reconciliations of reportable segment revenue, profit/(loss) before taxation, assets and liabilities

Revenue

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reportable segment revenue and consolidated revenue	**1,370,008**	204,828

Profit/(loss) before taxation

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reportable segment profit/(loss) before taxation	**342,353**	(205,589)
Unallocated head office and corporate expenses	**(5,662)**	(9,436)
Net finance costs	**(186,829)**	(243,288)
Consolidated profit/(loss) before taxation	**149,862**	(458,313)

Assets

	At 30 June	At 31 December
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Reportable segment assets	**6,476,050**	6,174,613
Elimination of inter-segment receivables	**(503,507)**	(522,604)
Unallocated corporate assets	**51,128**	10,423
Consolidated total assets	**6,023,671**	5,662,432

Liabilities

	At 30 June	At 31 December
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Reportable segment liabilities	**11,596,841**	11,470,099
Elimination of inter-segment payables	**(1,262,860)**	(1,349,211)
Tax payable	**249,169**	242,050
Deferred tax liabilities	**197,893**	205,673
Unallocated corporate liabilities	**13,001**	15,128
Consolidated total liabilities	**10,794,044**	10,583,739

5. REVENUE

Revenue for the period represents the sales of coal and charter hire income. The amount of each significant category of revenue recognised during the period is as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of coal	**1,303,113**	159,419
Charter hire income	**66,895**	45,409
	1,370,008	204,828

6. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Government subsidies *(Note (i))*	**–**	2,091
Foreign exchange (loss)/gain, net	**(3,454)**	2,372
Net gain/(loss) on disposal of property, plant and equipment *(Note (ii))*	**650**	(40,337)
Recovery of prepayments previously written off	**287**	–
Others	**1,448**	89
	(1,069)	(35,785)

Notes:

(i) The Group received unconditional subsidies from local government during the six months ended 30 June 2016 as recognition of the Group's contribution to the development of the local economy.

(ii) During the six months ended 30 June 2016, the Group applied government subsidy in respect of demolition of two vessels in accordance with "Implementation Plan for Early Retirement and Replacement of Obsolete and Worn-out Transportation Vessels and Singlehull Oil Tankers"《老舊運輸船舶和單殼油輪提前報廢更新實施方案》and "Administrative Measure for the Special Subsidies Given by the Central Finance to Encourage Retirement and Replacement of Obsolete and Worn-out Transportation Vessels and Single-hull Oil Tankers"《老舊運輸船舶和單殼油輪報廢更新中央財政補助專項資金管理辦法》jointly promulgated by the Ministry of Finance, the Ministry of Transport, the Development and Reform Commission, and the Ministry of Industry and Information Technology of China ("**Vessel Demolition Subsidy**"). After taking into account the subsidy compensation, the net loss of demolition of the vessels was RMB40,716,000 and has been included in net loss on disposal of property, plant and equipment during the six months ended 30 June 2016.

7. NET FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**(195)**	(612)
Interest on borrowings	**196,075**	242,889
Interest charge on unwinding of discounts	**7,526**	2,132
Less: interest capitalised into property, plant and equipment *(Note)*	**(16,577)**	(1,121)
Finance costs	**187,024**	243,900
Net finance costs	**186,829**	243,288

Note: The borrowing costs have been capitalised at a rate of 5.25% (six months ended 30 June 2016: 5.11%) per annum.

8. PROFIT/(LOSS) BEFORE TAXATION

(a) Profit/(loss) before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation for property, plant and equipment	**80,195**	56,542
Amortisation of coal mining rights	**43,185**	6,496
Amortisation of lease prepayments	**70**	70
Write-down of inventories to net realisable value	**–**	573
Property, plant and equipment written-off	**–**	2,090
Net (gain)/loss of disposal of property, plant and equipment	**(650)**	40,337

(b) Reversal of impairment, net:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Reversal of impairment)/impairment losses on trade receivables	**(50,324)**	2,989
Reversal of impairment losses on prepayments and other receivables	**(17,574)**	(8,713)
	(67,898)	(5,724)

9. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax expense		
– PRC Corporate Income Tax	**–**	18,092
– Under-provision of PRC Corporate Income tax in prior years	**670**	–
Deferred tax (credit)/expense	**(7,781)**	8,110
Income tax (credit)/expense	**(7,111)**	26,202

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands (six months ended 30 June 2016: Nil).

(ii) No provision for Hong Kong Profits Tax has been made for the subsidiaries located in Hong Kong as these subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax during the period (six months ended 30 June 2016: Nil).

(iii) Provision for the PRC Corporate Income Tax was based on the statutory rate of 25% (six months ended 30 June 2016: 25%) of the assessable profits of subsidiaries which carried on businesses in the PRC.

10. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculations of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue during the period.

The calculations of basic earnings/(loss) per share attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2017 and 2016 are based on the following data:

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to equity shareholders of the Company	**151,417**	(442,522)
Less: Distribution relating to perpetual subordinated convertible securities classified as equity	**(2,563)**	(2,464)
Profit/(loss) for the period attributable to ordinary equity shareholders of the Company	**148,854**	(444,986)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**2,493,413,985**	2,296,515,490

Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the profit/(loss) attributable to ordinary equity shareholders of the Company. The adjusted weighted average number of ordinary shares is the number of ordinary shares in issue during the period and assumed conversion of all dilutive potential ordinary shares.

The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

The perpetual subordinated convertible securities were assumed to have been converted into ordinary shares, and the profit/(loss) for the period attributable to ordinary equity shareholders of the Company is adjusted to eliminate the distribution relating to perpetual subordinated convertible securities.

As the Company's outstanding share options (six months ended 30 June 2016: share options and perpetual subordinated convertible securities) had an anti-dilutive effect to the diluted earnings/(loss) per share calculation for the six months ended 30 June 2017, the conversion of the potential dilutive shares is not assumed in the computation of diluted earnings/(loss) per share for the six months ended 30 June 2017.

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to ordinary equity shareholders of the Company	**148,854**	(444,986)
Add: Distribution relating to perpetual subordinated convertible securities classified as equity	**2,563**	N/A
Profit/(loss) for the period used to determine diluted earnings/(loss) per share	**151,417**	(444,986)
Weighted average number of ordinary shares	**2,493,413,985**	2,296,515,490
Adjustment for:		
– Assumed conversion of perpetual subordinated convertible securities	**118,000,000**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**2,611,413,985**	2,296,515,490

11. DIVIDEND

The directors of the Company do not recommend the payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

12. COAL MINING RIGHTS

The balance represents the rights to conduct mining activities in Shanxi Province. The mine sites are located on land in the PRC to which the Group has no formal title of certain pieces of land. The Department of Land Resources of Shanxi Province issued and renewed several mining rights certificates to the Group. Details of the Group's coal mining rights are as follows:

Coal mining rights	**Expiry date**
Xingtao Coal Mine	14 October 2018
Fengxi Coal Mine	24 January 2034
Chongsheng Coal Mine	14 October 2018
Xinglong Coal Mine	29 February 2016
Hongyuan Coal Mine	12 October 2017

Up to the date of this announcement, coal mining rights of Xinglong Coal Mine were expired. Management is in the process of renewing this certificate. With reference to the legal opinion received by the management, there is no legal barrier for the Group to renew its mining rights certificates.

The directors of the Company are of the opinion that the Group will be able to continuously renew the mining rights and the business licenses of respective mining subsidiary at minimal charges.

13. TRADE AND BILL RECEIVABLES

	At 30 June 2017 *RMB'000* **(Unaudited)**	At 31 December 2016 *RMB'000* (Audited)
Trade and bill receivables	**906,420**	794,171
Less: Impairment	**(350,243)**	(401,829)
	556,177	392,342

All of the trade and bill receivables are expected to be recovered within one year.

An ageing analysis of trade and bill receivables (net of impairment loss) of the Group is as follows:

	At 30 June 2017 *RMB'000* **(Unaudited)**	At 31 December 2016 *RMB'000* (Audited)
Within 2 months	**201,523**	242,172
Over 2 months but within 6 months	**27,531**	9,002
Over 6 months but within 1 year	**186,025**	72
Over 1 year but within 2 years	**3,372**	54,158
Over 2 years	**137,726**	86,938
	556,177	392,342

Credit terms granted to customers mainly range from 0 to 60 days (31 December 2016: 0 to 60 days) depending on the customers' relationship with the Group, their creditworthiness and past settlement record.

The ageing is counted from the date when trade and bill receivables are recognised.

14. PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2017 *RMB'000* **(Unaudited)**	At 31 December 2016 *RMB'000* (Audited)
Other deposits and prepayments	**335,217**	294,743
Amounts due from non-controlling shareholders	**322,307**	322,307
Other non-trade receivables	**121,446**	69,192
	778,970	686,242
Less: Impairment *(Note (i))*	**(387,384)**	(405,084)
	391,586	281,158

Note:

(i) Impairment of prepayments and other receivables

Provision for impairment of prepayments and other receivables are as follows:

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other deposits and prepayments	**36,779**	42,913
Amounts due from non-controlling shareholders	**322,307**	322,307
Other non-trade receivables	**28,298**	39,864
	387,384	405,084

15. TRADE AND BILL PAYABLES

An ageing analysis of trade and bill payables of the Group is as follows:

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**88,540**	130,559
Over 1 year but within 2 years	**204,036**	828,322
Over 2 years	**656,881**	22,946
	949,457	981,827

16. OTHER PAYABLES

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Receipts in advance	**180,315**	108,264
Accrued expenses	**956,777**	780,854
Amount due to a related company	**–**	16,169
Amounts due to directors	**1,285**	3,810
Amount due to ultimate holding company	**8,161**	8,830
Amount due to an associate	**57,984**	57,984
Other payables	**2,018,759**	1,970,832
	3,223,281	2,946,743
Non-current		
Other payables	**50,028**	67,717
	3,273,309	3,014,460

The amounts due to a related company, directors, ultimate holding company and an associate are unsecured, interest-free and are repayable on demand.

17. BORROWINGS

	At 30 June 2017 *RMB'000* **(Unaudited)**	At 31 December 2016 *RMB'000* (Audited)
Bank loans		
– Secured	**4,976,152**	5,043,520
– Unsecured	**1,019,363**	962,681
	5,995,515	6,006,201
Other borrowings	**29,870**	37,070
	6,025,385	6,043,271

As at 30 June 2017, secured bank loan of RMB1,482,285,000 (31 December 2016: RMB672,289,000), unsecured bank loan of RMB200,000,000 (31 December 2016: RMB269,850,000) and other borrowings of RMB29,870,000 (31 December 2016: RMB17,090,000) were not renewed or rolled over upon maturity and carried interest at rates ranging from 4.36% to 13.50% (31 December 2016: 4.75% to 12.96%) per annum.

As at 30 June 2017, these borrowings are secured by property, plant and equipment, coal mining rights, trade and bill receivables and pledged deposits with carrying amounts of RMB708,176,000, RMB979,028,000, RMB29,142,000 and RMB174,000 respectively and guaranteed by the Company, certain subsidiaries of the Company, related parties and/or a former director (31 December 2016: secured by property, plant and equipment, coal mining rights, lease prepayments and pledged deposits with carrying amounts of RMB407,274,000, RMB994,151,000, RMB5,073,000 and RMB174,000 respectively and guaranteed by the Company, certain subsidiaries of the Company, related parties and/or a former director).

Subsequent to 30 June 2017 and up to the date of this announcement, the Group is in the process of negotiating with the banks and the creditors to renew or roll over these borrowings.

The Group's borrowings are secured by the following assets:

	At 30 June 2017 *RMB'000* **(Unaudited)**	At 31 December 2016 *RMB'000* (Audited)
Property, plant and equipment	**1,089,441**	1,110,714
Coal mining rights	**2,249,403**	2,292,588
Lease prepayments	**5,003**	5,073
Inventories	**79,853**	28,509
Trade and bill receivables	**29,142**	33,365
Pledged deposits	**174**	174

As at 30 June 2017 and 31 December 2016, the Group's borrowings are also secured by other receivables of a related company of which Mr. Xu Jihua ("**Mr Xu**") is the shareholder, a property held by Mr. Xu, the ultimate holding company's equity interest in the Company and the Group's equity interest in Shanxi Huameiao Energy Group Co., Ltd. ("**Huameiao Energy**"), Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Co., Ltd. ("**Xingtao Coal**"), Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Co., Ltd. ("**Fengxi Coal**"), Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Co., Ltd. ("**Chongsheng Coal**"), Shanxi Xinzhou Shenchi Xinglong Coal Co., Ltd. ("**Xinglong Coal**"), Shanxi Xinzhou Shenchi Hongyuan Coal Co., Ltd. ("**Hongyuan Coal**"), Shuozhou Guangfa Energy Investment Co., Ltd., Super Grace Enterprises Limited and Oriental Wise Group Limited and a property held by Mr. Xu Da. As at 30 June 2017, borrowings of RMB6,015,635,000 (31 December 2016: RMB6,033,401,000) were guaranteed by the Company, certain subsidiaries of the Company, related parties and/or a former director.

18. CAPITAL COMMITMENTS

At each reporting date, capital commitments outstanding not provided for in the condensed consolidated financial statements are as follows:

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 RMB'000 (Audited)
Property, plant and equipment	**50,676**	45,692

19. CONTINGENT LIABILITIES

(a) Outstanding litigation

Up to the date of this announcement, the following legal proceedings are still outstanding.

(i) Litigation claims relating to unsettled property, plant and equipment contract sums with several suppliers of the Group

As at 31 December 2015, there were several litigation claims initiated by the suppliers against the Group to demand immediate repayment of overdue payables in relation to purchase of machineries with an aggregate amount of RMB132,206,000 and the late penalty charges of RMB6,605,000 and corresponding legal costs of RMB108,000. An aggregate amount of RMB132,206,000 had already been recognised as payables to these suppliers included in other payables. As a result of the foregoing, the Group further recognised the late penalty charges and interest charges of RMB6,605,000 and corresponding legal costs of RMB108,000 in the consolidated financial statements for the year ended 31 December 2015.

During the year ended 31 December 2016, pursuant to the judgements, the Group was ordered to make immediate repayment of payables of RMB137,118,000 to the plaintiffs. The Group is actively negotiating with the plaintiffs for settlement of the court cases. During the six months ended 30 June 2017, the Group has successfully reached an agreement with certain plaintiffs at a PRC court on a settlement plan with an aggregated amount of RMB26,551,000 that will be repaid by monthly installment.

Up to the date of this announcement, the remaining litigation claims with an aggregate amount of RMB2,796,000 are still in progress. In the opinion of the directors of the Company, no further provision for these litigation claims was required to be made in the condensed consolidated financial statements for the six months ended 30 June 2017.

(ii) Litigation claims relating to unsettled considerations in relation to the acquisition of coal mining rights of Xinglong Coal and Hongyuan Coal

During the year ended 31 December 2015, there were litigation claims initiated by the previous owners (the "**Previous Owners**") of Xinglong Coal Mine and Hongyuan Coal Mine against the Group to demand immediate repayment of the unsettled considerations with an aggregate amount of RMB51,338,000 in relation to the acquisitions of coal mining rights of Xinglong Coal and Hongyuan Coal in 2013. Pursuant to the judgements of the Shanxi Shouzhou Municipal Intermediate People's Court dated 20 April 2015 and 10 December 2015, the Group was ordered to pay the Previous Owners the unsettled consideration of RMB51,338,000, the late penalty charges and interest charges of RMB3,000,000 and corresponding legal costs of RMB350,000. On 23 July 2015 and 4 January 2016, the Group lodged appeal applications to the Shanxi Provincial Higher People's Court. The amount of RMB51,338,000 had already been recognised as payables to the Previous Owners included in other payables. As a result of the foregoing, the Group further recognised the late penalty charges and interest charges of RMB3,000,000 and corresponding legal costs of RMB350,000 in the consolidated financial statements for the year ended 31 December 2015.

During the year ended 31 December 2016, another previous owner of Hongyuan Coal Mine filed a lawsuit to Taiyuan Municipal Intermediate People's Court against the Group to demand immediate repayment of the unsettled considerations of RMB87,423,000 and the late penalty charges and interest charges of RMB14,487,000 in relation to the acquisitions of coal mining rights of Hongyuan Coal.

During the year ended 31 December 2016, the Group has successfully reached an agreement with one of the plaintiffs on a settlement plan with an aggregated amount of RMB13,000,000 that will be repaid by monthly instalment of RMB1,000,000. Accordingly, such litigation claim was released during the six months ended 30 June 2017.

Up to the date of this announcement, litigations claims of RMB125,761,000 are still in progress. The amount of RMB125,761,000 had already been recognised as payables to the Previous Owners included in other payables. As a result of the foregoing, the Group further recognised the late penalty charges and interest charges of RMB14,487,000 in the consolidated financial statements for the year ended 31 December 2016 and RMB4,483,000 in the condensed consolidated financial statements for the six months ended 30 June 2017 respectively.

(iii) Litigation claims relating to default of repayment of bank borrowings

In 2015, a bank filed a lawsuit in Zhuhai Municipal Intermediate People's Court against the Group to demand immediate repayment of the defaulted bank borrowings of RMB148,882,000 and interest charges of RMB328,000 respectively. The principal of RMB148,882,000 and respective interest charges of RMB328,000 had already been recognised as borrowings and accrued expenses included in other payables respectively.

Pursuant to the judgement, several bank accounts and certain coal mining rights of the Group and two properties of the Group's related companies were frozen for three years from the date of judgement. In addition, the Group was ordered to make immediate repayment of the aforesaid balances.

In 2016, another bank filed lawsuit in Shanxi Province High People's Court against the Group to demand immediate repayment of the defaulted bank borrowings of RMB492,444,000 and interest charges of RMB13,068,000 respectively. The principal of RMB492,444,000 and respective interest charges of RMB13,068,000 had already been recognised as borrowings and accrued expenses included in other payables respectively.

Up to the date of this announcement, the Group was in the process of negotiating with these two banks to renew or roll over its loan outstanding.

(iv) Litigation claims relating to the performance of the contract execution Heilongjiang HengJiu Construction Limited ("HengJiu") and Chongsheng Coal and Fengxi Coal

During the year ended 31 December 2016, there were litigation claims initiated by HengJiu in Heilongjiang Provincial Jixi Municipal Intermediate People's Court against the Group in relation to payables for down-hole construction with an aggregate amount of RMB77,350,000 which had already been included in other payables. The Group was requested to make immediate repayment of overdue portion of the payables of an aggregate amount of RMB30,000,000 that was overdue.

Pursuant to the judgements dated 12 August 2016, Heilongjiang Provincial Jixi Municipal Intermediate People's Court took the view that the litigation claims were not under its jurisdiction. Therefore, the litigation claims were referred to Shanxi Provincial Shuozhou Municipal Pinglu People's Court.

As a result of the foregoing, the Group recognised the late penalty charges of RMB9,000,000 in the consolidated financial statements for the year ended 31 December 2016.

Up to the date of this announcement, pursuant to the judgements issued by Shanxi Provincial Shuozhou Municipal Pinglu People's Court on 1 August 2017, the Group was ordered to make immediate repayment of overdue portion of the payables of an aggregate amount of RMB44,400,000, interest charges of RMB2,011,000 and corresponding legal costs of RMB322,000.

In the opinion of the directors of the Company, no further provision for litigation was required to be made in the condensed consolidated financial statements for the six months ended 30 June 2017.

(v) ***Litigation claims relating to the performance of the contract execution Yu Lin Zhong Kuang Wan Tong Construction Limited Company ("Yu Lin Zhong Kuang") and Xinglong Coal and Hongyuan Coal***

During the year ended 31 December 2016, there was a litigation claim initiated by Yu Lin Zhong Kuang against the Group to demand immediate repayment of overdue payable in relation to construction of coal mining infrastructure with an aggregate amount of RMB197,037,000. The amount of RMB101,323,000 had already been recognised as payable to this supplier included in other payables. Pursuant to the judgement issued by Shanxi Provincial Xinzhou City Intermediate People's Court on 9 January 2017, the Group was ordered to make immediate repayment of payable of RMB130,769,000, which including the aforesaid payable to this supplier of RMB101,323,000, late penalty charges of RMB16,345,000 and interest of RMB13,101,000. As a result of the foregoing, the Group recognised the late penalty charges of RMB16,345,000 and interest of RMB13,101,000 in the consolidated financial statements for the year ended 31 December 2016.

On 22 February 2017, the Group appealed to Shanxi Provincial High People's Court. Pursuant to the judgement dated 21 July 2017, Shanxi Provincial High People's Court concluded that in the absence of reliable evidence on the valuation of construction work performed by the plaintiff, the original judgement was overturned and a retrial was ordered. Up to the date of this announcement, the retrial has yet been arranged. In the opinion of the directors of the Company, no further provision for these litigation claims was required to be made in the condensed consolidated financial statements for the six months ended 30 June 2017.

As at 30 June 2017, the directors of the Company are of the opinion that the provision for the above litigation is sufficient in the condensed consolidated statement of financial position as at 30 June 2017.

Other than the disclosure above, as at 30 June 2017, the Group was not involved in any other material litigation or arbitration. As far as the Group was aware, the Group had no other material litigation or claim which was pending or threatened against the Group. As at 30 June 2017, the Group was the defendant of certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the management of the Group believes that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

(b) Financial guarantees issued

As at 30 June 2017, the Group issued corporate financial guarantees to certain banks in respect of borrowings made by Tongmei Qinfa (Zhuhai) Holdings Co., Ltd ("**Tongmei Qinfa**"), an associate of the Group. Under the guarantees, the Group that is a party to the guarantees is jointly and severally liable for any of the borrowings of Tongmei Qinfa from those banks.

As at 30 June 2017, the directors of the Company consider that it was not probable that a claim will be made against the Group under any of the guarantees. The maximum liability of the Group at 30 June 2017 under the guarantees issued is a portion of the outstanding amount of the borrowings of Tongmei Qinfa amounting to RMB633,343,000 (31 December 2016: RMB640,600,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a non-state owned thermal coal supplier in China, and it operates an integrated coal supply chain, including coal mining, purchase and sales, filtering, storage, blending and shipping transportation. During the six months ended 30 June 2017, the Group continued to focus on these business activities. The following sets forth detailed analysis of the principal components of the operating results of the Group:–

Revenue from coal business and coal handling and trading volume

	Six months ended 30 June	
	2017	2016
Revenue from coal business *(RMB'000)*	**1,303,113**	159,419
Coal handling and trading volume *('000 tonnes)*	**3,252**	809

During the six months ended 30 June 2017, the volume of the Group's coal handling and trading recorded an increase of 302.0% as compared to the corresponding period in 2016. The monthly average coal selling prices during the six months ended 30 June 2017 were in range between RMB239 per tonne and RMB564 per tonne, which were higher than the monthly average selling prices between RMB88 per tonne and RMB423 per tonne during the same period in 2016. The increase in coal handling and trading volume and monthly average coal selling prices were principally because of improvement in coal market in China.

The average coal selling prices and the average monthly coal handling and trading volume for each of the three years ended 31 December 2016 and the six months ended 30 June 2017 and 2016 are set forth in the table below:–

	Six months ended 30 June		Year ended 31 December		
	2017	2016	2016	2015	2014
Average coal selling price *(RMB per tonne)*	**401**	197	287	309	395
Average monthly coal handling and trading volume *('000 tonnes)*	**542**	135	177	329	1,328

Revenue from shipping transportation

The revenue for the shipping transportation segment for the six months ended 30 June 2017 was RMB66.9 million, representing an increase of RMB21.5 million or 47.4% from RMB45.4 million for the corresponding period in 2016. The increase in revenue was primarily due to recovery of the freight shipping rates.

Gross profit and gross profit margin

The Group's gross profit was RMB454.7 million during the six months ended 30 June 2017 as compared with gross loss of RMB73.6 million during the same period in 2016. Under the circumstances of improvement in average selling prices of thermal coal, the Group increased the scale of coal trading and mining volume to generate gross profit of the Group.

Net finance costs

Net finance costs of the Group during the six months ended 30 June 2017 amounted to RMB186.8 million, representing a decrease of RMB56.5 million or 23.2% from RMB243.3 million during the corresponding period in 2016. The decrease was mainly due to decrease of bank interest rate in 2017.

Profit attributable to the equity shareholders of the Company

Profit attributable to the equity shareholders of the Company for the six months ended 30 June 2017 was RMB151.4 million, as compared with loss attributable to the equity shareholders of the Company of RMB442.5 million for the corresponding period in 2016.

BUSINESS REVIEW

Business Overview

Benefit from a rebound of the economy and the increase in demand, there was a significant increase in coal consumption. Furthermore, as the coal-supply reform further exerted its effect, several coal-producing provinces reduced their production capacity over the expectation and the production of certain coal mines was suspended for rectification. These measures help to stabilise the market coal price did not drop. During the first half of this year, the Bohai-rim Steam-coal Price Index (BSPI 環渤海動力煤價格指數) remained in the range of 562 to 606. Notwithstanding the continuous drop in coal price for the first two months of 2017, the market coal price did not drop during the traditional off peak season from March to May. Starting from June, the rebouncing market coal price even continuously increased after entering into peak summer season of electricity consumption.

The reasonable rebound of coal price has led to an improvement of the industry development environment and improved the operating conditions of coal companies. During the first quarter of 2017, the Group has entered into medium and long-term cooperation agreements with several large-size state-owned companies with annual contracted supply of up to 4.40 million tonnes. The Group has also resumed the trading of imported coal from Indonesia in the second quarter of 2017 with contracted quantity of approximately 0.4 million tonnes. As the sales of coal recovered steadily during the six months ended 30 June 2017, the Group successfully turned around from loss to profit. Revenue reached approximately RMB1.37 billion, increased by 569% as compared to the corresponding period in the previous year. Gross profit margin was 33% and the profit attributable to shareholders was approximately RMB151.4 million. During the period, three coal mines of Huameiao under the Group produced approximately 2.38 million tonnes of commercial coal, increased by approximately 376% as compared to the same period in the previous year.

As of 30 June 2017, the Group owned and operated five coal mines in China. The table sets forth certain information about these coal mines.

	Note	**Location**	**Ownership**	**Site area** *(sq. km)*	**Operation status**
Huameiao Energy – Xingtao Coal	*1, 2*	Shuozhou Shanxi	80%	4.3	Under operation
Huameiao Energy – Fengxi Coal	*1, 3*	Shuozhou Shanxi	80%	2.4	Under operation
Huameiao Energy – Chongsheng Coal	*1, 4*	Shuozhou Shanxi	80%	2.9	Under operation
Xinglong Coal	*1, 5, 6*	Xinzhou Shanxi	100%	4.0	Under development
Hongyuan Coal	*1, 5, 7*	Xinzhou Shanxi	100%	4.1	Under operation (Temporarily suspended)

Notes:

(1) The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources as at 30 June 2016 in accordance with the JORC Code.

(2) The production capacity for Xingtao coal mine of Huameiao Energy is 1.50 million tonnes per annum, with a total investment budget (excluding coal washing plant) of RMB380 million. The construction was commenced in October 2011. As at 30 June 2017, the accumulated actual investment was RMB380 million. The construction of Xingtao coal mine and coal washing plant was completed, delivering a capacity of 1.5 million tonnes per annum.

(3) The production capacity for Fengxi coal mine of Huameiao Energy is 0.9 million tonnes per annum, with a total investment budget of RMB400 million. The construction was commenced in September 2011. As at 30 June 2017, the accumulated actual investment was RMB397 million. The construction of Fengxi coal mine and coal washing plant was completed on 21 January 2014 and delivering a capacity of 0.9 million tonnes per annum.

(4) The production capacity for Chongsheng coal mine of Huameiao Energy is 0.9 million tonnes per annum, with a total investment budget of RMB391 million. The construction was commenced in September 2011. As at 30 June 2017, the accumulated actual investment was RMB392 million. The construction of Chongsheng coal mine and coal washing plant was completed, delivering a capacity of 0.9 million tonnes per annum. It has commenced operation on 21 January 2014.

(5) The Group completed the establishment of two companies, Xinglong Coal and Hongyuan Coal, both wholly-owned by Shenchi Shenda Energy Investment Co., Ltd. during the first half year of 2013.

(6) The production capacity for Xinglong coal mine is 0.9 million tonnes per annum, with a total investment budget of RMB348 million. The construction was commenced in December 2012. As at 30 June 2017, the accumulated actual investment was RMB253 million. The development has been suspended and pending for further investment.

(7) The production capacity for Hongyuan coal mine is 0.9 million tonnes per annum, with a total investment budget of RMB446 million. The construction was commenced in March 2013. As at 30 June 2017, the accumulated actual investment was RMB341 million. The operation has been suspended and pending for further investment.

COAL CHARACTERISTICS

Characteristics of the commercial coal produced by the Group's operating mines are as follows:

Coal Quality Characteristic	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal
Seam	4	9	9
Moisture (%)	9.05-12.12%	1.55-3.16%	9.71-10.38%
Ash (%)	20.11-28.73%	17.87-25.68%	19.35-22.16%
Sulfur (%)	0.71-1.39%	0.32-0.96%	1.66-1.86%
Volatile Matter (%)	21.75-27.51%	25.00-38.84%	28.84-29.34%
Energy Content (MJ/kg)	17.95-19.43	18.36-21.80	20.09-21.77

OPERATING DATA

Reserves and Resources

	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal	Xinglong Coal	Hongyuan Coal	Total
Reserves						
Reserves as at 1 January 2017 (Mt)						
– Proven reserves	62.71	16.43	29.18	22.49	30.16	160.97
– Probable reserves	12.26	27.43	19.51	9.53	1.17	69.90
Total reserves as at 1 January 2017 (Mt)	74.97	43.86	48.69	32.02	31.33	230.87
Less: Total raw coal production for the period from 1 January 2017 to 30 June 2017 (Mt)	(1.55)	(0.95)	(1.17)	n.a.	n.a.	(3.67)
Reserves as at 30 June 2017 (Mt)	**73.42**	**42.91**	**47.52**	**32.02**	**31.33**	**227.2**
Resources						
Resources as at 1 January 2017 (Mt)	111.35	67.99	72.39	45.96	41.78	339.47
Less: Total raw coal production for the period from 1 January 2017 to 30 June 2017 (Mt)	(1.55)	(0.95)	(1.17)	n.a.	n.a.	(3.67)
Resources as at 30 June 2017 (Mt)	**109.80**	**67.04**	**71.22**	**45.96**	**41.78**	**335.8**

The following table sets forth the half-year production figures at the abovementioned mines for the periods indicated:–

Raw coal production volume	Six months ended 30 June 2017 ('000 tonnes)	2016 ('000 tonnes)
Huameiao Energy – Xingtao Coal	**1,551+**	222+
Huameiao Energy – Fengxi Coal	**948+**	302+
Huameiao Energy – Chongsheng Coal	**1,167+**	248+
Total	**3,666**	772

Commercial coal production volume	Six months ended 30 June 2017 ('000 tonnes)	2016 ('000 tonnes)
Huameiao Energy – Xingtao Coal	**1,008+**	144+
Huameiao Energy – Fengxi Coal	**617+**	196+
Huameiao Energy – Chongsheng Coal	**758+**	161+
Total	**2,383**	501

+: Per the competent person's report issued on 25 July 2016, the volume of commercial coal produced by Huameiao Energy is calculated by a yield rate of 65% of raw coal.

Exploration, Mining and Development Expenses

The Group's exploration, mining and development expenses consist of the following amounts:

	Six months ended 30 June 2017 *RMB'000*	2016 *RMB'000*
Materials and consumables	**30,198**	10,182
Staff cost	**108,492**	45,329
Other direct cost	**26,302**	15,949
Overhead and others	**142,273**	51,714
Evaluation fee	**2,708**	892
Total	**309,973**	124,066

Liquidity, Financial Resources and Capital Structure

The Group adopts stringent financial management policies and strives to maintain a healthy financial condition. The Group funds its business operations and general working capital by internally generated financial resources and bank and other borrowings. As at 30 June 2017, the Group recorded net current liabilities of RMB9,263.4 million.

The Group has taken initiative to enhance the financial flexibility by diversifying the funding bases and obtain medium term loans to replace short term loans. The Group is currently negotiate with financial institutions to renew and extend bank borrowings and consider ways to improve the Group's working capital. As at 30 June 2017, cash and cash equivalents of the Group amounted to RMB135.1 million (as at 31 December 2016: RMB24.7 million), representing an increase of RMB110.4 million as compared to cash and cash equivalents of the Group as at 31 December 2016. The cash and cash equivalents increased significantly.

As at 30 June 2017, the total bank and other borrowings of the Group were RMB6,025.4 million (at of 31 December 2016: RMB6,043.3 million), which were classified as current liabilities. As a result of the non-payment of loan principal and interests of RMB1,712,155,000 and RMB514,986,000 respectively, bank loans amounting to RMB1,427,342,000 (as at 31 December 2016: RMB2,473,678,000) due for repayment after one year which contain a cross default clause that demands immediate repayment when there is default in any bank loans repayment are classified as current liabilities. The bank and other borrowing carried interest at rates ranging from 4.35% to 13.50% (as at 31 December 2016: 4.35% to 13.50%) per annum.

As at 30 June 2017, the Group had total banking facilities of RMB6,005.8 million (as at 31 December 2016: RMB6,136.4 million), of which RMB5,995.5 million (as at 31 December 2016: RMB6,006.2 million) were utilised.

As at 30 June 2017, the Group's cash and cash equivalents, except amounts of RMB0.23 million and RMB29.2 million which were held in Hong Kong dollars ("**HKD**") and United States dollars ("**USD**"), respectively, were held in RMB. All the Group's bank and other borrowings were made in RMB.

The gearing ratio (calculated as bank and other borrowings netted off sum of cash and cash equivalents and pledged and restricted deposits divided by total assets) of the Group as of 30 June 2017 was 97.8% (as at 31 December 2016: 106.3%).

Exposure to Fluctuations in Exchange Rates

The Group's cash and cash equivalents are held predominately in RMB and USD. Operating outgoings incurred by the Group's subsidiaries in China are mainly denominated in RMB while overseas purchases and charter hire income are usually denominated in USD. The Group's subsidiaries usually receive revenue in RMB. Hence, the Directors do not consider that the Group faces significant exposure to foreign exchange fluctuation risk.

Pledge of Assets of the Group and Guarantee

As at 30 June 2017, the Group's assets in an aggregate amount of RMB3,453.0 million (as of 31 December 2016: RMB3,470.4 million) in forms of property, plant and equipment, coal mining rights, lease prepayments, inventories, trade and bill receivables and bank deposits were pledged to banks for credit facilities granted to the Group.

As at 30 June 2017, Mr. XU Jihua, the ultimate controlling shareholder, and Mr. Xu Da, the chairman of the board and an executive Director and their close associates provided guarantees to banks for granting banking facilities of an amount equivalent to RMB7,899.2 million (as of 31 December 2016: RMB7,575.9 million) to the Group.

CONTINGENT LIABILITIES

Except for certain matters disclosed in the Note 19 to the interim financial statements, the Group did not have any material contingent liabilities as at 30 June 2017.

BUSINESS OUTLOOK

Starting from June, the National Development and Reform Commission of the PRC has issued certain documents in succession, demanding the unlock of coal production to safeguard the coal supply during "the peak season in summer". With the continuous steady upward trend of the macroeconomy, it is expected that in the second half of the year, especially during the peak summer season and the peak season of coal usage for heat in winter, the coal consumption will continue to grow and the average daily consumption of coal may further increase.

In the second half of this year, as the national coal market enters a new stage to deepen the reform of supply side, it is necessary for the Company to make good use of the summer rebound of operation environment. Apart from safeguarding a steady coal production and long-term supply, the Company will continue to enhance coal production capacity, promote the trading of imported coal and improve its debt structure with a proactive approach so as to achieve steady progress.

In the second half of this year, the coal mine of the Group in Shenchi County, Shanxi Province will resume production, which will further contribute to the performance of the Group for the second half of this year.

AUDIT COMMITTEE

The Board established an audit committee on 12 June 2009 with specific written terms of reference. The audit committee consists of three independent non-executive Directors, namely Mr. HUANG Guosheng, Mr. LAU Sik Yuen and Mr. XING Zhiying. Mr. LAU Sik Yuen is the chairperson of the audit committee of the Board. The primary duties of the audit committee are to review and approve the Group's financial reporting process and internal control system.

An Audit Committee meeting was held on 29 August 2017 to review the unaudited interim financial statements for the six months ended 30 June 2017 with the management.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2017.

EMPLOYEES AND REMUNERATION

As at 30 June 2017, the Group employed 1,842 employees. The Group has adopted a performance-based reward system to motivate its staff and such system is reviewed on a regular basis. In addition to the basic salaries, year-end bonuses may be offered to staff members with outstanding performance.

Subsidiaries of the Company established in the PRC are also subject to social insurance contribution plans organised by the PRC government. In accordance with the relevant national and local labor and social welfare laws and regulations, subsidiaries of the Company established in the PRC are required to pay on behalf of their employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and other relevant insurance. Subsidiaries of the Company incorporated in Hong Kong have participated in mandatory provident fund scheme, if applicable, in accordance with the applicable Hong Kong laws and regulations.

Moreover, as disclosed in the prospectus of the Company dated 19 June 2009, the Company adopted a pre-IPO share option scheme and a post-IPO share option scheme in June 2009 to incentivise and retain staff members who have made contribution to the success of the Group. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.qinfagroup.com) and the Stock Exchange (www.hkex.com.hk). The interim report for the six months ended 30 June 2017 containing all the information required by the Listing Rules will be dispatched to the Shareholders and be available on the above websites in due course.

By Order of the Board
China Qinfa Group Limited
Mr. XU Da
Chairman

Guangzhou, 29 August 2017

As at the date of this announcement, the Board comprises Mr. XU Da, Mr. BAI Tao, Ms. WANG Jianfei, Mr. FUNG Wai Shing and Mr. LIU Jinghong as the executive Directors, and Mr. HUANG Guosheng, Mr. LAU Sik Yuen and Mr. XING Zhiying as the independent non-executive Directors.