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中國秦發集團有限公司
CHINA QINFA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00866)

(I) INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015
(II) SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2014

The Board refers to the profit warning announcement of the Company dated 10 August 2015. The financial highlights of the Group for the six months ended 30 June 2015 are set out as follows:

- Turnover for the six months ended 30 June 2015 was RMB881.4 million, representing a decrease of 80.2% as compared to the corresponding period in 2014.
- Coal handling and trading volume for the six months ended 30 June 2015 was 2.5 million tonnes, representing a decrease of 77.2% as compared to the corresponding period in 2014.
- Gross loss margin for the six months ended 30 June 2015 was 35.5%. As compared with gross profit margin 3.5% to the corresponding period in 2014, the gross loss was mainly due to continuous decrease in the average selling prices for thermal coal in China in 2015.
- Loss attributable to equity shareholders of the Company for the six months ended 30 June 2015 was RMB707.0 million, as compared with RMB381.6 million for the corresponding period in 2014. The loss included non-cash loss arising from the impairment losses on trade and other receivables and impairment losses on interests in associates in the total amount of RMB98.4 million.

The board (the "**Board**") of directors (the "**Directors**") of China Qinfa Group Limited (the "**Company**") refers to the profit warning announcement of the Company dated 10 August 2015. The Board hereby announces the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2015 with comparative figures for the six months ended 30 June 2014.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
Continuing operations			
Revenue	*5*	**881,437**	4,457,384
Cost of sales		**(1,193,917)**	(4,299,417)
Gross (loss)/profit		**(312,480)**	157,967
Other income, gains and losses	*6*	**4,356**	64,196
Distribution expenses		**(30,939)**	(45,530)
Administrative expenses		**(94,726)**	(110,586)
Other expenses		**(104,153)**	(3,057)
Results from operating activities		**(537,942)**	62,990
Finance income		**2,313**	18,379
Finance costs		**(194,241)**	(369,133)
Net finance costs	*7(a)*	**(191,928)**	(350,754)
Share of loss of associates		**(7,372)**	(3,035)
Loss before taxation	*7*	**(737,242)**	(290,799)
Income tax expense	*8*	**(22,745)**	(64,729)
Loss for the period from continuing operations		**(759,987)**	(355,528)
Discontinued operation			
Loss for the period from discontinued operation	*12*	**(69,505)**	–
Loss for the period		**(829,492)**	(355,528)
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(159)**	6,506
Other comprehensive (loss)/income for the period, net of tax		**(159)**	6,506
Total comprehensive loss for the period		**(829,651)**	(349,022)

		Six months ended 30 June	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
(Loss)/profit attributable to:			
Equity shareholders of the Company		**(707,029)**	(381,555)
Non-controlling interests		**(122,463)**	26,027
Loss for the period		**(829,492)**	(355,528)
Total comprehensive (loss)/income attributable to:			
Equity shareholders of the Company		**(707,188)**	(375,049)
Non-controlling interests		**(122,463)**	26,027
Total comprehensive loss for the period		**(829,651)**	(349,022)
Loss per share from continuing and discontinued operations attributable to the equity shareholders of the Company during the period			
Basic and diluted loss per share	*9*		
– from continuing operations		**(RMB32 cents)**	(RMB18 cents)
– from discontinued operation		**(RMB2 cents)**	–
		(RMB34 cents)	(RMB18 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2015

	Notes	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment		**5,348,169**	7,028,164
Coal mining rights		**4,627,673**	4,633,632
Lease prepayments		**5,283**	112,921
Interests in associates		**45,717**	77,267
Deferred tax assets		**17,703**	19,384
		10,044,545	11,871,368
Current assets			
Inventories		**302,690**	326,355
Trade and bill receivables	*10*	**893,330**	1,268,992
Prepayments and other receivables	*11*	**654,004**	863,461
Pledged deposits		**48,538**	497,129
Cash and cash equivalents		**5,748**	53,864
		1,904,310	3,009,801
Assets held for sale	*12*	**1,923,613**	–
		3,827,923	3,009,801
Current liabilities			
Trade and bill payables	*13*	**(1,083,205)**	(1,048,131)
Other payables	*14*	**(2,110,537)**	(2,258,701)
Interest-bearing borrowings	*15*	**(2,785,700)**	(4,734,105)
Tax payable		**(246,901)**	(247,145)
		(6,226,343)	(8,288,082)
Liabilities directly associated with assets held for sale	*12*	**(1,454,946)**	–
		(7,681,289)	(8,288,082)
Net current liabilities		**(3,853,366)**	(5,278,281)
Total assets less current liabilities		**6,191,179**	6,593,087

	Notes	**At 30 June 2015** *RMB'000*	At 31 December 2014 *RMB'000*
Non-current liabilities			
Other payables	*14*	**(78,997)**	(95,782)
Interest-bearing borrowings	*15*	**(3,331,401)**	(2,917,796)
Accrued reclamation obligations		**(76,869)**	(74,693)
Deferred tax liabilities		**(1,159,537)**	(1,138,474)
		(4,646,804)	(4,226,745)
Net assets		**1,544,375**	2,366,342
Capital and reserves			
Share capital		**176,531**	176,531
Perpetual subordinated convertible securities		**156,931**	156,931
Reserves		**82,088**	781,592
Total equity attributable to equity shareholders of the Company		**415,550**	1,115,054
Non-controlling interests		**1,128,825**	1,251,288
Total equity		**1,544,375**	2,366,342

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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 (the "**Listing Date**"). These interim financial statements of the Company for the six months ended 30 June 2015 comprises the Company and its subsidiaries (collectively referred to as the "**Group**").

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

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

These interim financial statements contain condensed consolidated financial statements and selected explanatory information. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2014. 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**"), and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

The interim financial statements have not been audited.

1.1 Going concern basis

The Group incurred a consolidated net loss of approximately RMB829,492,000 for the six months ended 30 June 2015 and, as of that date, the Group recorded net current liabilities of approximately RMB3,853,366,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The condensed consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 30 June 2015 and subsequently thereto up to the date of approval of the condensed consolidated financial statements. In order to improve the Group's financial positions, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted several measures together with other measures in progress at the date of approval of these condensed consolidated financial statements which include, but not limited to, the followings:

(i) Apply cost control measures in cost of sales and administrative expenses;

(ii) The Group is currently in the process of negotiating with certain banks to obtain new banking facilities with an aggregate amount of RMB330,000,000;

(iii) Subsequent to 30 June 2015, the Group has renewed interest-bearing borrowings of RMB196,302,000. The renewed interest-bearing borrowings would be repayable after 30 June 2016 except interest-bearing borrowings of RMB74,540,000 would be due before 30 June 2016;

(iv) For interest-bearing borrowings which will be mature before 30 June 2016, the Group will actively negotiate with the banks when they fall due to secure necessary fund to meet the Group's working capital and financial requirements in the future. The directors of the Company, having evaluated all the relevant facts available to them, are of the opinion that the Group would be able to renew such interest-bearing borrowings upon maturity; and

(v) The disposal of 60% equity interest in Zhuhai Qinfa Port Co., Limited ("**Zhuhai Port**") was completed on 7 August 2015 and the proceeds of RMB350,000,000 were received in August 2015.

In addition to the above measures, the directors of the Company have prepared a cash flow forecast for the next twelve months and are of the opinion that the Group would generate positive cash inflows from its operations.

On the basis of the successful implementation of the measures described above and after assessing the Group's current and forecasted cash positions, the directors of the Company are satisfied that the Group will be able to meet their financial obligations in full in the foreseeable future. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated financial statements for the six months ended 30 June 2015 on a going concern basis.

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

2 CHANGES IN ACCOUNTING POLICIES

In the preparation of the condensed consolidated financial statements for the six months ended 30 June 2015, the Group has applied, for the first time, the following revised standards and a new interpretation issued by the IASB.

IAS 19 Amendments	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010 – 2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011 – 2013 Cycle

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

3 ESTIMATES

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

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2014.

4 SEGMENT REPORTING

(a) Segment results, assets and liabilities

The Group has three reportable segments – coal business, shipping transportation and port business – which are the Group's strategic business units. Port business was discontinued during the period. 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 loss is adjusted loss before net finance costs and income tax expense. 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, lease prepayment, interests in associates and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade and bill payables and other payables attributable to activities of the individual segments, accrued reclamation obligations and interest-bearing 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.

	Continuing operations				Discontinued operation			
	Coal business		Shipping transportation		Port business		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
For the six months ended 30 June								
Revenue from external customers	**811,086**	4,391,228	**70,351**	66,156	**26,122**	–	**907,559**	4,457,384
Inter-segment revenue	**–**	–	**–**	65,386	**–**	–	**–**	65,386
Reportable segment revenue	**811,086**	4,391,228	**70,351**	131,542	**26,122**	–	**907,559**	4,522,770
Reportable segment (loss)/profit before taxation	**(539,217)**	44,485	**9,274**	22,323	**(31,359)**	–	**(561,302)**	66,808
Impairment losses on interests in associates	**24,138**	–	**–**	–	**–**	–	**24,138**	–
Impairment losses on trade receivables	**68,875**	–	**–**	–	**–**	–	**68,875**	–
Impairment losses on other receivables	**5,381**	–	–	–	–	–	**5,381**	–
Reportable segment assets as at 30 June 2015/ 31 December 2014	**11,456,831**	12,399,005	**894,959**	896,359	**1,925,348**	1,998,886	**14,277,138**	15,294,250
(including interests in associates)	**45,717**	77,267	**–**	–	**–**	–	**45,717**	77,267
Reportable segment liabilities as at 30 June 2015/ 31 December 2014	**(9,616,842)**	(9,818,480)	**(915,809)**	(933,003)	**(1,454,946)**	(1,458,739)	**(11,987,597)**	(12,210,222)

(b) Reconciliations of reportable segment revenue and loss before taxation from continuing and discontinued operations, assets and liabilities

Revenue from continuing and discontinued operations

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Reportable segment revenue	**907,559**	4,522,770
Elimination of inter-segment revenue	**–**	(65,386)
Consolidated revenue from continuing and discontinued operations	**907,559**	4,457,384

Loss before taxation from continuing and discontinued operations

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Reportable segment (loss)/profit before taxation	**(561,302)**	66,808
Elimination of inter-segment loss	**–**	9
Unallocated head office and corporate expenses	**(15,371)**	(6,862)
Net finance costs	**(230,074)**	(350,754)
Consolidated loss before taxation from continuing and discontinued operations	**(806,747)**	(290,799)

Assets

	At 30 June	At 31 December
	2015	2014
	RMB'000	*RMB'000*
Reportable segment assets	**14,277,138**	15,294,250
Elimination of inter-segment receivables	**(424,635)**	(434,207)
Deferred tax assets	**17,703**	19,384
Unallocated assets	**2,262**	1,742
Consolidated total assets	**13,872,468**	14,881,169

Liabilities

	At 30 June	At 31 December
	2015	2014
	RMB'000	*RMB'000*
Reportable segment liabilities	**11,987,597**	12,210,222
Elimination of inter-segment payables	**(1,074,661)**	(1,086,257)
Tax payable	**246,901**	247,145
Deferred tax liabilities	**1,159,537**	1,138,474
Unallocated liabilities	**8,719**	5,243
Consolidated total liabilities	**12,328,093**	12,514,827

5. REVENUE

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

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Sales of coal	**811,086**	4,391,228
Charter hire income	**70,351**	66,156
	881,437	4,457,384

6 OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Leasing income	**–**	68,750
Government subsidies *(Note)*	**3,237**	5,020
Foreign exchange loss, net	**(1,344)**	(14,381)
Gain on disposal of property, plant and equipment	**65**	–
Others	**2,398**	4,807
	4,356	64,196

Note: The Group received unconditional subsidies from local government during the periods as recognition of the Group's contribution to the development of local economy.

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Interest income	**(2,313)**	(18,379)
Interest on interest-bearing borrowings wholly repayable within five years	**222,149**	338,880
Interest charge on unwinding of discounts	**2,177**	2,593
Less: interest capitalised into property, plant and equipment*	**(30,085)**	(29,812)
	194,241	311,661
Bank charges	**–**	57,472
Finance costs	**194,241**	369,133
Net finance costs	**191,928**	350,754

* The borrowing costs have been capitalised at a rate of 6.93% (six months ended 30 June 2014: 7.04% to 10.87%) per annum.

(b) Other items

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Continuing operations		
Depreciation for property, plant and equipment	**87,631**	75,588
Amortisation of coal mining rights	**5,959**	33,888
Amortisation of lease prepayments	**70**	70
Write-down of inventories to net realisable value	**34,332**	–
Impairment losses on trade receivables*	**68,875**	–
Impairment losses on interests in associates*	**24,138**	–
Impairment losses on other receivables*	**5,381**	–
Property, plant and equipment written-off*	**132**	–
Discontinued operation		
Depreciation for property, plant and equipment	**44,226**	–
Amortisation of lease prepayments	**1,240**	–

* The amounts have been included in other expenses.

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Current tax expense		
– PRC Corporate Income Tax	**1**	64,952
– Under provision of PRC Corporate Income Tax in prior years	**–**	1,276
Deferred tax expense	**22,744**	(1,499)
Income tax expense	**22,745**	64,729

(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 located in Hong Kong as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the period (six months ended 30 June 2014: Nil).

(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 (six months ended 30 June 2014: Nil).

(iv) The provision for the PRC Corporate Income Tax was based on the statutory rate of 25% (six months ended 30 June 2014: 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, 10% (six months ended 30 June 2014: 10%) 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 2015 and 31 December 2014, the Group has no material temporary differences relating to the undistributed profits of PRC subsidiaries. Deferred tax liabilities have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits as the Company determined that it is probable that undistributed profits of these PRC subsidiaries will not be distributed in the foreseeable future.

9 LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic loss per share from continuing and discontinued operations for the six months ended 30 June 2015 is based on the loss attributable to ordinary equity shareholders of the Company from continuing and discontinued operations of approximately RMB667,623,000 (six months ended 30 June 2014: RMB383,869,000) and RMB41,703,000 (six months ended 30 June 2014: Nil) and the weighted average number of approximately 2,078,413,985 (six months ended 30 June 2014: 2,078,413,985) ordinary shares in issue during the period.

Loss attributable to ordinary equity shareholders of the Company

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Loss from continuing operations	**(759,987)**	(355,528)
Loss/(profit) attributable to non-controlling interests from continuing operations	**94,661**	(26,027)
Loss attributable to equity shareholders of the Company from continuing operations	**(665,326)**	(381,555)
Less: Distribution relating to perpetual subordinated convertibles securities classified as equity	**(2,297)**	(2,314)
Loss attributable to ordinary equity shareholders of the Company from continuing operations	**(667,623)**	(383,869)
Discontinued operation		
Loss from discontinued operation	**(69,505)**	–
Loss attributable to non-controlling interests from discontinued operation	**27,802**	–
Loss attributable to ordinary equity shareholders of the Company from discontinued operation	**(41,703)**	–
Loss attributable to ordinary equity shareholders of the Company from continuing and discontinued operations	**(709,326)**	(383,869)

Diluted loss per share were same as the basic loss per share as the effect of all potential ordinary share is anti-dilutive for the six months ended 30 June 2015 and 2014.

10 TRADE AND BILL RECEIVABLES

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Trade and bill receivables	**1,005,280**	1,312,139
Less: impairment	**(111,950)**	(43,147)
	893,330	1,268,992

Ageing analysis

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

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

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Within 2 months	**345,185**	519,102
Over 2 months but within 6 months	**55,958**	271,261
Over 6 months but within 1 year	**102,788**	285,078
Over 1 year but within 2 years	**388,229**	192,386
Over 2 years	**1,170**	1,165
	893,330	1,268,992

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

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

11 PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000* (Restated)
Deposits and prepayments	**204,866**	182,874
Amounts due from non-controlling shareholders	**326,603**	530,198
Other non-trade receivables	**175,488**	197,961
Less: impairment	**(52,953)**	(47,572)
	654,004	863,461

12 DISCONTINUED OPERATION, ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE

On 26 June 2015, Hong Kong Qinfa Trading Limited, a wholly owned subsidiary of the Company, entered into a conditional disposal agreement with Zhuhai Port Logistics Centre Co., Limited, a wholly owned subsidiary of Zhuhai Port Holdings Group Co., Limited to dispose of its 60% of the equity interest in Zhuhai Port for a cash consideration of RMB350,000,000 (the "**Disposal**"). Zhuhai Port Holdings Group Co., Limited is the non-controlling shareholder of Zhuhai Port who owned 40% of the equity interest in Zhuhai Port immediate before the Disposal.

Zhuhai Port was incorporated in the PRC and is principally engaged in provision of port services. The Disposal was completed on 7 August 2015. The Disposal constitutes a discontinued operation as Zhuhai Port represents the port business of the Group, a separate major line of business.

The results of the port business for the six months ended 30 June 2015 and 2014 were as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Revenue	**26,122**	–
Cost of sales	**(57,430)**	–
Gross loss	**(31,308)**	–
Other income, gains and losses	**2,012**	–
Administrative expenses	**(2,063)**	–
Results from operating activities	**(31,359)**	–
Finance income	**19**	–
Finance costs	**(38,165)**	–
Net finance costs	**(38,146)**	–
Loss before taxation	**(69,505)**	–
Income tax expense	**–**	–
Loss for the period	**(69,505)**	–

The major classes of assets and liabilities of Zhuhai Port are as follows:

	At 30 June 2015
	RMB'000
Property, plant and equipment	**1,734,527**
Lease prepayments	**106,328**
Inventories	**265**
Trade receivables	**4,323**
Prepayments and other receivables	**74,760**
Cash and cash equivalents	**3,410**
Total assets classified as held for sale	**1,923,613**
Trade payables	**1,913**
Other payables	**369,583**
Interest-bearing borrowings	**1,083,210**
Tax payable	**240**
Total liabilities directly associated with assets classified as held for sale	**1,454,946**

13 TRADE AND BILL PAYABLES

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

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
Within 1 year	**702,715**	1,001,631
Over 1 year but within 2 years	**307,790**	46,107
Over 2 years	**72,700**	393
	1,083,205	1,048,131

14 OTHER PAYABLES

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000 (Restated)
Current		
Receipts in advance	**120,120**	49,572
Accrued expenses	**379,634**	229,823
Amount due to a related company *(Note)*	**19,590**	–
Amounts due to directors *(Note)*	**6,755**	–
Perpetual subordinated convertible securities distribution payables	**4,956**	2,659
Other payables	**1,579,482**	1,976,647
	2,110,537	2,258,701
Non-current		
Other payables	**78,997**	95,782
	2,189,534	2,354,483

Note: The amounts due are unsecured, interest-free and are repayable on demand.

15 INTEREST-BEARING BORROWINGS

	Notes	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Current			
Secured bank loans	*(i)*	**1,400,191**	3,424,188
Unsecured bank loans	*(ii)*	**405,455**	514,872
Current portion of non-current secured bank loans	*(iii)*	**724,200**	713,325
Current portion of non-current unsecured bank loans	*(iii)*	**17,114**	81,720
Other borrowings	*(iv)*	**238,740**	–
		2,785,700	4,734,105
Non-current			
Secured bank loans	*(iii)*	**3,331,401**	2,677,796
Unsecured bank loans	*(iii)*	**–**	240,000
		3,331,401	2,917,796
		6,117,101	7,651,901

(i) Current secured bank loans bear interest at rates ranging from 2.85% to 8.70% (31 December 2014: 5.10% to 9.00%) per annum as at 30 June 2015.

(ii) Current unsecured bank loans bear interest at rates ranging from 6.31% to 8.40% (31 December 2014: 2.09% to 8.50%) per annum as at 30 June 2015.

(iii) Non-current bank loans (including current portions of non-current bank loans) bear the following interest rates:

		At 30 June 2015 *RMB'000*	At 31 December 2014 *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**")	**–**	340,000
(2)	20% premium on the 5-year interest rate of PBOC	**–**	635,000
(3)	Fixed rate: 7.01%	**975,000**	–
(4)	5% premium on the per annum interest rate quoted by the People's Bank of China with terms longer than five years	**–**	1,083,510
(5)	38% premium on the per annum interest rate quoted by the People's Bank of China in respect of three-year borrowings ("**3-year interest rate of PBOC**")	**585,000**	585,000
(6)	13.82% premium on the 3-year interest rate of PBOC	**–**	285,000
(7)	4.13% per annum over Raiffeisen Bank International AG's cost of fund	**17,114**	36,720
(8)	5% premium on the 3-year interest rate of PBOC	**158,700**	159,700
(9)	3-year interest rate of PBOC	**1,366,901**	587,911
(10)	5-year interest rate of PBOC	**970,000**	–
		4,072,715	3,712,841

(iv) Other borrowings bear interest at rates ranging from 6.16% to 10.00% per annum as at 30 June 2015.

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

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Property, plant and equipment	**2,768,888**	4,395,220
Coal mining rights	**4,627,673**	4,633,632
Lease prepayments	**5,283**	5,353
Inventories	**290,331**	299,756
Trade and bill receivables	**127,369**	–
Pledged deposits	**48,117**	448,462

As at 30 June 2015, the Group's interest-bearing borrowings are also secured by other receivables of a related company of which Mr. Xu Jihua is the shareholder, the ultimate holding company's equity interest in the Company and the Group's equity interest in Shanxi Huameiao Energy Group Co., Ltd. ("**Huameiao Energy**"), Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Co., Ltd. ("**Xingtao Coal**"), Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Co., Ltd., Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Co., Ltd. ("**Chongsheng Coal**"), Shanxi Xinzhou Shenchi Xinglong Coal Co., Ltd. ("**Xinglong Coal**"), Shanxi Xinzhou Shenchi Hongyuan Coal Co., Ltd. ("**Hongyuan Coal**"), Shuozhou Guangfa Energy Investment Co., Ltd. ("**Shuozhou Guangfa**"), Super Grace Enterprises Limited ("**Super Grace**") and Oriental Wise Group Limited ("**Oriental Wise**"). As at 30 June 2015, interest-bearing borrowings of RMB5,939,671,000 were guaranteed by the Company, certain subsidiaries of the Company and/or its related parties.

As at 31 December 2014, the Group's interest-bearing borrowings are also secured by the Group's equity interest in Huameiao Energy, Xingtao Coal, Chongsheng Coal, Xinglong Coal, Hongyuan Coal, Shuozhou Guangfa, Super Grace and Oriental Wise). As at 31 December 2014, interest-bearing borrowings of RMB4,535,747,000 were guaranteed by the Company, certain subsidiaries of the Company and/or related parties.

The Group's interest-bearing borrowings are repayable as follows:

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Within 1 year	**2,785,700**	4,734,105
Over 1 year but within 2 years	**2,486,401**	1,952,795
Over 2 years but within 5 years	**845,000**	304,737
Over 5 years	**–**	660,264
	3,331,401	2,917,796
	6,117,101	7,651,901

16 CAPITAL COMMITMENTS

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

	At 30 June 2015 *RMB'000*	At 31 December 2014 *RMB'000*
Property, plant and equipment	**207,035**	281,312
Interests in associates *(Note)*	**–**	6,509

Note: The Group was committed at 31 December 2014 to invest in Paragon Coal Pty Ltd which amounted to approximately Australian dollar ("**AUD**") 1,300,000 (equivalent to approximately RMB6,509,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a non-state owned thermal coal supplier in China, and it operates an integrated coal supply chain, including coal mining, purchase and sales, filtering, storage, blending and shipping transportation. During the six months ended 30 June 2015, the Group continued to focus on these business activities. The Group was also engaged in the provision of port services, which the Group has discontinued in the period in connection with the disposal of Zhuhai Port as described in note 12 to the interim financial statements. 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	
	2015	2014
Coal handling and trading *(RMB'000)*	**811,086**	4,391,228
Coal handling and trading *('000 tonnes)*	**2,488**	10,917

During the six months ended 30 June 2015, the volume of the Group's coal handling and trading recorded a 77.2% decrease as compared to the corresponding period in 2014. The monthly average coal selling prices during the six months ended 30 June 2015 were in range between RMB185 per tonne and RMB416 per tonne, which were lower than the average selling prices between RMB365 per tonne and RMB494 per tonne during the same period in 2014. The decrease in coal handling and trading volume and monthly average coal selling price were principally because of the slow down in the growth of economics in China and resulting the sluggish coal demand during 2015, as well as the decline of international energy prices which aggravated the adjustment of coal prices in China during 2015.

The average coal selling prices and the average monthly coal handling and trading volume for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 and 2014 are set forth in the table below:–

	Six months ended 30 June		Year ended 31 December		
	2015	2014	2014	2013	2012
Average coal selling price *(RMB per tonne)*	**342**	402	395	445	494
Average monthly coal handling and trading volume *('000 tonnes)*	**402**	1,820	1,328	2,003	1,841

Revenue and shipping transportation

The revenue for the shipping transportation segment for the six months ended 30 June 2015 was RMB70.4 million, representing an increase of RMB4.2 million or 6.3% from RMB66.2 million for the corresponding period in 2014. The increase in turnover was primarily due to the continuous increases in the freight shipping rates as a result of increase in chartering vessels to external customers.

Gross loss/profit and gross loss/profit margin

The Group's gross loss was RMB312.5 million during the six months ended 30 June 2015 as compared with gross profit of RMB158.0 million during the same period in 2014. The Group recorded gross loss and gross loss margin in 2015 principally because of the extended downturn of coal market in China and the sharp decrease in average selling prices of thermal coal price since the beginning of 2015, which was significantly higher than the reduction in cost of material and other costs of production.

Other expenses

During the six months ended 30 June 2015, the Group's other expenses amounted to RMB104.2 million, representing an increase of RMB101.1 million as compared to RMB3.1 million during the corresponding period in 2014. The increase was mainly due to the non-cash loss arising from the impairment losses on trade and other receivables and impairment losses on interests in associates in the total amount of RMB98.4 million.

Net finance costs

Net finance costs of the Group during the six months ended 30 June 2015 amounted to RMB191.9 million, representing a decrease of RMB158.9 million or 45.3% from RMB350.8 million during the corresponding period in 2014. The decrease was due to less trade finance was used as the coal handing and trading volume declined under the challenging conditions in the coal market in 2015.

Loss attributable to the equity shareholders of the Company

Loss attributable to the equity shareholders of the Company for the six months ended 30 June 2015 was RMB707.0 million, as compared with RMB381.6 million for the corresponding period in 2014, representing an increase in loss of 85.3%.

BUSINESS REVIEW

During the first half of the year, the economy was facing increased downward pressure, which significantly affected the demand for primary energy sources. The production volume of thermal power, crude steel and cement, which are among the three major types of coal-consuming products, showed declines of different magnitudes, leading to a further drop in general coal consumption. Coal prices also continued to fall with the decrease in demand.

Since 2013, domestic coal prices have been following a downtrend and such drop is getting more and more serious. Domestic coal prices have been plummeting during the year. The Bohai-Rim Steam-Coal Price Index in July fell nearly 20% as compared to the per-tonne price at the beginning of the year. This is a record low in the recent decade.

Affected by the macro-economy, the production and sales volume of the Group also decreased. During the six months ended 30 June 2015, the coal handling and trading volume of the Group was 2.5 million tonnes, representing a decrease of 77.2% as compared to the corresponding period in 2014.

An internet platform in Guangdong Free Trade Zone: Hengqin Coal Exchange Center

Hengqin Coal Exchange Center (the "**Center**") was established in February 2014. By capitalising on the tax incentives and financial strengths of the free trade zone and fully integrating the logistics flows, business flows, information flows and capital flows through its online coal trading platform, the Center provides its members with professional and efficient integrated solutions along the coal industry chain, such as information services, integrated logistics, trading services, offline and online transactions, quick settlement, membership services and annual international coal trading conferences, with a view to facilitating the transformation and upgrading of the coal industry through the establishment of the coal trading platform and e-commerce facilities.

The Center has already completed the fundamental work, including launching its website, building up its team, and publishing informational products and coal price indexes. It is currently actively applying for the domestic third-party payment license so as to expedite the expansion of the trading and settlement operations of the Center.

With several members including Shenhua, China Coal, Datong Coal, the five major power groups and provincial power plants, the Center is the first trading platform publishing coal trading price index on a daily basis. As one of the three largest free trade zones in Guangdong, the Hengqin Free Trade Zone enjoys the following unique advantages: (1) tax incentives; (2) proximity to Macau, allowing convenient domestic and international transportation. Besides, the platform has already entered into strategic agreements with five banks. By integrating the information flows, logistics flows and capital flows of coal trading, the platform will bring profits to the Group.

As of 30 June 2015, the Group owned and operated five 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.

	Note	**Location**	**Ownership**	**Site area** *(sq. km)*	**Operation status**
Huameiao Energy – Xingtao Coal	*1, 2*	Shuozhou Shanxi	80%	4.3	Under operation
Huameiao Energy – Fengxi Coal	*1, 3*	Shuozhou Shanxi	80%	2.4	Under operation
Huameiao Energy – Chongsheng Coal	*1, 4*	Shuozhou Shanxi	80%	2.9	Under operation
Xinglong Coal	*5, 6*	Xinzhou Shanxi	100%	4.0	Under development
Hongyuan Coal	*5, 7*	Xinzhou Shanxi	100%	4.1	Under operation
Tiaro Coal		Australia	26.31%	n.a.	Under voluntary administration

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 2014, there was no material change in total coal reserves and resources. The total coal reserves and resources as of 30 June 2015 were derived from the estimated figures after deducting the raw coal production for the period from 1 October 2011 to 30 June 2015.

(2) The production capacity for Xingtao coal mine of Huameiao Energy is 1.50 million tonnes per annum, with a total investment budget of (excluding coal washing plant) RMB380 million. The construction was commenced in October 2011. As of 30 June 2015, the accumulated actual investment was RMB393 million. The mine has started joint trial operation since 30 June 2014, and is now subject to testing and inspection.

(3) The production capacity for Fengxi coal mine of Huameiao Energy is 0.9 million tonnes per annum, with a total investment budget of RMB400 million. The construction was commenced in September 2011. As of 30 June 2015, the accumulated actual investment was RMB397 million. The coal mine and coal washing plant put into production on 21 October 2013, and the construction of the coal mine and coal washing plant was completed, delivering a capacity of 0.9 million tonnes per annum.

(4) The production capacity for Chongsheng coal mine of Huameiao Energy is 0.9 million tonnes per annum, with a total investment budget of RMB391 million. The construction was commenced in September 2011. As of 30 June 2015, the accumulated actual investment was RMB392 million. The construction of the coal mine and coal washing plant was completed, delivering a capacity of 0.9 million tonnes per annum. The mine had been put into production on 21 January 2014.

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

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 66.8 million tonnes and 96.5 million tonnes as of 30 June 2015 (after deduction of the raw coal production volume for the period from 1 June 2013 to 30 June 2015) respectively.

(6) The production capacity for Xinglong coal mine is 0.9 million tonnes per annum, with a total investment budget of RMB453 million. The construction was commenced in December 2012. As of 30 June 2015, the accumulated actual investment was RMB222 million. The mine construction, civil engineering and installation works are in progress.

(7) The production capacity for Hongyuan coal mine is 0.9 million tonnes per annum, with a total investment budget of RMB424 million. The construction was commenced in March 2013. As of 30 June 2015, the accumulated actual investment was RMB294 million.

COAL CHARACTERISTICS

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

Coal Quality Characteristic	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal
Seam	4	4	4
Moisture (%)	10.72-13.15%	2.12-2.80%	2.02-3.61%
Ash (%)	15.54-23.08%	22.65-30.62%	22.25-30.72%
Sulfur (%)	0.91-0.94%	0.66-0.79%	0.89-1.80%
Volatile Matter (%)	26.03-28.58%	23.69-24.89%	23.69-25.89%
Energy Content (MJ/kg)	19.76-21.51	17.26-18.12	17.06-18.52

OPERATING DATA

Reserves and Resources

	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal	Xinglong Coal	Hongyuan Coal	Total
Reserves						
Reserves as of 31 December 2014 (Mt)						
– Proven reserves	62.42	17.21	27.56	22.49	18.36	148.04
– Probable reserves	13.86	27.26	18.22	9.53	16.46	85.33
Total reserves as of 31 December 2014 (Mt)	76.28	44.47	45.78	32.02	34.82	233.37
Less: Total raw coal production for the period from 1 January to 30 June 2015 (Mt)	(0.14)	(0.35)	(0.28)	n.a.	n.a.	(0.77)
Reserves as of 30 June 2015 (Mt)	**76.14**	**44.12**	**45.50**	**32.02**	**34.82**	**232.60**
Resources						
Resources as of 31 December 2014 (Mt)	114.62	71.76	75.53	45.96	50.55	358.42
Less: Total raw coal production for the period from 1 January to 30 June 2015 (Mt)	(0.14)	(0.35)	(0.28)	n.a.	n.a.	(0.77)
Resources as of 30 June 2015 (Mt)	**114.48**	**71.41**	**75.25**	**45.96**	**50.55**	**357.65**

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

Raw coal production volume	Six months ended 30 June **2015** *('000 tonnes)*	2014 *('000 tonnes)*
Huameiao Energy – Xingtao Coal	**148+**	1,043+
Huameiao Energy – Fengxi Coal	**348+**	1,778+
Huameiao Energy – Chongsheng Coal	**278+**	1,128+
Ruifeng Coal	**–**	100#
Hongyuan Coal	**–**	91^
Total	**774**	4,140

Commercial coal production volume	Six months ended 30 June **2015** *('000 tonnes)*	2014 *('000 tonnes)*
Huameiao Energy – Xingtao Coal	**96+**	678+
Huameiao Energy – Fengxi Coal	**226+**	1,156+
Huameiao Energy – Chongsheng Coal	**181+**	733+
Ruifeng Coal	**–**	100#
Hongyuan Coal	**–**	91^
Total	**503**	2,758

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

^: No washing process is applied to the coal produced by Hongyuan Coal.

#: Ruifeng Coal was disposed during the year ended 31 December 2014.

Exploration, Mining and Development Expenses

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

	Six months ended 30 June **2015** *RMB'000*	2014 *RMB'000*
Materials and consumables	**28,694**	35,676
Staff cost	**59,692**	53,120
Other direct cost	**18,917**	24,815
Overhead and others	**109,685**	150,822
Evaluation fee	**3,342**	5,809
Total	**220,330**	270,242

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 and other borrowings. As of 30 June 2015, the Group recorded net current liabilities of RMB3,853.4 million which were mainly due to the decrease in current bank borrowings.

The Group has maintained its strong business relationship with its bankers to gain their continuing support and is actively discussing with its bankers for renewal of banking facilities due within 30 June 2016. As at 30 June 2015, the Group had unutilised banking facilities of RMB316.1 million. In addition, the Group also plans to apply for new banking facilities in the next twelve months. Based on the Group's business plan and cash flow forecast, and with the ongoing support from its bankers and its controlling shareholder, the Group expects to have sufficient financial resources to cover its operating costs and to meet its financing commitments.

The management has taken initiative to strengthen the Group's working capital cycle during the period. As of 30 June 2015, cash and cash equivalents of the Group amounted to RMB5.7 million (as of 31 December 2014: RMB53.9 million), representing a decrease of 89.4% as compared to cash and cash equivalents of the Group as of 31 December 2014. The decrease in cash and cash equivalents was mainly due to the cash used for working capital for operating activities and repayment of short term borrowing.

As of 30 June 2015, the total bank and other borrowings of the Group were RMB6,117.1 million (as of 31 December 2014: RMB7,651.9 million), RMB2,785.7 million of which were repayable within one year and carried interest at market rates ranging from 2.85% to 10.00% (31 December 2014: 2.09% to 9.00%) per annum.

Non-current secured bank loans as of 30 June 2015 and 31 December 2014 carried variable and fixed interest rates.

As of 30 June 2015, the Group had total banking facilities of RMB7,839.0 million (as of 31 December 2014: RMB8,314.6 million), of which RMB7,522.9 million (as at 31 December 2014: RMB6,842.6 million) were utilised.

As of 30 June 2015, the Group's cash and cash equivalents, except amounts of RMB0.5 million and RMB1.1 million which were held in Hong Kong dollars ("**HKD**") and United States dollars ("**USD**"), respectively, were held in RMB. The Group's interest-bearing borrowings made in RMB and USD were RMB6,100.0 million and RMB17.1 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 2015 was 43.7% (as at 31 December 2014: 47.7%).

Exposure to Fluctuations in Exchange Rates

The Group's cash and cash equivalents are held in RMB, HKD and USD. Operating outgoings incurred by the Group's subsidiaries in China are mainly denominated in RMB while overseas purchases are usually denominated in USD. The Group's subsidiaries usually receive revenue in RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate and no hedging transaction or forward contract arrangement was made by the Group during the six months ended 30 June 2015.

Pledge of Assets of the Group and Guarantee

As of 30 June 2015, the Group's assets in an aggregate amount of RMB7,867.7 million (as of 31 December 2014: RMB9,782.4 million) in forms of property, plant and equipment, coal mining rights, inventories, trade and bill receivables and bank deposits were pledged to banks for credit facilities granted to the Group.

As at 30 June 2015, Mr. XU Jihua, the chairman of the Board and an executive Director, and Mr. Xu Da, an executive Director and their close associates provided guarantees to banks for granting banking facilities of an amount equivalent to RMB5,939.7 million (as of 31 December 2014: RMB4,535.7 million) to the Group.

CONTINGENT LIABILITIES

As of 30 June 2015, the Group did not have any material contingent liabilities.

BUSINESS OUTLOOK

As a major energy source playing a crucial role in supporting consumption demands, the coal industry has long caught the attention of the state. "Restructuring and de-capacity" has been the main focus of coal industry reform advocated by the government. Recently, Huang Yuzhi, deputy director of the State Administration of Work Safety and director of the State Administration of Coal Mine Safety, reiterated that all coal mines with annual output of no more than 90,000 tonnes and coal and gas outburst mines shall be shut down by the end of the year.

With the support from the summer and winter peak loads, reduction of production capacity and the routine autumn maintenance of the Daqin line in October, we believe that coal prices will rebound during the second half of 2015 after touching bottom and stabilising in the first half.

In response to the slowdown in macro-economic growth in China, in order to survive the "new normal" and achieve sustainable growth, we need to grasp new development opportunities in a timely manner, take an active role in implementing reforms and push forward transformation and upgrades with our existing resources and platforms.

"Internet Plus" strategy

By capitalising on the tax incentives and financial strengths of the free trade zone and fully integrating the logistics flows, business flows, information flows and capital flows through its online coal trading platform, Zhuhai Hengqin Coal Exchange Center provides its members with professional and efficient integrated solutions along the coal industry chain, such as information services, integrated logistics, trading services, offline and online transactions, quick settlement, membership services and annual international coal trading conferences, with a view to facilitating the establishment of the coal trading platform and e-commerce facilities, as well as pushing forward the transformation and upgrading of the coal industry.

Environmentally friendly new coal-power integration

The state and the Shangxi government have been promoting the green development and clean and efficient use of coal since 2013. An ultra-high voltage power grid and an adjoining large pithead power plant have been planned to be constructed in Shenchi County, where the Xinglong coal mine and Hongyuan coal mine are located. The Group intends to cooperate with large power plants and the "Coordinated Innovation Center of Coal Resource Utilisation and Power Generation Technology" (煤炭資源化利用發電技術協同創新中心) of Zhejiang University in building a green, efficient and energy-saving new pithead thermal power plant by applying the latest research results of Zhejiang University on coal resource utilisation and circular economy in the project. The Group aims at building a green, energy-saving and efficient model pithead power plant and developing its own environmentally friendly coal-power integration, and finally widely promoting the new technology to the other power plants in China when it is ready.

Optimisation of capital operation and expansion of financing channels

Through a reasonable forecast of capital requirements, the Group will explore financing channels and methods by fully utilising the capital market and maximise the use of domestic and overseas capital, so as to optimize its debt structure and lower its asset to liability ratio and financing costs to secure its operating cash flow.

Forging ahead with project construction and ensuring safe production

The Group will quicken its pace in upgrading, redeveloping and building its coal mine projects in progress and applying for the relevant administrative approvals so that such construction projects can be completed and inspected as soon as possible. It will also organise coal production in an effective manner and strictly adhere to its safety obligations by refining the safety management and operation system and strengthening its safety technology fundamental management and safety control checks for the effective control of safe production.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") with written terms of reference in accordance with the requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The primary duties of the Audit Committee are to review and supervise the Group's financial reporting processes and internal control system.

An Audit Committee meeting was held on 28 August 2015 to review the unaudited interim financial statements for the six months ended 30 June 2015 with the management.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

To the best knowledge of the Directors, the Company was in full compliance with the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2015.

EMPLOYEES AND REMUNERATION

As of 30 June 2015, the Group employed 1,292 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, as disclosed in the prospectus of the Company dated 19 June 2009 (the "**Prospectus**"), the Company adopted a pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") and a post-IPO share option scheme (the "**Share Option Scheme**") in June 2009 to incentivize and retain staff members who have made contribution to the success of the Group. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

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

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.qinfagroup.com) and the Stock Exchange (www.hkex.com.hk). The interim report for the six months ended 30 June 2015 containing all the information required by the Listing Rules will be dispatched to the Shareholders and be available on the above websites in due course.

(II) SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2014

Reference is made to the annual report (the "**Annual Report**") of the Company for the year ended 31 December 2014 published on the websites of the Stock Exchange and the Company on 28 April 2015.

In addition to the information provided on page 33 of the Annual Report under the section headed "Connected Transactions" in the Annual Report, the Company would like to provide further information to the Shareholders and potential investors of the Company regarding the business of the Group under the Structure Contracts (as defined below).

The Group comprises China Qinfa Group (as defined in the Prospectus) and Hong Kong Qinfa Group (as defined in the Prospectus). Having considered the demand for coal imported from overseas into China and the expansion of the Group's overseas coal operation business, the Directors strategically planned to centralise the management and operation of the Group's coal business in China and overseas markets and determined that Hong Kong Qinfa Group should manage and operate the coal operation business in China through the establishment of Zhuhai Qinfa Logistics Co. Ltd. ("**Qinfa Logistics**"), a member of Hong Kong Qinfa Group and an indirect wholly-owned subsidiary of the Company in February 2008.

However, after verbal consultations with the relevant PRC governmental authorities at Zhuhai at which the Group operates its coal business, the Directors understand that the PRC governmental authorities currently do not grant Coal Operation Certificates to foreign equity controlled companies as a matter of practice. In addition, according to (i) Article 7 of (The Regulations on the Management of Waterway Transport of the PRC) promulgated by the State Council on 12 May 1987 and revised on 27 December 2008 and (ii) (the Guidance of Foreign Investment (Amended 2007)); and after the verbal consultations with the relevant PRC governmental authorities at Zhuhai, the Directors understand that the PRC laws and regulations currently prohibit the issue of Waterway Transportation Licences to foreign equity controlled companies. These views have been confirmed by the PRC legal advisers of the Company.

In order to allow Hong Kong Qinfa Group to manage and operate the coal operation business in China, the Engagement Agreements and the Pledge Agreements (as defined in the Prospectus) (collectively the "**Structure Contracts**") were entered into under which all the business activities of China Qinfa Group are managed and operated by Qinfa Logistics and all economic benefits and risks arising from the business of China Qinfa Group are transferred to Qinfa Logistics. Pursuant to the equity transfer agreements dated 25 October 2010, 15 December 2010 and 17 December 2010, equity interests of Qinhuangdao Qinfa Trading Co., Ltd., Yangyuan Guotong Coal Trading and Transportation Co., Ltd. and Datong Xiejiazhuang Jinfa Trading and Transportation Co., Ltd have been transferred to the Group. As of 31 December 2014, Zhuhai Qinfa Trading Co., Ltd ("**Zhuhai Qinfa Trading**") and Zhuhai Qinfa Shipping Co., Ltd. ("**Zhuhai Qinfa Shipping**") remained controlled by the Group under the Structure Contracts.

Mr. Xu, Ms Wang Jianfei, Mr. Xu Da, Zhuhai Qinfa Trading and Zhuhai Qinfa Shipping entered into the Engagement Agreements and the Pledge Agreements on 12 June 2009. Qinfa Logistics is entitled to all the revenue of Zhuhai Qinfa Trading and Zhuhai Qinfa Shipping after deducting all relevant costs and expenses (including taxes) and has the right to acquire any or all of the equity interests and/or assets of Zhuhai Qinfa Trading and Zhuhai Qinfa Shipping at the lowest possible amount and at such time as permitted by the relevant PRC laws and regulations. All equity holders of Zhuhai Qinfa Trading and Zhuhai Qinfa Shipping have granted to Qinfa Logistics a pledge over the equity interests in equity holders for the purpose of securing the performance of the contractual obligations under the Structure Contracts. Any amendment to the Structure Contracts shall be subject to the approvals of (i) the directors nominated by Qinfa Logistics to Zhuhai Qinfa Trading and Zhuhai Qinfa Shipping, and (ii) for the purpose of promoting good corporate governance, the Shareholders in general meeting. No amendments to the Structure Contracts can be made unless required under the Listing Rules or approved by Qinfa Logistics in writing in advance. For details of the Structure Contracts, please refer to the section headed "Reorganisation and the Structure Contracts" in the Prospectus.

The Structure Contracts, taken as a whole, permit the financial results of Zhuhai Qinfa Trading and Zhuhai Qinfa Shipping and economic benefits of their business to flow onto Qinfa Logistics. In addition, all the directors in Zhuhai Qinfa Trading and Zhuhai Qinfa Shipping are to be nominated by Qinfa Logistics. Through its control over the directors of Zhuhai Qinfa Trading and Zhuhai Qinfa Shipping, Qinfa Logistics is able to monitor, supervise and effectively control the business, operations and financial policies of Zhuhai Qinfa Trading and Zhuhai Qinfa Shipping so as to ensure due implementation of the Structure Contracts. The Structure Contracts also enable Qinfa Logistics to exercise control over and to acquire the equity interests and/or assets of Zhuhai Qinfa Trading and Zhuhai Qinfa Shipping at the lowest value and at such time as permitted by the relevant PRC laws and regulations with an undertaking from the Controlling Shareholders to provide to Qinfa Logistics all the consideration received pursuant to any such acquisition. Based on the Structure Contracts, the Directors consider that, notwithstanding the lack of equity ownership between members of Zhuhai Qinfa Trading and Zhuhai Qinfa Shipping and Hong Kong Qinfa Group, Qinfa Logistics is entitled to control the business of Zhuhai Qinfa Trading and Zhuhai Qinfa Shipping in substance. On this basis, the financial position and operating results of Zhuhai Qinfa Trading and Zhuhai Qinfa Shipping are included in the Group's consolidated financial statements.

As a result of the Structure Contracts, Zhuhai Qinfa Trading and Zhuhai Qinfa Shipping are accounted for as the Company's subsidiaries, and their financial position and operating results are consolidated in the Company's consolidated financial statements. The revenue and total asset value subject to the arrangements under the Structure Contracts amounted to approximately RMB140,192,000 for the year ended 31 December 2014 and approximately RMB73,183,000 as of 31 December 2014, respectively.

The Structure Contracts are governed by the PRC laws and provide for the resolution of disputes through arbitration in accordance with the arbitration rules of China International Economic and Trade Arbitration Commission in force at that time (the "**CIETAC Arbitration Rules**") in China. Accordingly, the Structure Contracts would be interpreted in accordance with the PRC law and any disputes would be finally resolved by arbitration in accordance with the CIETAC Arbitration Rules.

There are risks involved with the operation of the Group under the Structure Contracts. To the best knowledge of the Directors, if the Structure Contracts are considered to be in breach of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such breach, including:

– imposing economic penalties;

– discontinuing or restricting the operations of Hong Kong Qinfa Group or Zhuhai Qinfa Trading and Zhuhai Qinfa Shipping;

– imposing conditions or requirements in respect of the Structure Contracts with which Zhuhai Qinfa Trading and Zhuhai Qinfa Shipping may not be able to comply;

– requiring the Group to restructure the relevant ownership structure or operations;

– taking other regulatory or enforcement actions that could adversely affect the business of the Group; and

– revoking the business licences and/or the licences or certificates of Zhuhai Qinfa Trading and Zhuhai Qinfa Shipping and/or voiding the Structure Contracts.

The Group takes the following measures to mitigate the risk and to ensure proper implementation of the Structure Contracts:

(a) as part of the internal control measures, major issues arising from implementation and performance of the Structured Contracts are reviewed by the board of directors of Qinfa Logistics on a regular basis which is no less frequent than on a quarterly basis;

(b) matters relating to compliance and regulatory enquiries from governmental authorities (if any) are discussed at such regular meetings which is no less frequent than on a quarterly basis; and

(c) the relevant business units and operation divisions of the Hong Kong Qinfa Group report regularly, which is no less frequent than on a monthly basis, to the senior management of Qinfa Logistics on the compliance and performance conditions under the Structured Contracts and other related matters.

The Board confirmed that there is no material change in the contractual arrangements under the Structure Contracts and/or the circumstances under which they were adopted, and their impact on the Group. The Board also confirmed that there is no removal of restrictions that led to the adoption of the Structured Contracts.

RECENT DEVELOPMENT

In January 2015, the Ministry of Commerce of the PRC (the "**MOFCOM**") published the draft Foreign Investment Law (the "**Draft FIL**") under which a foreign investor may be permitted to invest directly or indirectly in restricted industries (i.e. without the need to use contractual arrangements), so long as the foreign investor's ultimate control person(s) is/are PRC investors, subject to competent authorities' approval and certain limitations. The explanatory memorandum accompanying the Draft FIL proposed three options for dealing with existing VIE structures. According to these three options, a foreign investor would only be able to retain its business under contractual arrangements after the Draft FIL becomes effective if is is in fact controlled by PRC investors, subject to reporting or verification, or otherwise with MOFCOM's prior approval.

Based on the fact that Mr. Xu holds 56.21% of the issued share capital of the Company, and is hence capable of exerting decisive impact on the management and decisions of China Qinfa Group through the Structure Contracts, the PRC legal advisers of the Company advise that Mr. Xu is likely to be deemed as "ultimate control person" under the Draft FIL and that the contractual arrangements under the Structure Contracts are likely to be permitted to continue under the Draft FIL.

Since a number of legislative stages have to be undergone before the promulgation and implementation of the new Foreign Investment Law, the Directors are given no reasonably sufficient evidence to believe that the new Foreign Investment Law will be adopted immediately and/or the new Foreign Investment Law will be the same content or form with the Draft FIL and the accompanying notes. The Company will keep a close eye on the development of legislation and retain external legal advisers who will advise on the effect and the possible solutions to ensure that timely reaction and necessary adjustment is made in accordance with the new Foreign Investment Law, and the relevant rules and regulation taking effect in the future.

SHARE OPTION SCHEMES

In relation to the section headed "Share Option Schemes" in the Annual Report, the Company would like to clarify the following:

- On page 35 of the Annual Report, the statement "The total number of Shares available for issue under the Pre-IPO Share Option Scheme is 13,600,000 Shares, representing 0.65% of the issued share capital of the Company as at 31 March 2014" should be replaced by "The total number of outstanding options granted under the Pre-IPO Share Option Scheme is 12,000,000, representing approximately 0.58% of the issued share capital of the Company as at 31 March 2015".

- On page 36 of the Annual Report, the statement "The total number of Shares available for issue under the Share Option Scheme is 8,893,369 Shares, representing 0.43% of the issued share capital of the Company as at 31 March 2015" should be replaced by "The total number of Shares available for issue under the Share Option Scheme is 91,106,631 Shares, representing approximately 4.38% of the issued share capital of the Company as at 31 March 2015".

For the avoidance of doubts, the above supplemental information does not affect other information contained in the Annual Report and the contents of the Annual Report remain unchanged.

By Order of the Board
China Qinfa Group Limited
XU Jihua
Chairman

Guangzhou, 28 August 2015

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