秦發集團
QINFA GROUP

中國秦發集團有限公司
CHINA QINFA GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock code : 866

Interim Report **2013**

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BUILDING
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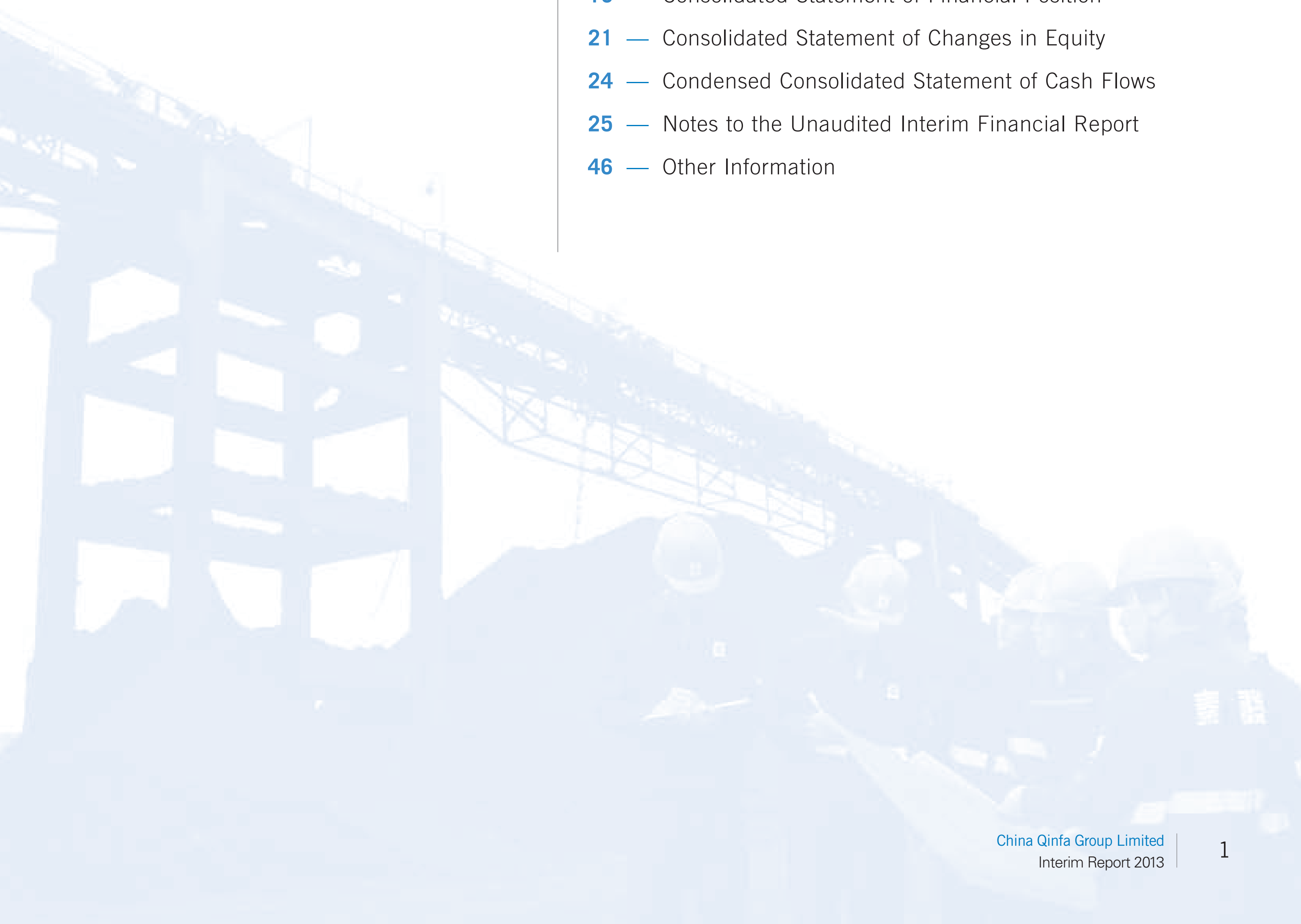

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr XU Jihua *(Chairman)*
Ms WANG Jianfei *(Chief Executive Officer)*
Ms LIU Xiaomei
Mr WENG Li

Independent Non-executive Directors

Mr HUANG Guosheng
Mr LAU Sik Yuen
Mr XING Zhiying

Audit Committee

Mr LAU Sik Yuen *(Chairperson)*
Mr HUANG Guosheng
Mr XING Zhiying

Remuneration Committee

Mr HUANG Guosheng *(Chairperson)*
Ms WANG Jianfei
Mr XING Zhiying

Nomination Committee

Mr HUANG Guosheng *(Chairperson)*
Ms WANG Jianfei
Mr XING Zhiying

Company Secretary

Mr WONG Chi Kin, *FCPA*

Authorised Representatives

Ms WANG Jianfei *(Chief Executive Officer)*
Mr WONG Chi Kin, *FCPA*

Registered Office

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Hutchins Drive
P.O. Box 2681
Grand Cayman KY 1-1111
Cayman Islands

Principal Place of Business in China

Unit Nos. 2201 to 2208
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Haizhu District
Guangzhou City
The PRC

Principal Place of Business in Hong Kong

Room 1303, 13th Floor, MassMutual Tower
No.38 Gloucester Road
Wanchai
Hong Kong

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th F1., Royal Bank House
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai
Hong Kong

Auditors

KPMG
8th Floor
Prince's Building
Central
Hong Kong

Legal Advisers

Squire Sanders
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The Landmark, 15 Queen's Road Central
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Hong Kong

Hasting & Co.
5th Floor, Gloucester Tower
The Landmark, 11 Pedder Street
Central
Hong Kong

Zhong Lun Law Firm
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Avenue, Beijing 100022
People's Republic of China

Principal Bankers

Bank of China
China Minsheng Bank Corp., Ltd
DBS (Hong Kong) Limited
Industrial and Commercial Bank of China
Rabobank International

Stock Code

00866

Website

http://www.qinfagroup.com

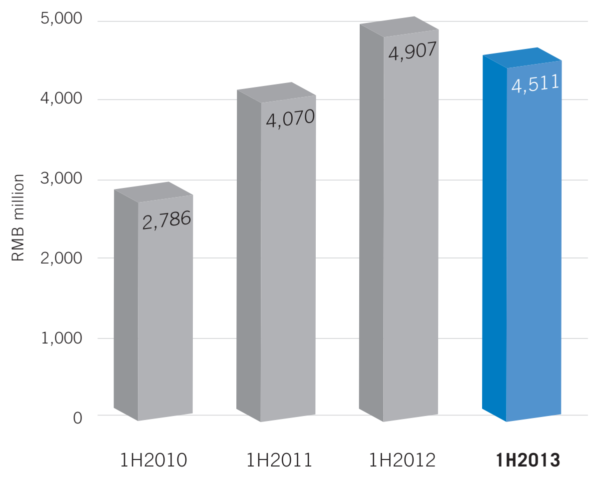
BUSINESS AT A GLANCE

China Qinfa Group Limited (the "**Company**") was incorporated in the Cayman Islands on 4 March 2008 as an exempted company with limited liability. The Company is the ultimate holding company of various companies in Hong Kong and China (collectively, the "**Group**") which are principally engaged in the coal operation business involving coal mining, purchase and sales, filtering, storage, blending, shipping, transportation and port business.

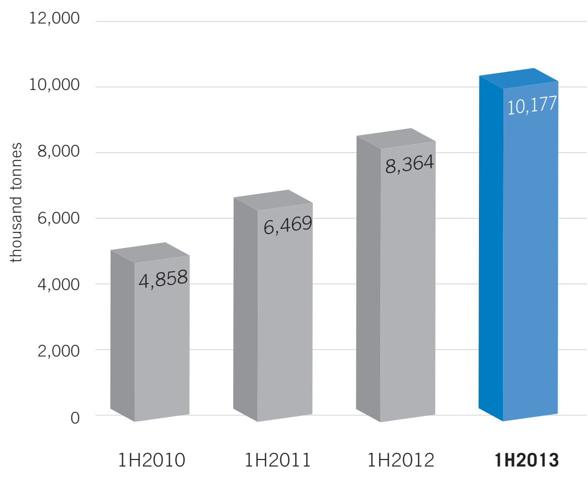
An integrated coal supply chain is the key to the Group's success. With business operations strategically located in Hong Kong and various cities in China, namely, Shuozhou, Xinzhou, Datong, Yangyuan, Qinhuangdao, Zhuhai and Guangzhou, the Group is able to source coal in China and overseas markets. Currently, the Group controls three coal loading stations along the Daqin Railway, which is the world's largest coal haul railway to the world's largest coal port – Qinhuangdao port in Hebei Province, China.

In China, the Group sources coal mainly from the western and northern regions, and provides full logistics services and transportation arrangements through road and sea transportation to deliver the coal to customers in the coastal regions of China. The Group has its own fleet and chartered vessels, which facilitate the shipping transportation of coal. Apart from coal transportation, the Group's vessels are also engaged in the provision of dry bulk cargo transportation services to other customers.

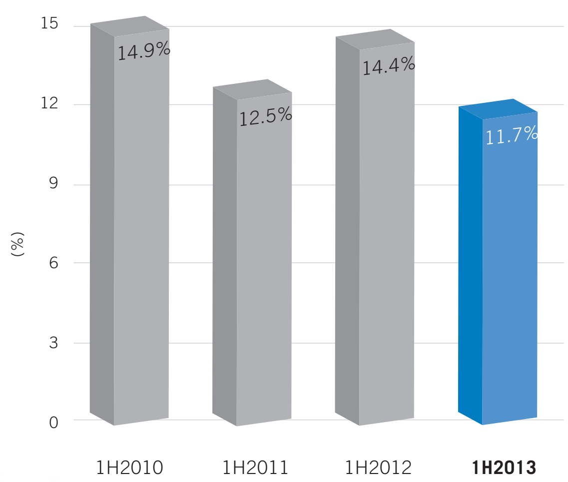
Revenue



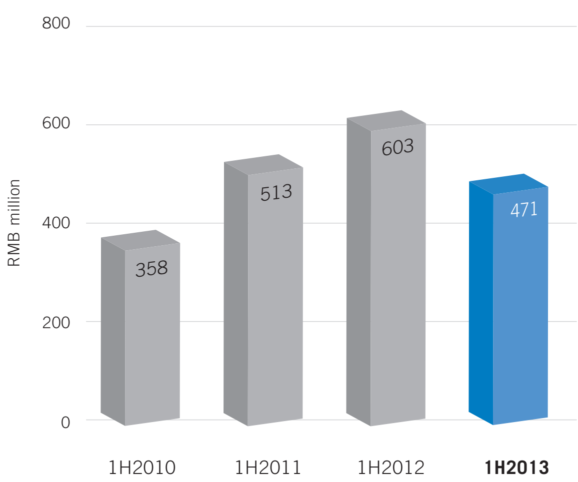
Coal handling and trading volume



Gross profit margin



EBITDA*



* EBITDA: Profit before tax + Interest expense – Interest income + Depreciation + Amortisation + Impairment loss

The Group is a leading non-State owned thermal coal supplier in China, and operates an integrated coal supply chain, including coal mining, purchase and sale, filtering, storage, blending, shipping transportation and port business. During the six months ended 30 June 2013, the Group continued to focus on these business activities and expanded its integrated coal supply chain through upstream vertical integration. The following sets forth detailed analysis of the principal components of the operating results of the Group:–

Revenue and coal handling and trading volume

	Six months ended 30 June	
	2013	2012
Coal handling and trading (RMB'000)	**4,455,654**	4,798,553
Coal handling and trading ('000 tonnes)	**10,177**	8,364

During the six months ended 30 June 2013, the Group's coal production capacity increased substantially. The increase was principally due to the increase in the coal produced by Shanxi Huameiao Energy Group Co., Ltd ("**Huameiao Energy**"), the commencement of production of Shanxi Xinzhou Shenchi Hongyuan Coal Co., Ltd ("**Hongyuan Coal**") and the increased efficiency of the entire coal supply chain operated by the Group. Hence, the Group achieved a significant growth in the coal handling and trading volume during the six months ended 30 June 2013, as compared with the same period in 2012. The coal handling and trading volume of the Group was 10,177,000 tonnes, representing an increase of 1,813,000 tonnes or 21.7% as compared to the same period in 2012.

However, the average monthly selling prices of coal during the six months ended 30 June 2013 were in the range between RMB406 per tonne and RMB468 per tonne, which were lower than the average monthly selling prices between RMB488 per tonne and RMB635 per tonne during the same period in 2012. The decrease was principally because of the slow down in the growth of the overall demand for coal in China during the six months ended 30 June 2013, which was a result of the uncertainties in the global economic development and the slow growth in the manufacturing sector in the PRC.

The average coal selling price and the coal handling and trading volume for each of the three years ended 31 December 2012 and the six months ended 30 June 2012 and 2013 are set forth in the table below:

	Six months ended 30 June		Year ended 31 December		
	2013	2012	2012	2011	2010
Average selling price (RMB per tonne)	**438**	574	494	618	579
Average monthly handling and trading volume ('000 tonnes)	**1,696**	1,394	1,841	1,327	910

Revenue and shipping transportation

The segment turnover for shipping transportation from external customers for the six months ended 30 June 2013 was RMB55.8 million, representing a decrease of RMB53.0 million or 48.7% from RMB108.8 million for the same period in 2012. The decrease in turnover was primarily due to decreased freight shipping rates as compared with the same period in 2012.

Gross profit margin and gross profit

The Group's gross profit decreased by RMB178.4 million during the six months ended 30 June 2013 to RMB528.4 million from RMB706.8 million during the same period in 2012. The gross profit margin of the Group during the six months ended 30 June 2013 decreased to 11.7% from 14.4% during the same period in 2012. The decrease was principally due to the decreased gross profit margin in coal trading which was partially offset by the high gross profit margin generated from the sales of self-produced coal. However, the gross profit margin of self-produced coal improved from 47.6% to 66.4% because of the increase in scale of production and the Group has carried out, among others, certain cost reduction plans on the production cycle.

Other income

During the six months ended 30 June 2013, the Group's other income amounted to RMB1.2 million, representing a decrease of RMB4.2 million or 77.8% as compared with RMB5.4 million during the same period in 2012. The decrease was mainly due to the absence of gain on derivatives, which amounted to RMB2.1 million during the same period in 2012. During the six months ended 30 June 2013, the Group received unconditional grant of RMB0.6 million from the local government in the PRC, as compared with the government grant of RMB2.7 million during the same period in 2012.

Net finance cost

Net finance cost of the Group during the six months ended 30 June 2013 amounted to RMB237.2 million, representing a decrease of RMB3.1 million or 1.3% from RMB240.3 million during the same period in 2012. The decrease was principally due to the net foreign exchange gain and the increase in interest income during the period, which was partially offset by the increase in the finance cost due to the increase in the use of working capital and trade financing to support the increase in the coal handling and trading volume of the Group.

Net profit for the period

Net profit for the six months ended 30 June 2013 was RMB22.4 million, representing a decrease of 81.9% as compared to the same period in 2012. The decrease was principally due to the one-off and predominately non-cash loss arising from the termination of two shipbuilding agreements during the period. The decrease during the six months ended 30 June 2013 was also attributable to the decrease in the price of and the demand for thermal coal in China and the strong hydro-power production during the period. The decreases in the selling prices and the level of demand for thermal coal in China were due to the overall decreasing demand for electricity from manufacturing sector in China.

BUSINESS REVIEW

As the economic development in China encounters various factors including the current downturn in the global economy and the structural adjustment of the domestic economy, the gross domestic product of China posted a year-on-year growth of 7.7% during the first half of 2013, which was slightly lower than the market expectation. During the six months ended 30 June 2013, the coal inventory of power plants, cement plants and ports in China has maintained relatively high level. The price of thermal coal in China dropped slightly and the demand for coal remained weak. However, as benefited from the acquisition of Huameiao Energy, the production and sale of the Group grew steadily after the Group strengthening the coal production and strictly controlling the costs in response to the sluggish market conditions.

During the six months ended 30 June 2013, the pent-up capacity of the coal mines of Huameiao Energy and Shanxi Hun Yuan Ruifeng Coal Co., Ltd. ("**Ruifeng Coal**") continuously released. The production volume of coal of Huameiao Energy and Ruifeng Coal were 2,025,000 tonnes and 501,000 tonnes, respectively, contributing to the increase in the amount of the profit, the gross profit margin and the positive cash flow of the coal business segment. The Group's handling and trading volume of coal during the six months ended 30 June 2013 recorded an increase as compared to the same period in 2012. However, because of various negative market factors, the gross profit margin of logistics and coal trading business was affected, albeit that the Group recorded another record high in coal handling and trading volume of 10,177,000 tonnes, representing an increase of 21.7% as compared to the same period in 2012.

As of 30 June 2013, the Group owned and operated six coal mines in China and has equity interest in one company listed in Australia engaging in the coal mining business. The table sets forth certain information about these coal mines.

				As of 30 June 2013		
	Location	Ownership	Site area (sq. km)	Operation status	Total coal reserves (million tonnes)	Total coal resources (million tonnes)
Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Co., Ltd. ("**Xingtao Coal**") (Note 1)	Shuozhou Shanxi	80%	4.3	Under operation	79	117
Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Co., Ltd. ("**Fengxi Coal**") (Note 1)	Shuozhou Shanxi	80%	2.4	Under operation	47	75
Shanxi Shuozhou Pinglu District Huameiao Chongseng Coal Co., Ltd. ("**Chongseng Coal**") (Note 1)	Shuozhou Shanxi	80%	2.9	Under operation	48	77
Ruifeng Coal	Datong Shanxi	87.88%	2.7	Under operation	n.a.	66 (Note 2)
Shanxi Xinzhou Shenchi Xinglong Coal Co., Ltd. ("**Xinglong Coal**") (Note 3)	Xinzhou Shanxi	100%	4.0	Under development	32	46
Hongyuan Coal (Note 3)	Xinzhou Shanxi	100%	4.1	Under operation	36	52
Tiaro Coal	Australia	19.88%	n.a.	Under exploration	n.a.	n.a.

Notes:

(1) The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources as of 30 September 2011 in accordance with the JORC Code. For the period from 1 October 2011 to 30 June 2013, there was no material change in total coal reserves and resources. The total coal reserves and resources as of 30 June 2013 were derived from the estimated figures after deducting the raw coal production for the period from 1 October 2011 to 30 June 2013.

The total coal reserves represent proven and probable reserves. Details are summarised as follows:

	Coal reserves (million tonnes)		
	Proved	**Probable**	**Total**
Xingtao Coal	65	14	79
Fengxi Coal	20	27	47
Chongsheng Coal	30	18	48
Total	115	59	174

(2) As of 30 June 2013, the total estimated raw coal resources of Ruifeng Coal under PRC standard amounted to approximately 66.0 million tonnes (representing the estimated raw coal reserves reported by a PRC mineral industry consultant as of 30 September 2011 and after deduction of the raw coal production volume for the period from 1 January 2013 to 30 June 2013).

(3) The Group completed the establishment of two companies, Xinglong Coal and Hongyuan Coal, both wholly-owned by Shenchi Shenda Energy Investment Co., Ltd. ("**Shenda Energy**") during the first half year of 2013. Shenda Energy legally owned 49% of the equity interest of Xinglong Coal and Hongyuan Coal and beneficially owned all the equity interests in the two companies.

The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources as at 31 May 2013 in accordance with the JORC Code.

Pursuant to the estimation, the coal reserves and resources of two coal mines were 68 million tonnes and 98 million tonnes (after deduction of the raw coal production volume for the period from 1 June 2013 to 30 June 2013) respectively.

The total coal reserves represent proven and probable reserves. Details are summarised as follows:

	Coal reserves (million tonnes)		
	Proved	**Probable**	**Total**
Xinglong Coal	22	10	32
Hongyuan Coal	20	16	36
Total	42	26	68

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

Raw coal production volume	Six months ended 30 June 2013 ('000 tonnes)	Year ended 31 December 2012 ('000 tonnes)	2011 ('000 tonnes)
Huameiao Energy – Xingtao Coal	**1,323**	2,075	2,800
Huameiao Energy – Fengxi Coal	**1,409**	1,851	1,862
Huameiao Energy – Chongsheng Coal	**384**	1,726	486
Ruifeng Coal	**501#**	1,052*	300*
Hongyuan Coal	**251#**	–	–
Total	**3,868**	6,704	5,448

Commercial coal production volume	Six months ended 30 June 2013 ('000 tonnes)	Year ended 31 December 2012 ('000 tonnes)	2011 ('000 tonnes)
Huameiao Energy – Xingtao Coal	**860**	1,349	1,820
Huameiao Energy – Fengxi Coal	**916**	1,203	1,210
Huameiao Energy – Chongsheng Coal	**249**	1,122	316
Ruifeng Coal	**501#**	1,052*	300*
Hongyuan Coal	**251#**	–	–
Total	**2,777**	4,726	3,646

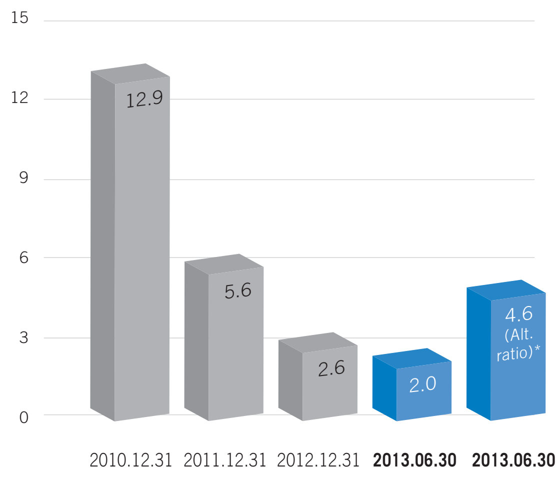
* These represented development coal produced from construction of the coal mines.

\# No washing process is applied to the coal produced by Ruifeng Coal and Hongyuan Coal.

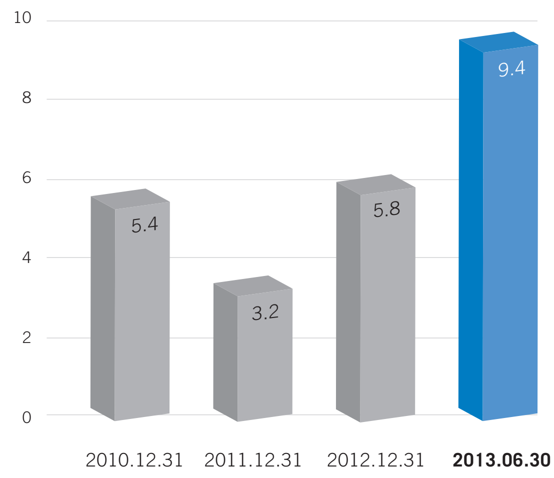
According to the competent person's report issued on 30 September 2011, the volume of Huameiao Energy's commercial coal is calculated by a yield rate of 65% of raw coal.

Expenditure on exploration, mining and development activities for the six months ended 30 June 2013 were RMB266.2 million.

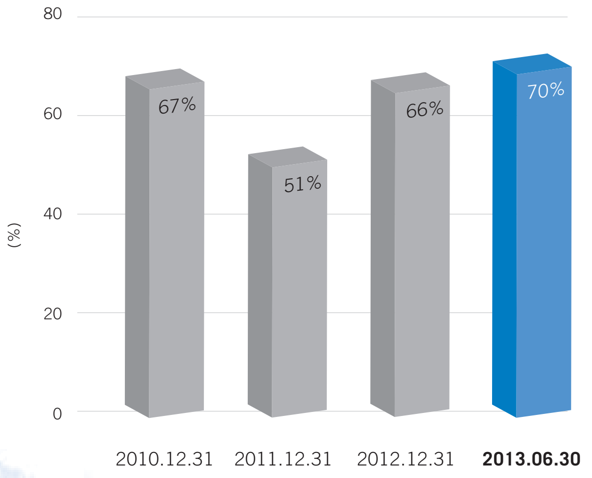
EBITDA / Net finance cost



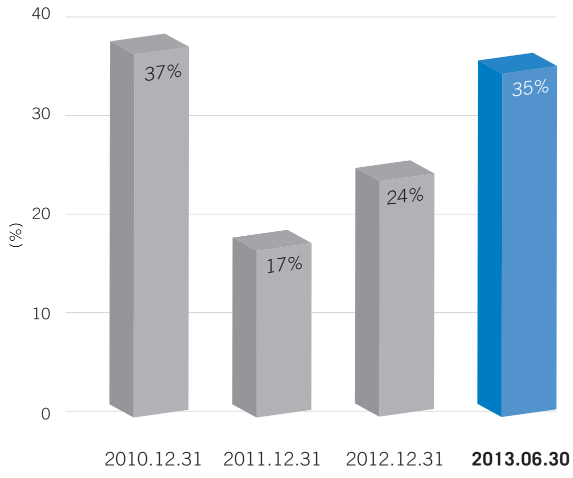
Total debts / EBITDA



Total debt / (Total debt + Net worth)



Gearing ratio#



* Alternative ratio = EBITDA / (Net finance cost - associated interest expense of pledged deposits)

\# Gearing ratio = (Total bank loans - cash and pledged deposits) / Total assets

Liquidity, Financial Resources and Capital Structure

The Group adopts stringent financial management policies and maintains a healthy financial condition. The Group funds its business operations and general working capital by internally generated financial resources and bank borrowings.

As of 30 June 2013, the Group recorded net current liabilities of RMB2,522.7 million which were mainly due to the addition of coal mining rights and the reclassification of prepayments to property, plant and equipment related to the newly established Xinglong Coal and Hongyuan Coal, and the reclassification of some of the non-current bank loans as current bank loans.

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 has also engaged in active discussions with several banks as to the raise of medium-term loan, which were indicated in previous announcement dated 22 May 2013.

The management has taken initiative to strengthen the Group's working capital cycle during the period. As of 30 June 2013, the cash and bank balances of the Group amounted to RMB719.0 million (as of 31 December 2012: RMB1,190.5 million), representing a decrease of 39.6% as compared with the balance as of 31 December 2012. The decrease in cash and bank balances was mainly due to the then Group's determination to preserve cash in December 2012 to repay the current portion of some long-term loans in early 2013, and increase in domestic purchase which more bank deposits are pledged to the banks. The cash level as of 30 June 2013 was in line with the Group's policy.

As of 30 June 2013, the total bank and other borrowings of the Group were RMB8,863.8 million (as of 31 December 2012: RMB7,273.4 million), RMB6,102.2 million of which were repayable within one year and carried interest at market rates ranging from 1.30% to 8.52% (31 December 2012: 1.21% to 8.00%) per annum.

Non-current secured bank loans as of 30 June 2013 and 31 December 2012 carried at variable and fixed interest rates.

As of 30 June 2013, the Group had total banking facilities of RMB15,085.2 million (as of 31 December 2012: RMB13,497.5 million), of which RMB8,574.3 million or 56.8% (as of 31 December 2012: RMB8,461.3 million or 62.7%) were utilised.

As of 30 June 2013, the Group's cash and cash equivalents, except amounts of RMB1.4 million and RMB59.8 million which were held in Hong Kong dollars and United States dollars, respectively, were held in RMB. The Group's interest-bearing borrowings made in RMB, United States dollars and Hong Kong dollars were RMB8,487.8 million, RMB357.9 million and RMB18.2 million, respectively.

The gearing ratio (calculated as interest-bearing borrowings netted off sum of cash and cash equivalents and pledged deposits divided by total assets) of the Group as of 30 June 2013 was 35.0% (as of 31 December 2012: 24.4%).

Exposure to Fluctuations in Exchange Rates

The Group's cash and cash equivalents are held in RMB, Hong Kong dollars and United States dollars. Operating outgoings incurred by the Group's subsidiaries in the PRC are mainly denominated in RMB while overseas purchases are usually denominated in United States dollars. The Group's subsidiaries usually receive revenue in RMB.

Pledge of Assets of the Group and Guarantee

As of 30 June 2013, the Group's assets in an aggregate amount of RMB8,357.9 million (as of 31 December 2012: RMB7,416.2 million) in forms of property, plant and equipment, inventories, trade and bill receivables and bank deposits were pledged to banks for credit facilities granted to the Group.

As of 30 June 2013, Mr. XU Jihua, the chairman of the Board and an executive director of the Company (the "**Director**"), provided guarantees to banks for granting banking facilities of an amount equivalent to 4,886.8 million (as of 31 December 2012: RMB3,870.8 million) to the Group. The personal guarantees of Mr. XU has been reduced to 4,368.7 million as of the date of this report.

IMPROVEMENT OF ASSET STRUCTURE

In order to improve asset structure, the Company has reorganized the trading business of Hong Kong Qinfa Trading Limited ("**HK Qinfa Trading**"), a wholly owned subsidiary of the Group to Hong Kong Qinfa International Trading Limited, another wholly owned subsidiary of the Group, in December 2011. As at the dispatch date of the interim report, the sole asset of HK Qinfa Trading is the port located at Zhuhai, PRC. Save for holding such asset, HK Qinfa Trading is dormant as at the dispatch date of the interim report. The audited financial information of HK Qinfa Trading is as follows:

	Six months ended 30 June	
	2013	2012
	USD'000	USD'000
Revenue	**–**	–
Gross loss	**–**	(896)
Net profit/(loss) before tax	**62**	(1,714)

	30 June 2013	31 December 2012
	USD'000	USD'000
Total assets	**49,128**	12,689
Net assets	**12,751**	12,689

CONTINGENT LIABILITIES

As of 30 June 2013, the Group did not have any material contingent liabilities.

CASH INTERIM DIVIDEND

The Board has resolved to declare a cash interim dividend of HK cent 1.0 per Share, representing 73.7% of the Group's profit available for distribution for the period ended 30 June 2013. The interim dividend will be paid by way of Hong Kong dollars on or about 25 November 2013 to members whose names appear on the register of members of the Company on 4 November 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1 November 2013 to 4 November 2013, both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 31 October 2013.

EMPLOYEES AND REMUNERATION

As of 30 June 2013, the Group employed 1,828 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 with outstanding performance.

Members of the Group 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, members of the Group 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. Members of the Group incorporated in Hong Kong have participated in mandatory provident fund scheme, if applicable, in accordance with the applicable Hong Kong laws and regulations.

Moreover, a pre-IPO share option scheme was adopted in June 2009 to retain employees who have made contribution to the success of the Group. As of 30 June 2013, there were outstanding share options to subscribe for 14,000,000 ordinary shares of the Company ("**Shares**") in aggregate granted under the pre-IPO Share Option Scheme to an executive Director and 20 employees of the Group. On 17 January 2012, the Company has further granted share options to 15 employees to subscribe for a total of 20,751,196 Shares under the Share Option Scheme adopted on 12 June 2009. As of 30 June 2013, there are share options outstanding to subscribe for 29,192,840 Shares. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

BUSINESS OUTLOOK

China's economy is entering into a transition period from the previous high-growth economy to a medium-growth stage. It is expected that China's economy will see stability in overall operation, progress through stability in structural adjustment and upgrading with stability in transformation, while the inventory of the major coal sectors in the PRC gradually used in the second half of the year. It is also expected that the growth of gross domestic product ("**GDP**") in China would be higher than most of the developed countries around the world and that the coal inventory will remain the most cost-efficient consumption energy in the foreseeable future. Therefore, the Directors are cautiously optimistic about the future of the coal sector in China.

Since the Group is an operator in coal sector providing services emerging from the geographical disparity and the transportation bottlenecks and has six quality coal mines in Shanxi Province, the Directors believe that the Group's business shall continue to have the competitive advantages to capture the following market opportunities:

(1) China is the largest coal consumption and production country in the world. Demand on coal for four major industries, namely power industry, metallurgy industry, chemical industry and construction materials accounts for approximately 70% of total coal consumption, of which coal consumption of electricity industry (thermal coal) accounts for more than 50% of total consumption. In the context of overcapacity, an integrated coal enterprise producing high quality coal with low cost will be the core competitiveness. Backward production capacity will be inevitably phased out in the near future. Huameiao Energy has the required operational scale in Shanxi Province, in which the Xingtao coal mine operated by Huameiao Energy was a Grade 1 Safety Demonstration Mine appraised by China National Coal Association. An integrated logistic supply chain will help the Group effectively overcome adversities and obtain good operating results.

(2) The price of thermal coal in coastal cities will be supported by favorable seasonal factors. The Directors expect that the demand for coal will gradually maintain a steady growth in the second half of 2013.

(3) Various measures for supporting growth have been launched by the People's Government of Shanxi Province, including the suspension of the charges of the "environmental restoration fund" of RMB10 per tonne and the "coal mine transformation fund" of RMB5 per tonne from 1 August 2013 to 31 December 2013. As a result, the Group will improve its cash flow more efficiently and enhance our competitive edge in the future.

In view of the anticipated stable demand for coal, the Group will continue to improve its business model with the following initiatives:

Integration of Huameiao Energy to ensure a stable supply of coal

Upon successful acquisition of Huameiao Energy, the Group is benefited from stable coal supply, higher gross profit margin and strong cash flow. With the growing coal production from Huameiao Energy, the Group can provide sufficient coal to meet the demand from the clients which require stable source of coal supply. The Group also operates an integrated logistic network which allows ample absorption and realisation of the coal produced. The Directors expect that the gross profit margin of the Group will continue to improve with the increasing portion of self-produced coal. The strong cash flow of the Group also enables the Group to improve its working capital position. This vertical integration strategy enhances the Group's competitiveness and further strengthens the relationship between the Group and its customers.

Developing new selling model and expansion of the customer base

In addition to maintaining the well-established business relationship, the Group has proactively taken the initiative to increase the coal sales to new and existing customers. Many of the Group's customers are large scale Stated-owned enterprises in China operating power plants in China. Since the Group only supplies coal to a small part of the total coal required by these clients, the Group will continue to boost the coal sales to these existing customers. Moreover, by using Taizhou port, Rugao port, Zhenhai port and Huangpu port in Eastern China, and Nansha port and Zhuhai port in South China as the transit bases, the Group will further expand its customer base "from sea to river" (from coastal areas to the river banks of Yangtze River and Pearl River).

During the first half of 2013, the Group tried its utmost to enhance the joint and strategic cooperation with large upstream and downstream customers. Benefit from the cancellation of the price intervention of power coal by the National Development and Reform Commission and the emerging opportunity of completing open marketization of coal trading in the PRC, the Group will continue to fully utilise the opportunities to maintain a rapid and quality growth. The Directors are confident that with their joint efforts, they could bring the Group's operation in the second half of 2013 to an upper level.

AUDITOR'S REPORT

REVIEW REPORT TO THE BOARD OF DIRECTORS OF CHINA QINFA GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 17 to 45 which comprises the consolidated statement of financial position of China Qinfa Group Limited (the "Company") and its subsidiaries (together the "Group") as at 30 June 2013 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim financial reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 Interim financial reporting.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 August 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2013

	Note	**Six months ended 30 June**	
		2013	2012
		RMB'000	RMB'000
Turnover	4	**4,511,411**	4,907,331
Cost of sales		**(3,983,026)**	(4,200,519)
Gross profit		**528,385**	706,812
Other income	5	**1,151**	5,366
Distribution expenses		**(65,183)**	(93,571)
Administrative expenses		**(123,382)**	(134,479)
Other expenses	6	**(120,877)**	(97,042)
Results from operating activities		**220,094**	387,086
Finance income		**35,995**	16,072
Finance costs		**(273,204)**	(256,417)
Net finance costs	7(a)	**(237,209)**	(240,345)
Share of loss of associates	12	**(2,170)**	(2,147)
(Loss)/profit before taxation	7	**(19,285)**	144,594
Income tax expense	8	**41,719**	(20,908)
Profit for the period		**22,434**	123,686
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(12,211)**	3,292
Other comprehensive (loss)/income for the period (after tax and reclassification adjustment)		**(12,211)**	3,292
Total comprehensive income for the period		**10,223**	126,978

The notes on pages 25 to 45 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 23.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2013

	Note	Six months ended 30 June 2013 RMB'000	2012 RMB'000
(Loss)/profit attributable to:			
Equity shareholders of the Company		**(30,118)**	101,164
Non-controlling interests		**52,552**	22,522
Profit for the period		**22,434**	123,686
Total comprehensive (loss)/income attributable to:			
Equity shareholders of the Company		**(42,329)**	104,456
Non-controlling interests		**52,552**	22,522
Total comprehensive income for the period		**10,223**	126,978
(Loss)/earnings per share			
Basic (loss)/earnings per share (RMB)	9(a)	**(0.01)**	0.05
Diluted (loss)/earnings per share (RMB)	9(b)	**(0.01)**	0.05

The notes on pages 25 to 45 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2013

	Note	**At 30 June 2013 RMB'000**	At 31 December 2012 RMB'000
Non-current assets			
Property, plant and equipment	10	**5,069,412**	4,662,712
Coal mining rights	11	**4,998,114**	4,479,614
Lease prepayments		**129,518**	129,588
Investments in associates	12	**93,734**	57,485
Deferred tax assets	13	**188,496**	56,373
		10,479,274	9,385,772
Current assets			
Inventories	14	**796,299**	506,119
Trade and bills receivable	15	**2,628,519**	3,703,237
Prepayments and other receivables	16	**2,014,089**	1,759,774
Pledged deposits	17	**1,726,581**	1,641,244
Cash and cash equivalents	18	**719,034**	1,190,541
		7,884,522	8,800,915
Current liabilities			
Loans and borrowings	19	**(6,102,173)**	(5,103,416)
Trade and bills payable	20	**(1,886,704)**	(3,353,794)
Other payables	21	**(2,014,279)**	(1,971,384)
Current taxation		**(404,105)**	(310,872)
		(10,407,261)	(10,739,466)
Net current liabilities		**(2,522,739)**	(1,938,551)
Total assets less current liabilities		**7,956,535**	7,447,221
Non-current liabilities			
Deferred tax liabilities		**(1,129,819)**	(1,158,344)
Other payables	21	**(137,530)**	(153,516)
Loans and borrowings	19	**(2,761,652)**	(2,169,967)
Accrued reclamation obligations		**(79,257)**	(76,728)
		(4,108,258)	(3,558,555)
Net assets		**3,848,277**	3,888,666

The notes on pages 25 to 45 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2013

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Capital and reserves	23		
Share capital		**176,266**	176,266
Perpetual subordinated convertible securities	23(e)	**156,931**	156,931
Reserves		**2,205,937**	2,298,878
Total equity attributable to equity shareholders of the Company		**2,539,134**	2,632,075
Non-controlling interests		**1,309,143**	1,256,591
Total equity		**3,848,277**	3,888,666

Approved and authorised for issue by the Board of Directors of China Qinfa Group Limited on 29 August 2013.

XU Jihua
Director

WANG Jianfei
Director

The notes on pages 25 to 45 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2013

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Reserves RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interest RMB'000	Tota equity RMB'000
At 1 January 2012		176,266	410,008	127,442	366,268	(123,179)	5,847	1,283,014	2,245,666	1,009,182	3,254,848
Total comprehensive income for the period											
Profit for the period		–	–	–	–	–	–	101,164	101,164	22,522	123,686
Other comprehensive income											
Foreign currency translation differences for foreign operations		–	–	–	–	3,292	–	–	3,292	–	3,292
Total other comprehensive income		–	–	–	–	3,292	–	–	3,292	–	3,292
Total comprehensive income		–	–	–	–	3,292	–	101,164	104,456	22,522	126,978
Transactions with equity shareholders, and non-controlling interests, recorded directly in equity											
Capital contribution received in non-wholly owned subsidiaries by non-controlling shareholders		–	–	–	–	–	–	–	–	176,456	176,456
Appropriation of maintenance and production funds	23(a)(ii)	–	–	–	56,861	–	–	(56,861)	–	–	–
Utilisation of maintenance and production funds	23(a)(ii)	–	–	–	(15,596)	–	–	15,596	–	–	–
Equity-settled share-based payments	23(b)	–	–	–	–	–	3,083	–	3,083	–	3,083
Total transactions with equity shareholders		–	–	–	41,265	–	3,083	(41,265)	3,083	176,456	179,539
At 30 June 2012		176,266	410,008	127,442	407,533	(119,887)	8,930	1,342,913	2,353,205	1,208,160	3,561,365

The notes on pages 25 to 45 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2013

	Note	Attributable to equity shareholders of the Company										
		Share capital RMB'000	Share premium RMB'000	Perpetual subordinated convertible securities RMB'000	Merger reserve RMB'000	Reserves RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 July 2012		176,266	410,008	–	127,442	407,533	(119,887)	8,930	1,342,913	2,353,205	1,208,160	3,561,365
Total comprehensive income for the period												
Profit for the period		–	–	–	–	–	–	–	156,584	156,584	52,880	209,464
Other comprehensive income												
Foreign currency translation differences for foreign operations		–	–	–	–	–	(3,857)	–	–	(3,857)	–	(3,857)
Total other comprehensive income		–	–	–	–	–	(3,857)	–	–	(3,857)	–	(3,857)
Total comprehensive income		–	–	–	–	–	(3,857)	–	156,584	152,727	52,880	205,607
Transactions with equity shareholders, and non-controlling interests, recorded directly in equity												
Issue of perpetual subordinated convertible Securities ("convertible securities")	23(e)	–	–	157,872	–	–	–	–	–	157,872	–	157,872
Convertible securities issue expenses	23(e)	–	–	(941)	–	–	–	–	–	(941)	–	(941)
Dividends declared and paid during the year	23(a)(i)	–	(33,748)	–	–	–	–	–	–	(33,748)	–	(33,748)
Capital repayment for liquidation of a non-wholly owned subsidiary to non-controlling shareholders		–	–	–	–	–	–	–	–	–	(4,449)	(4,449)
Appropriation of maintenance and production funds	23(a)(ii)	–	–	–	–	46,047	–	–	(46,047)	–	–	–
Utilisation of maintenance and production funds	23(a)(ii)	–	–	–	–	(55,011)	–	–	55,011	–	–	–
Appropriation to reserves		–	–	–	–	49,511	–	–	(49,511)	–	–	–
Equity-settled share-based payments	23(b)	–	–	–	–	–	–	2,960	–	2,960	–	2,960
Total transactions with equity shareholders		–	(33,748)	156,931	–	40,547	–	2,960	(40,547)	126,143	(4,449)	121,694
At 31 December 2012		176,266	376,260	156,931	127,442	448,080	(123,744)	11,890	1,458,950	2,632,075	1,256,591	3,888,666

The notes on pages 25 to 45 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2013

		Attributable to equity shareholders of the Company										
	Notes	Share capital RMB'000	Share premium RMB'000	Perpetual subordinated convertible securities RMB'000	Merger reserve RMB'000	Reserves RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2013		176,266	376,260	156,931	127,442	448,080	(123,744)	11,890	1,458,950	2,632,075	1,256,591	3,888,666
Total comprehensive income for the period												
(Loss)/profit for the period		–	–	–	–	–	–	–	(30,118)	(30,118)	52,552	22,434
Other comprehensive income												
Foreign currency translation differences for foreign operations		–	–	–	–	–	(12,211)	–	–	(12,211)	–	(12,211)
Total other comprehensive income		–	–	–	–	–	(12,211)	–	–	(12,211)	–	(12,211)
Total comprehensive income		–	–	–	–	–	(12,211)	–	(30,118)	(42,329)	52,552	10,223
Transactions with equity shareholders, recorded directly in equity												
Capital contribution received in non-wholly owned subsidiaries from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–
Dividends approved in respect of the previous year	23(d)	–	(49,417)	–	–	–	–	–	–	(49,417)	–	(49,417)
Distribution relating to convertible securities	23(e)	–	(2,325)	–	–	–	–	–	–	(2,325)	–	(2,325)
Appropriation of maintenance and production funds	23(a)(ii)	–	–	–	–	64,063	–	–	(64,063)	–	–	–
Utilisation of maintenance and production funds	23(a)(ii)	–	–	–	–	(24,798)	–	–	24,798	–	–	–
Equity-settled share-based payments	23(b)	–	–	–	–	–	–	1,130	–	1,130	–	1,130
Total transactions with equity shareholders		–	(51,742)	–	–	39,265	–	1,130	(39,265)	(50,612)	–	(50,612)
At 30 June 2013		176,266	324,518	156,931	127,442	487,345	(135,955)	13,020	1,389,567	2,539,134	1,309,143	3,848,277

The notes on pages 25 to 45 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2013

	Note	Six months ended 30 June 2013 RMB'000	2012 RMB'000
Cash used in operations		**(1,347,659)**	(1,502,000)
Income tax paid		**(25,695)**	(69,440)
Net cash used in operating activities		**(1,373,354)**	(1,571,440)
Net cash used in investing activities		**(584,556)**	(1,199,362)
Net cash generated from financing activities		**1,474,895**	2,883,304
Net (decrease)/increase in cash and cash equivalents		**(483,015)**	112,502
Effect of foreign exchange rate changes		**11,508**	8,169
Cash and cash equivalents at 1 January	18	**1,190,541**	592,027
Cash and cash equivalents at 30 June	18	**719,034**	712,698

The notes on pages 25 to 45 form part of this interim financial report.

1 COMPANY BACKGROUND AND BASIS OF PREPARATION

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. This interim financial report of the Company for the six months ended 30 June 2013 comprises the Company and its subsidiaries (collectively referred to as the "Group").

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, Interim financial reporting, issued by the International Accounting Standards Board ("IASB").

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. 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 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 16.

The financial information relating to the financial year ended 31 December 2012 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 March 2013.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income
- IFRS 10, Consolidated financial statements
- IFRS 12, Disclosure of interests in other entities
- IFRS 13, Fair value measurement
- Annual Improvements to IFRSs 2009-2011 Cycle
- Amendments to IFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting IFRS 12.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to IFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and segment liabilities in Note 4.

2 CHANGES IN ACCOUNTING POLICIES *(Continued)*

Amendments to IFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7.

3 ESTIMATES

The preparation of interim financial reports 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 this interim financial report, 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 2012.

4 SEGMENT REPORTING

(a) Segment results, assets and liabilities

The Group has three major reportable segments – coal business, shipping transportation and port business – 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 is adjusted profit before net finance costs and taxes. Items not specifically attributable to individual segments, such as unallocated head office and corporate administration costs are further adjusted.

Segment assets include all tangible assets, coal mining rights and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade and bills payable and other payables attributable to activities of the individual segments and loans and borrowings managed directly by the segments.

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

4 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

	Coal business		Shipping transportation		Port business		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
For the six months ended 30 June								
Turnover from external customers	**4,455,654**	4,798,553	**55,757**	108,778	**–**	–	**4,511,411**	4,907,331
Inter-segment turnover	**–**	–	**90,102**	165,771	**–**	–	**90,102**	165,771
Reportable segment turnover	**4,455,654**	4,798,553	**145,859**	274,549	**–**	–	**4,601,513**	5,073,102
Reportable segment profit/(loss) before taxation	**356,407**	405,133	**(135,706)**	(9,481)	**–**	–	**220,701**	395,652
Impairment loss of vessels under construction	**–**	–	**116,014**	–	**–**	–	**116,014**	–
Reportable segment assets as at 30 June 2013/ 31 December 2012	**16,365,529**	16,277,268	**1,314,744**	1,503,358	**1,361,813**	931,867	**19,042,086**	18,712,493
(including investments in associates)	**93,734**	57,485	**–**	–	**–**	–	**93,734**	57,485
Reportable segment liabilities as at 30 June 2013/ 31 December 2012	**(12,473,805)**	(12,148,577)	**(1,256,248)**	(1,311,527)	**(842,813)**	(587,548)	**(14,572,866)**	(14,047,652)

4 SEGMENT REPORTING *(Continued)*

(b) Reconciliations of reportable segment turnover, profit or loss, assets and liabilities

Turnover

	Six months ended 30 June 2013 RMB'000	Six months ended 30 June 2012 RMB'000
Reportable segment turnover	**4,601,513**	5,073,102
Elimination of inter-segment turnover	**(90,102)**	(165,771)
Consolidated turnover	**4,511,411**	4,907,331

Profit

	Six months ended 30 June 2013 RMB'000	Six months ended 30 June 2012 RMB'000
Reportable segment profit before taxation	**220,701**	395,652
Elimination of inter-segment loss/(profit)	**3,041**	(2,454)
Unallocated head office and corporate expenses	**(5,818)**	(8,259)
Net finance costs	**(237,209)**	(240,345)
Consolidated (loss)/profit before taxation	**(19,285)**	144,594

Assets

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Reportable segment assets	**19,042,086**	18,712,493
Elimination of inter-segment receivables and inventories	**(247,551)**	(202,943)
Elimination of receivables from head office	**(619,934)**	(456,443)
Deferred tax assets	**188,496**	56,373
Unallocated assets	**699**	77,207
Consolidated total assets	**18,363,796**	18,186,687

Liabilities

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Reportable segment liabilities	**14,572,866**	14,047,652
Elimination of inter-segment payables	**(400,704)**	(202,709)
Elimination of payables to head office	**(1,240,142)**	(1,016,162)
Current tax liabilities	**404,105**	310,872
Deferred tax liabilities	**1,129,819**	1,158,344
Unallocated liabilities	**49,575**	24
Consolidated total liabilities	**14,515,519**	14,298,021

5 OTHER INCOME

	Note	Six months ended 30 June 2013 RMB'000	2012 RMB'000
Government grants	(i)	**565**	2,715
Gain on derivatives		**–**	2,093
Others		**586**	558
		1,151	5,366

(i) The Group received unconditional grants from local government during the period as recognition of the Group's contribution to the development of the local economy.

6 OTHER EXPENSES

	Note	Six months ended 30 June 2013 RMB'000	2012 RMB'000
Expenditure for coal mining rights	(i)	**–**	93,015
Impairment loss of vessels under construction	10	**116,014**	–
Others		**4,863**	4,027
		120,877	97,042

(i) During the six months ended 30 June 2012, Ruifeng Coal received a payment notice issued by the local government for the coal mining rights. The directors considered that the economy value and normal operation of Ruifeng Coal would not be affected due to the additional payment. As a result, the total estimated additional payment of coal mining rights of RMB93,015,000 was recognised as expenses in the consolidated statement of comprehensive income for the six months ended 30 June 2012.

In September 2012, Ruifeng Coal entered into an agreement with the local government agreeing to an additional payment of RMB73,015,000 for the coal mining rights of Ruifeng Coal ("the additional payments"), and clarified with the local government that without the timely payment of this additional amount, the coal mining rights of Ruifeng Coal would be revoked. The local government also committed that the mining area covered under the coal mining rights of Ruifeng Coal would be extended if the additional payments were paid on time. As a result, the directors considered that the additional payments for the coal mining rights of Ruifeng Coal should be capitalised as part of the cost of coal mining rights in the consolidated statement of financial position as at 31 December 2012.

7 PROFIT BEFORE TAXATION

Profit before tax is arrived at after charging/(crediting):

(a) Net finance costs

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Interest income	**(21,093)**	(16,072)
Net foreign exchange gain	**(14,902)**	–
Finance income	**(35,995)**	(16,072)
Interest on borrowings	**291,942**	252,820
Less: interest capitalised into property, plant and equipment	**(53,636)**	(25,177)
	238,306	227,643
Bank charges	**34,898**	19,649
Net foreign exchange loss	**–**	9,125
Finance costs	**273,204**	256,417
Net finance costs	**237,209**	240,345

(b) Other items

		Six months ended 30 June	
		2013	2012
	Note	**RMB'000**	RMB'000
Operating lease charges on premises		**3,566**	2,739
Depreciation for property, plant and equipment		**86,460**	91,331
Amortisation of lease prepayments		**70**	70
Amortisation of coal mining rights		**32,538**	29,270
Net realised and unrealised gain on derivatives		**–**	870
Impairment loss on inventory	14	**3,152**	13,261
Impairment loss of vessels under construction	10	**116,014**	–

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current tax		
– PRC corporate income tax	**139,174**	135,400
– Overprovision of PRC corporate income tax in prior years	**(20,245)**	(60,562)
Deferred taxation		
– Origination and reversal of temporary differences	**(160,648)**	(53,930)
	(41,719)	20,908

(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.

(ii) No provision for Hong Kong Profits Tax has been made for the subsidiaries incorporated in Hong Kong as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the period.

(iii) No provision for income tax has been made for the subsidiary located in Macau as the subsidiary did not have assessable profits subject to income tax in Macau during the period.

(iv) The provision for the PRC corporate income tax was based on the statutory rate of 25% of the assessable profits of subsidiaries which carried on businesses in the PRC.

(v) Pursuant to the Corporate Income Tax Law of the PRC, 5% withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profits earned after 1 January 2008. As at 30 June 2013, temporary withholding tax differences relating to the undistributed profits of PRC subsidiaries amounted to approximately RMB1,089,990,000 (31 December 2012: RMB1,036,814,000). Deferred tax liabilities of RMB54,499,500 (31 December 2012: RMB51,841,000) have not been recognised in respect of the tax that would be payable upon the distribution of these retained profits as the Company controls the dividend policy of these PRC subsidiaries and it has been determined that it is probable that undistributed profits of these PRC subsidiaries will not be distributed in the foreseeable future.

(vi) A subsidiary of the Group made provisions for PRC corporate income tax of RMB20,245,000 in previous years. The Group implemented a business plan to enhance the subsidiary's operations and the directors believed that the likelihood of utilisation of this PRC corporate income tax provision had become remote and therefore had decided to release it to profit or loss.

9 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the six months ended 30 June 2013 is based on the (loss)/profit attributable to equity shareholders of the Company of RMB30,118,000 (six months ended 30 June 2012: profit of RMB101,164,000) and the weighted average of 2,075,120,000 ordinary shares (six months ended 30 June 2012: 2,075,120,000) in issue during the period.

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share for the six months ended 30 June 2013 is based on the (loss)/profit attributable to equity shareholders of the Company of RMB30,118,000 (six months ended 30 June 2012: profit of RMB101,164,000) and the weighted average number of 2,045,942,000 (six months ended 30 June 2012: 2,075,120,000) ordinary shares (diluted).

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment with costs of RMB709,654,000 in aggregate (six months ended 30 June 2012: RMB357,000,000), including items relating to the port under construction of RMB256,376,000 and mining structure under construction of RMB370,152,000.

Through negotiation with a vessel constructor during the six months ended 30 June 2013, the Group entered into final agreements with the counter-party to terminate the construction of two vessels on 1 July 2013. As a result, the construction costs of these two vessels of RMB201,280,000 and corresponding vessels construction payables of RMB85,266,000 waived by the vessels constructor were finally written off and the net amount of RMB116,014,000 was recognised as an impairment loss in other expenses for the six months ended 30 June 2013.

11 COAL MINING RIGHTS

During the six months ended 30 June 2013, the additions of coal mining rights was RMB551,038,000, mainly representing the coal mining rights of Xinglong Coal and Hongyuan Coal.

12 INVESTMENTS IN ASSOCIATES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Listed investments:		
Listed shares, at cost	**49,947**	49,947
Share of losses	**(11,556)**	(8,988)
Exchange differences	**(3,922)**	(3,311)
	34,469	37,648
Unlisted investments:		
Unlisted shares, at cost	**58,877**	19,677
Share of profits	**558**	160
Exchange differences	**(170)**	–
	59,265	19,837
	93,734	57,485

The following list contains the particulars of associates, which principally affected the results or assets of the Group:

			Proportion of ownership interest			
Name of associate	Place of establishment/ incorporation	Listed/unlisted company	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Tiaro Coal Limited ("Tiaro Coal") (see Note (i))	Australia	Listed company	19.88%	–	19.88%	Coal exploration, evaluation and development
Tongmei Qinfa (Zhuhai) Holdings Co., Ltd. ("Tongmei Qinfa") (see Note (ii))	PRC	Unlisted company	49%	–	49%	Sales of coal
Paragon Coal Pty Ltd. ("Paragon Coal") (see Note (iii))	Australia	Unlisted company	16.67%	–	16.67%	Coal exploration and development

(i) In 2012, Tiaro Coal issued 12,463,180 new ordinary shares, and the Group acquired 1,200,000 shares for a total consideration of AUD264,000 (equivalent to RMB1,740,000). As a result, the Group's equity interest in Tiaro Coal was diluted from 21.15% to 19.88% during the year of 2012. The directors consider that the Group still has significant influence on Tiaro Coal.

12 INVESTMENTS IN ASSOCIATES *(Continued)*

(ii) Tongmei Qinfa was established on 28 May 2012 by Datong Coal International Trading Co., Ltd., a fellow subsidiary of Datong Coal Mine Group, and Zhuhai Qinfa Logistics Co., Ltd. ("Qinfa Logistics") with the total registered capital of RMB100,000,000. Tongmei Qinfa has its registered office and principal place of business in Zhuhai in the PRC. The Group owned 49% equity interest. Up to 30 June 2013, the Group paid capital of RMB49,000,000 to Tongmei Qinfa (31 December 2012: RMB9,800,000).

(iii) On 22 November 2012, the Group entered into a share subscription agreement with Paragon Coal, whereby the Group acquired 50,000,000 shares of Paragon Coal for a total consideration of AUD1,500,000 (equivalent to RMB9,877,000). Paragon Coal is a proprietary limited company and has an issued share of 300,000,000 ordinary shares, of which 66.67% are owned by Tiaro Coal and 16.67% are owned by Paragon Holdings Pte. Ltd.. The Group's equity interest in Paragon Coal was 16.67% as at 30 June 2013. The directors consider that the Group has significant influence on Paragon Coal.

13 DEFERRED TAX ASSETS

During the six months ended 30 June 2013, the increase in deferred tax assets was mainly arising from the accumulated taxable loss of Shuozhou Guangfa Energy Investment Limited and current period taxable losses of Qinfa Logistics.

14 INVENTORIES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Finished goods	**784,560**	291,188
Goods in transit	**–**	192,892
Fuel	**11,739**	22,039
	796,299	506,119

Provision for inventories amounted to RMB3,152,000 were made against those finished goods with net realisable value lower than carrying value as at 30 June 2013 (31 December 2012: RMB13,968,000).

15 TRADE AND BILLS RECEIVABLE

All of the trade and bills receivable are expected to be recovered within one year.

An ageing analysis of trade and bills receivable of the Group is as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 2 months	**1,418,768**	3,577,099
Over 2 months but within 6 months	**150,420**	29,500
Over 6 months but within 1 year	**1,059,331**	96,638
	2,628,519	3,703,237

Credit terms granted to customers mainly range from 0 to 60 days depending on the customer's relationship with the Group, their creditworthiness and past settlement record.

The ageing is counted from the date when trade and bills receivable are recognised.

16 PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Deposits and prepayments for equity investments	**–**	345,989
Other deposits and prepayments (see Note (i))	**1,079,003**	638,126
Amounts due from non-controlling shareholders	**803,783**	699,636
Other non-trade receivables	**131,303**	76,023
	2,014,089	1,759,774

(i) Other deposits and prepayments mainly represent the deposits and prepayments for coal business operation.

17 PLEDGED DEPOSITS

Bank deposits of RMB1,726,581,000 as at 30 June 2013 (31 December 2012: RMB1,641,244,000) were pledged to banks to secure certain of the Group's credit facilities (see Note 19).

18 CASH AND CASH EQUIVALENTS

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Cash at banks and in hand	**719,034**	1,190,541

19 LOANS AND BORROWINGS

	Note	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Current			
Secured bank loans and bank advances	(i)	**5,182,421**	3,874,893
Unsecured bank loans and bank advances	(ii)	**196,344**	380,512
Current portion of non-current secured bank loans	(iii)	**723,408**	848,011
		6,102,173	5,103,416
Non-current			
Secured bank loans	(iii)	**2,761,652**	2,169,967
		8,863,825	7,273,383

(i) Current bank loans and bank advances bear interest at rates ranging from 1.30% to 8.52% per annum as at 30 June 2013 (31 December 2012: 1.21% to 8.00% per annum). Current secured bank loans and bank advances were secured by the following assets:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Property, plant and equipment	**463,943**	482,527
Inventories	**286,000**	283,760
Trade and bills receivable	**88,785**	–
Pledged deposits	**1,373,121**	1,247,064

RMB661,530,000 (31 December 2012: RMB750,000,000) of the current secured bank loans and bank advances were guaranteed by a related party (see Note 26(b)) in addition to being pledged by the above assets.

(ii) Unsecured bank loans and bank advances bear interest at rates ranging from 2.82% to 6.20% per annum as at 30 June 2013 (31 December 2012: 1.21% to 7.30% per annum).

(iii) Non-current secured bank loans as at 30 June 2013 were pledged by pledged deposits of RMB14,829,000 (31 December 2012: RMB15,085,000), property, plant and equipment with carrying amounts of RMB1,431,266,000 (31 December 2012: RMB1,190,822,000), coal mining rights with carrying amounts of RMB4,699,938,000 (31 December 2012: RMB4,196,958,000), the Group's equity interest in Huameiao Energy, Xingtao Coal, Fengxi Coal, Chongsheng Coal, Xinglong Coal and Hongyuan Coal, and guaranteed by a related party (see Note 26(b)).

19 LOANS AND BORROWINGS *(Continued)*

Non-current secured bank loans as at 30 June 2013 bear the following interest rates:

		At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
(1)	30% premium on the per annum interest rate quoted by the People's Bank of China in respect of five-year borrowings ("5-year interest rate of PBOC")	**500,000**	500,000
(2)	USD best lending rate plus 1.5%	**167,335**	180,425
(3)	20% premium on the 5-year interest rate of PBOC	**780,000**	810,000
(4)	5% premium on the per annum interest rate quoted by the People's Bank of China with terms longer than five years	**533,700**	474,700
(5)	5-year interest rate of PBOC	**355,000**	430,000
(6)	15% premium on the 3-year interest rate of PBOC	**–**	309,790
(7)	30% premium on the 3-year interest rate of PBOC	**20,833**	33,333
(8)	Fixed rate: 8.32%	**210,000**	270,000
(9)	3% per annum over higher of 1 month HIBOR and the Hang Seng Bank's cost of funds	**8,634**	9,730
(10)	13.82% premium on the 3-year interest rate of PBOC	**300,000**	–
(11)	38% premium on the 3-year interest rate of PBOC	**600,000**	–
(12)	4% per annum over higher of 1 month HIBOR and the Hang Seng Bank's cost of funds	**9,558**	–
		3,485,060	3,017,978

The Group's non-current bank loans were repayable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 year	**723,408**	848,011
Over 1 year but within 2 years	**857,575**	722,496
Over 2 years but within 5 years	**1,303,292**	894,327
Over 5 years	**600,785**	553,144
	2,761,652	2,169,967
	3,485,060	3,017,978

20 TRADE AND BILLS PAYABLE

Credit terms granted to the Group by its suppliers ranged from 0 to 30 days. An ageing analysis of trade and bills payable of the Group is as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 month	**768,895**	2,682,899
Over 1 month but within 3 months	**368,571**	291,159
Over 3 months but within 6 months	**61**	367,000
Over 6 months but within 1 year	**739,677**	3,183
Over 1 year but within 2 years	**9,500**	9,553
	1,886,704	3,353,794

21 OTHER PAYABLES

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Current		
Other taxes payable	**270,109**	231,335
Receipts in advance	**90,701**	100,236
Construction cost payables	**603,321**	554,669
Accrued expenses	**184,808**	167,041
Factoring payable (see Note (i))	**–**	366,888
Deposits received	**180,000**	200,000
Coal mine administrative charges	**114,208**	136,461
Employee benefits	**68,805**	61,500
Coal mining rights payable (see Note (ii))	**383,677**	30,200
Other miscellaneous payables	**118,650**	123,054
	2,014,279	1,971,384
Non-current		
Payables for coal mining rights (see Note (iii))	**137,530**	153,516
	2,151,809	2,124,900

(i) It mainly represents payments received from customers when the related trade receivables were still being factored to banks.

(ii) It mainly represented the payable for the acquisition of coal mining rights of Xinglong Coal and Hongyuan Coal.

(iii) Payables for coal mining rights represent payables related to coal mining rights of Ruifeng Coal, Xingtao Coal, Fengxi Coal and Chongsheng Coal upon the local government's request. These payables will be settled in accordance with payment schedules set out in the agreements signed between the local government and the Group in 2012.

22 EQUITY-SETTLED SHARE-BASED PAYMENTS

(a) Pre-IPO Share Option Scheme

Pursuant to the sole shareholder's written resolutions passed on 12 June 2009, the Company adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Option") whereby one executive director and 25 employees of the Group were granted the rights to subscribe for shares of the Company.

The total number of shares which may be issued upon the exercise of all options granted under the Pre-IPO Option is 8,400,000 shares which were granted on 12 June 2009 with the subscription price of HKD2.52 per share.

Each option granted under the Pre-IPO Option has a vesting period of one to three years commencing from the 3 July 2009, being the date on which the Shares commenced trading on the Stock Exchange and the options are exercisable for a period of 10 years. The company has no legal or constructive obligation to repurchase or settle the option in cash.

During the six months ended 30 June 2013, no share options (six months ended 30 June 2012: Nil) under the Pre-IPO Option were exercised.

(b) Share Option Scheme

The Company has also adopted a Share Option Scheme (the "Share Option Scheme") pursuant to the sole shareholder's written resolutions passed on 12 June 2009.

The maximum number of shares that may be issued upon exercise of all options which then has been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of the shareholders' approval, in aggregate exceed 30% of the shares in issue from time to time. Unless approved by the shareholders, no option may be granted to any person which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the share options already granted or to be granted to such person (including exercised, cancelled, and outstanding share option) in the 12-month period up to and including the date of such new grant exceeding 1% of the total number of shares in issue as at the date of such new grant.

An option under the Share Option Scheme may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the board of directors of the Company, which must not be more than 10 years from the date of the grant.

On 17 January 2012, a total of 20,751,196 share options were granted to 15 eligible employees of the Company with an exercise price of HKD1.5 per share pursuant to the Share Option Scheme. The option has a vesting period of one to three years commencing from 17 January 2012. The options are exercisable for the period of 10 years.

The fair value of service received in return for share options granted under the Share Option Scheme is measured by reference to the fair value of share options. The estimate of the fair value of the share options granted is measured based on a Binomial Lattice Model.

During the six months ended 30 June 2013, no share options (six months ended 30 June 2012: Nil) under the Share Option Scheme were exercised.

23 RESERVES AND DIVIDEND

(a) Reserves

(i) Share premium

Pursuant to a written resolution of the sole shareholder passed on 12 June 2009, 749,000,000 ordinary shares of HKD0.10 each in the Company were issued at par value on 3 July 2009 by way of capitalisation of HKD74,900,000 (equivalent to RMB66,039,000) from the share premium account upon the listing of the Company's shares on The Stock Exchange.

250,000,000 ordinary shares of HKD0.10 each in the Company were issued at HKD2.52 per share under the Initial Public Offering on 3 July 2009. The excess of the proceeds totalling HKD605,000,000 (equivalent to RMB533,429,000) over the nominal value of the total number of ordinary shares issued, less certain listing costs of HKD49,562,000 (equivalent to RMB43,699,000) incurred in connection with the issue of the share capital, amounting to HKD555,438,000 (equivalent to RMB489,730,000), were credited to the share premium account.

An additional 37,500,000 ordinary shares of HKD0.10 each in the Company were issued at HKD2.52 per share on 22 July 2009 pursuant to the over-allotment option related to the International Placing. The excess of the proceeds totalling HKD90,750,000 (equivalent to RMB79,987,000) over the nominal value of the total number of ordinary shares issued, less certain listing costs of HKD10,259,000 (equivalent to RMB9,045,000) incurred in connection with the issue of share capital, amounting to HKD80,491,000 (equivalent to RMB70,942,000), were credited to the share premium account.

On 8 April 2011, 60,000 shares of HKD0.10 each in the Company were issued at HKD2.52 per share as a result of the exercise of vested options arising from the Pre-IPO Option (see Note 22(a)). The excess of the proceeds totalling HKD145,000 (equivalent to RMB122,000) was credited to the share premium of the Company. HKD48,000 (equivalent to RMB40,000) has been transferred from the share-based compensation reserve to the share premium account in accordance with the accounting policy.

Pursuant to a written resolution of the directors' meeting passed on 23 August 2012, the Company declared a special interim dividend of HKD41,502,400 (equivalent to RMB33,748,000). The amount was out of the share premium account.

Pursuant to a written resolution of the directors' meeting passed on 22 March 2013, the Company declared a final dividend of HKD62,253,600 (equivalent to RMB49,417,000). The amount was out of the share premium account.

23 RESERVES AND DIVIDEND *(Continued)*

(a) Reserves *(Continued)*

(ii) Specific reserve – maintenance and production funds

According to relevant PRC regulations, the Group is required to transfer an amount to specific reserve for the maintenance and production funds based on coal production volume and revenue of shipping business. The movement of specific reserve is as follows:

	The Group
	RMB'000
Balance at 1 January 2012	10,459
Provision for the period	56,861
Utilisation for the period	(15,596)
Balance at 30 June 2012	51,724
Provision for the period	46,047
Utilisation for the period	(55,011)
Balance at 31 December 2012	42,760
Provision for the period	64,063
Utilisation for the period	(24,798)
Balance at 30 June 2013	82,025

(b) Share-based compensation reserve

Share-based compensation reserve represents value of employee services in respect of share options granted under the Pre-IPO Option and Share Option Scheme as set out in Note 22.

(c) Dividend payable to equity shareholders attributable to the interim period

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Interim dividend declared after the interim period of HKD1 cent per share (six months ended 30 June 2012: HKD2 cents per share)	**16,533**	33,878

The interim dividend had not been recognised as a liability at the reporting date.

23 RESERVES AND DIVIDEND *(Continued)*

(d) Dividend payable to equity shareholders attributable to the previous financial year, approved during the interim period

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HKD3 cents per share (six months ended 30 June 2012: nil)	**49,417**	–

At a meeting held on 22 March 2013, the Board of Directors proposed a final dividend of HKD3 cents which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to equity holders to elect to receive such final dividend (or part thereof) in cash in lieu of such allotment.

(e) Convertible securities

On 31 December 2012, the Company issued convertible securities to Fortune Pearl International Limited ("Fortune Pearl", the ultimate holding company of the Group) with a value of HKD194,700,000 (equivalent to RMB157,872,000). The direct transaction costs attributable to the convertible securities amounted to RMB941,000.

The convertible securities are convertible at the option of the holder of convertible securities into ordinary shares of the Company at any time after 31 December 2012 at the initial conversion price of HKD1.65 per ordinary share of the Company. While the convertible securities confer a right to receive distributions at 3% per annum, the Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the convertible securities.

The convertible securities have no maturity date and are redeemable at the option of the Company at 100% or 50% of the principal amount of the convertible securities each time, on any distribution payment date at the face value of the outstanding principal amount of the convertible securities to be redeemed plus 100% or 50% (as the case may be) of distributions accrued to such date.

As the convertible securities have no contracted obligation to repay its principal nor to pay any distributions, they do not meet the definition for classification of a financial liabilities under IAS 32. As a result, the whole instrument is classified as equity, and respective distributions if and when declared are treated as equity dividends.

The Group had not elected to defer distribution payments for the six month period ended 30 June 2013, and such distribution had been fully settled as at 30 June 2013.

24 CAPITAL COMMITMENTS

Capital commitments outstanding as at the period/year end but not provided for in the interim financial report are as follows:

	At 30 June	At 31 December
	2013	2012
	RMB'000	RMB'000
Contracted for	**977,526**	1,445,681

25 OPERATING LEASES

(a) Leases as lessee

At 30 June 2013, the total future minimum lease payments of the Group under non-cancellable operating leases in respect of land and buildings are payable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 year	**6,055**	6,161
After 1 year but within 5 years	**41,115**	44,359
	47,170	50,520

(b) Leases as lessor

The Group leases out its vessels under operating leases and the future minimum lease income under non-cancellable operating leases are receivable as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 1 year	**8,153**	680

26 MATERIAL RELATED PARTY TRANSACTIONS

The Group has conducted certain transactions with Qinhuangdao Qinfa Industry Group Co., Ltd. ("Qinfa Industry"), Tongmei Qinfa and Mr. Xu during the year. Mr. Xu is the shareholder of Qinfa Industry and Fortune Pearl, the ultimate controlling party of the Group.

(a) Significant related party transactions

Recurring transactions

	Transaction amount for the six months ended 30 June		**Balance outstanding as at**	
	2013 RMB'000	2012 RMB'000	**30 June 2013 RMB'000**	31 December 2012 RMB'000
Sales of coal				
– Tongmei Qinfa	**–**	–	**–**	754,803
Purchase of coal				
– Tongmei Qinfa	**182,940**	–	**–**	–
Prepayment for coal purchase				
– Tongmei Qinfa	**445,445**	–	**445,445**	16,938
Operating leases from				
– Qinfa Industry	**403**	605	**403**	–

26 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Guarantees issued by related parties

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Guarantees issued by Mr. Xu		
– RMB	**4,180,000**	3,080,000
– HK Dollars	**674,000**	712,000
– US Dollars	**27,490**	33,950

(c) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors. Key management personnel remuneration are as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Directors' fees	**1,472**	1,147
Salaries, allowances and benefits in kind	**3,415**	3,643
Contributions to retirement benefit schemes	**26**	23
Share-based payments	**789**	–
	5,702	4,813

27 SUBSEQUENT EVENTS

Subsequent to 30 June 2013, the Group settled the final scrip dividend declared in respect of the previous financial year by cash payment of HKD59,717,200 and issuance of 3,293,985 new ordinary shares at HKD0.77 per share on 19 July 2013.

Review of the Interim Report

The Group's interim report for the six months ended 30 June 2013 has not been audited but has been reviewed by the audit committee of the Board and auditors of the Company, KPMG.

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at 30 June 2013, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**")), which were required (a) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") were as follows:

1. Interests in the Company

		Number of Shares		Approximate percentage of issued share capital of the Company (%)	
Name of Director	**Nature of interest**	**Long positions**	**Short positions**	**Long positions**	**Short positions**
Mr. XU Jihua*	Corporate	1,200,229,610 (Note 1)	Nil	57.7	Nil
Ms. WANG Jianfei	Beneficial Owner	100,000,000	Nil	4.8	Nil
Mr. WENG Li	Beneficial Owner	6,000,000	Nil	0.3	Nil
Ms. LIU Xiaomei	Beneficial Owner	1,200,000 (Note 2)	Nil	0.1	Nil

Notes:

1. 1,186,000,000 Shares are held directly by Fortune Pearl International Limited ("**Fortune Pearl**") which is wholly- owned by Mr. XU Jihua. By virtue of the SFO, Mr. XU is deemed to have interests in the 1,186,000,000 Shares. The remaining Shares are held directly by Mr. XU on behalf of Fortune Pearl.

2. The beneficial interest represents Shares that may be issued pursuant to the full exercise of the options granted to Ms. LIU under the Pre-IPO Share Option Scheme adopted by the Company on 12 June 2009.

* Mr. XU Jihua, being a Director, is also acting as the Chairman of the Board.

2. Interests in associated corporations

Name of Director	Name of associated corporations	Capacity	Number of ordinary shares	Percentage of issued shares (%)
Mr. XU Jihua	Fortune Pearl	Beneficial owner	1	100

Save as disclosed above, as at 30 June 2013, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in the Share Capital of the Company

As at 30 June 2013, the interests and short positions of the persons, other than a Director or chief executive of the Company, in the Shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:–

Ordinary shares of HK$0.10 each of the Company

	Number of Shares		Approximate percentage of issued share capital of the Company (%)	
Name of shareholder	Long positions	Short positions	Long positions	Short positions
Fortune Pearl (Note 1)	1,186,000,000	Nil	57.1	Nil
Mr. XU Da	160,000,000	Nil	7.7	Nil

Note:

1. Fortune Pearl is wholly-owned by Mr. XU Jihua, a Director.

Save as disclosed above, as at 30 June 2013, the Company had not been notified by any persons (other than Directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Right to Acquire Shares or Debentures

Other than in pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme detailed in note 23 to the unaudited interim financial report, at no time during the period ended 30 June 2013 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debts securities (including debentures) of, the Company or any other body corporate and none of the Directors (save for Ms. LIU Xiaomei who had options granted under the Pre-IPO Share Option Scheme to subscribe for 1,200,000 Shares), their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

Share Option Schemes

The Company has adopted a Pre-IPO Share Option Scheme and a Share Option Scheme on 12 June 2009. The principal terms of the two option schemes are as follows:

Pre-IPO Share Option Scheme

Pursuant to the sole shareholder's written resolutions passed on 12 June 2009, the Company adopted the Pre-IPO Share Option Scheme whereby one executive Director and 25 employees of the Group were granted the rights to subscribe for Shares on the same day.

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution by certain employees towards the growth of the Group and/or the listing of the Shares on the Stock Exchange. The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme, except that:

(i) the exercise price per share; and

(ii) the total number of Shares which may be issued pursuant to options granted under the Pre-IPO Share Option Scheme.

Save for the options which have been granted under the Pre-IPO Share Option Scheme, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so has been terminated upon the listing of the Shares on the Stock Exchange.

Set out below is further information on the outstanding options granted under the Pre-IPO Share Option Scheme as at the date of this report:

		Number of options				
Name	**Outstanding at 1 January 2013**	**Exercised during the period**	**Lapsed during the period**	**Cancelled during the period**	**Outstanding as at 30 June 2013**	**Approximate percentage of issued share capital of the Company**
Director						
LIU Xiaomei	1,200,000	–	–	–	1,200,000	0.06
Employees	14,000,000	–	1,200,000	–	12,800,000	0.62
	15,200,000	–	1,200,000	–	14,000,000	0.68

Notes:

1. The exercise price per share is HK$1.26 per share.

2. Each option granted under the Pre-IPO Share Option Scheme has a vesting period of one to three years commencing from 3 July 2009, being the date on which the Shares commenced trading ("**Listing Date**") on the Stock Exchange. The Company has no legal or constructive obligation to repurchase or settle the option in cash. The option granted are valid for a period of 10 years from 12 June 2009 to 11 June 2019.

3. Each of the grantees to whom options have been granted under the Pre-IPO Share Option Scheme will be entitled to exercise:

   (a) 30% of the total number of the options from the expiry of the first anniversary of the Listing Date;

   (b) 30% of the total number of the options from the expiry of the second anniversary of the Listing Date; and

   (c) 40% of the total number of the options can be exercised from the expiry of the third anniversary of the Listing Date.

   The fair value of options granted under Pre-IPO Share Option Scheme was determined using the "Binomial Option Pricing Model".

   The significant inputs into the model were:

   - risk-free rate of return – 3.029% per annum;

   - forecast fluctuations in share price – 56%; and

   - forecast dividend yield – 1.50% per annum.

   Based on the inputs above to the "Binomial Option Pricing Model", the total fair value of the outstanding options as at the grant date (i.e. 12 June 2009) was HK$7,649,893.

   The "Binomial Option Pricing Model" is designed to assess the fair value of options and is a common choice among various option pricing models for assessing the fair value of options. The value of the options depends on the valuation arrived at based on certain subjective assumptions on variables. Any changes in the variables used may cause a substantial effect on the assessment of the fair value of the options.

Share Option Scheme

The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons (including full time or part time employees, executive, non-executive directors and independent non-executive directors of our Group) for their contribution to, and continuing efforts to promote the interests of, the Company and to enable the Company and its subsidiaries to recruit and retain high-caliber employees.

The total number of Shares issued and which may be issued upon exercise of the options granted under the Share Option Scheme to an employee in any 12-month period shall not exceed 1% of the Shares in issue. Any further grant of options in excess of this limit shall be subject to the approval of shareholders in a general meeting.

On 17 January 2012, the Company has further granted share options (the "**Options**") to subscribe for a total of 20,751,196 new ordinary shares of the Company under the Share Option Scheme to 15 eligible participants of the Share Option Scheme (the "**Grantees**"). None of the Grantees is a director, chief executive or substantial shareholder of the Company or an associate (as defined in the Listing Rules) of any of them.

The principal terms of the Option granted are as follows:

(i) the exercise price per share is HK$1.50 per share (which represents the highest of (i) the closing price of HK$1.50 per Share as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of HK$1.392 per Share as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of HK$0.10 per Share);

(ii) The Options are valid for a period of 10 years from 17 January 2012 to 16 January 2022 (the "**Option Period**"); and

(iii) The Options may be exercisable at any time during the Option Period, provided that the maximum number of Options which each Grantee is entitled to exercise at the below period shall not exceed:

(a) in respect of the period from 17 January 2012 to 16 January 2013, 40% of the total number of Options granted to him;

(b) in respect of the period from 17 January 2013 to 16 January 2014, 30% of the total number of Options granted to him; and

(c) in respect of the period from 17 January 2014 to 16 January 2015, 30% of the total number of Options granted to him.

Set out below is further information on the outstanding options granted under the Share Option Scheme as at the date of this report:

		Number of options				
Name	**Outstanding at 1 January 2013**	**Exercised during the period**	**Lapsed during the period**	**Cancelled during the period**	**Outstanding as at 30 June 2013**	**Approximate percentage of issued share capital of the Company**
Employees	20,751,196	–	3,705,571	–	15,192,840	0.73
	20,751,196	–	3,705,571	–	15,192,840	0.73

Other Information

As at the 30 June 2013, the total number of share options outstanding is 29,192,840.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

Compliance with the Code of Corporate Governance Practices

In the opinion of the Directors, the Company has fully complied with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2013.

Model Code for Directors' Securities Transactions

The Company has adopted the Model Code as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry by the Company of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2013.