H K E C L T S E H K L

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中國秦發集團有限公司
CHINA QINFA GROUP LIMITED

(I C I)

(Stock code: 00866)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors refer to the profit alert announcement of the Compan dated 5 March 2018 and set forth below the final results of the Group for the ear ended 31 December 2017:

– Revenue was RMB3,005.7 million in 2017, representing an increase of 319.7% from RMB716.2 million in 2016.

– Coal handling and trading volume and commercial coal production volume in 2017 were appro imatel 7.06 million tonnes and 4.32 million tonnes respectivel , representing an increase of 232.6% and 225.4% as compared to 2016.

– Gross profit margin in 2017 was 22.8%. As compared with gross profit margin of 5.1% in 2016, the gross profit margin increase was mainl due to improvement in average selling prices of thermal coal.

– Profit attributable to equit shareholders of the Compan for the ear increased to RMB3,158.3 million in 2017, as compared with loss attributable to equit shareholders of the Compan of RMB330.5 million in 2016.

– Basic earnings per share of the Compan was RMB127 cents in 2017, representing an increase of RMB140 cents as compared with basic loss per share of RMB13 cents in 2016.

– Diluted earnings per share of the Compan was RMB121 cents in 2017, representing an increase of RMB134 cents as compared with diluted loss per share of RMB13 cents in 2016.

The Board does not recommend the pa ment of final dividends for the ear 2017.

The board (the **Board**) of directors (the **Directors**) of China Qinfa Group Limited (the **Company**) is pleased to announce the annual consolidated results and financial position of the Compan and its subsidiaries (collectivel , the **Group**) for the ear ended 31 December 2017 with comparative figures for the ear ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

F 31 D 2017

	N	**2017**	2016
		RMB'000	*RMB'000*
Revenue	*5*	**3,005,671**	716,187
Cost of sales		**(2,319,043)**	(679,684)
Gross profit		**686,628**	36,503
Other income, gains and losses	*6*	**195,771**	(55,962)
Distribution e penses		**(51,908)**	(15,993)
Administrative e penses		**(178,989)**	(189,339)
Reversal of impairment losses, net	*7( )*	**4,448,149**	604,173
Other e penses		**(34,498)**	(59,460)
Results from operating activities		**5,065,153**	319,922
Finance income		**205**	984
Finance costs		**(378,917)**	(447,939)
Net finance costs		**(378,712)**	(446,955)
Profit/(loss) before taxation	*7( )*	**4,686,441**	(127,033)
Income ta e pense	*8*	**(962,091)**	(189,694)
Profit/(loss) for the year		**3,724,350**	(316,727)
Other comprehensive (loss)/income			
Item that ma be reclassified subsequentl to profit or loss:			
Foreign currenc translation differences for foreign operations		**(13,822)**	24,524
Item that was reclassified to profit or loss:			
Foreign currenc translation differences reclassified to profit or loss upon disposal of subsidiaries		**(180)**	–
Other comprehensive (loss)/income for the year, net of tax		**(14,002)**	24,524
Total comprehensive income/(loss) for the year		**3,710,348**	(292,203)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

F 31 D 2017

	N	2017 *RMB'000*	2016 *RMB'000*
Profit/(loss) for the year attributable to:			
Equit shareholders of the Compan		**3,158,349**	(330,542)
Non-controlling interests		**566,001**	13,815
Profit/(loss) for the year		**3,724,350**	(316,727)
Total comprehensive income/(loss) for the year attributable to:			
Equit shareholders of the Compan		**3,144,347**	(306,018)
Non-controlling interests		**566,001**	13,815
Total comprehensive income/(loss) for the year		**3,710,348**	(292,203)
Earnings/(loss) per share attributable to the equity shareholders of the Company during the year	*9*		
Basic earnings/(loss) per share		**RMB127 cents**	(RMB13 cents)
Diluted earnings/(loss) per share		**RMB121 cents**	(RMB13 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

A 31 D 2017

	N	**2017** *RMB'000*	2016 *RMB'000*
Non-current assets			
Propert , plant and equipment		**4,683,766**	2,614,793
Coal mining rights		**4,417,366**	2,292,588
Lease prepa ments		**4,933**	5,073
Interest in an associate		**–**	[illegible]
		9,106,065	4,912,454
Current assets			
Inventories		**99,155**	49,652
Trade and bill receivables	*11*	**782,884**	392,342
Prepa ments and other receivables		**229,495**	281,158
Pledged and restricted deposits		**294**	2,113
Cash and cash equivalents		**80,349**	24,713
		1,192,177	749,978
Current liabilities			
Trade pa ables	*12*	**(949,950)**	(981,827)
Other pa ables		**(2,765,989)**	(2,946,743)
Borrowings	*13*	**(6,045,885)**	(6,043,271)
Ta pa able		**(282,638)**	(242,050)
		(10,044,462)	(10,213,891)
Net current liabilities		**(8,852,285)**	(9,463,913)
Total assets less current liabilities		**253,780**	(4,551,459)
Non-current liabilities			
Other pa ables		**(174,603)**	(67,717)
Accrued reclamation obligations		**(105,280)**	(96,458)
Deferred ta liabilities		**(1,178,514)**	(205,673)
		(1,458,397)	(369,848)
Net liabilities		**(1,204,617)**	(4,921,307)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
A 31 D 2017

	N	2017 RMB'000	2016 RMB'000
Capital and reserves			
Share capital		**211,224**	211,224
Perpetual subordinated convertible securities		**156,931**	156,931
Deficit		**(2,302,131)**	(5,447,702)
Total deficit attributable to equity shareholders of the Company		**(1,933,976)**	(5,079,547)
Non-controlling interests		**729,359**	158,240
Total deficit		**(1,204,617)**	(4,921,307)

(c) Going concern

As at 31 December 2017, the Group's current liabilities e ceed its current assets b appro imatel RMB8,852,285,000 and capital deficienc of RMB1,204,617,000. As at 31 December 2017, borrowings and accrued interest amounting to an aggregate amount of RMB2,805,712,000 and RMB435,551,000 respectivel were not renewed or rolled over upon maturit . The non-pa ment of loan principal and interests in accordance with the scheduled repa ment dates caused the banks and other borrowing creditors having the rights to call for immediate repa ment of all borrowings and their respective interest. In this connection, certain borrowings with scheduled repa ment terms over one ear totalling RMB1,499,842,000 have been classified as current liabilities.

As at the date of this announcement, the Group has not obtained waivers from the relevant banks on these cross default clauses, and these banks have not taken an action against the Group to demand immediate repa ment e cept for as disclosed in Note 15(a)(iv).

In addition, as at 31 December 2017, there were several pending litigations mainl requesting repa ment of long outstanding pa ables with interest against the Group, as set out in Note 15(a).

These conditions indicate the e istence of a material uncertaint which ma cast significant doubt on the Group's abilit to continue as a going concern.

The 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 31 December 2017 and subsequentl thereto up to the date of this announcement. In order to improve the Group's financial position, immediate liquidit and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Compan have adopted several measures together with other measures in progress at the date of this announcement, but not limited to, the followings:

(i) The Group applies cost control measures in cost of sales, administrative e penses and capital e penditures;

(ii) The Group is ma imising its sales efforts including seeking long term orders from power plants and coal trading companies in the PRC with a view to improving operating cash flows. Considering the stabilit of coal market and stead coal prices, the Group is e pected to generate operating cash inflows in coming ears from its e isting production facilities continuousl ;

(iii) In relation to those bank loans that have not been renewed or rolled over upon maturit or those bank loans that became immediatel repa able under the cross default clauses, the Group is in the process of negotiating with the relevant banks to e tend the repa ment and renew the loans and to obtain waivers from the lenders for the due pa ment pursuant to the relevant cross default clauses;

(iv) For borrowings which will be maturing before 31 December 2018, the Group will activel negotiate with the banks before the fall due to secure their renewals so as to ensure that the necessar funds to meet the Group's working capital and financial requirements in the future will continue to be met. The directors of the Compan do not e pect to e perience significant difficulties in renewing most of these short-term borrowings upon their maturities and there is no indication that these bank lenders will not renew the e isting short-term borrowings upon the Group's request. The directors of the Compan have evaluated the relevant facts available to them and are of the opinion that the Group would be able to renew such borrowings upon maturit ; and

(v) The Group is activel negotiating with the plaintiffs for settlement of the court cases. During the ear ended 31 December 2017, the Group successfull reached agreements with certain plaintiffs at PRC courts on settlement plans over 40 cases with an aggregate amount of RMB188,321,000 that will be repaid b monthl installment. The aggregate amount to be settled before 31 December 2018 amounted to RMB45,600,000. The directors of the Compan are of the view that the Group will be able to reach settlement plans for the remaining claims for varies plaintiffs without significant impact on the Group's cash flow in

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Other than the mining structures, propert , plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual values. The management periodicall reviews changes in technolog and industr conditions, asset retirement activit and residual values to determine adjustments to estimated remaining useful lives and depreciation rates. Actual economic lives ma differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation e penses in future periods. At 31 December 2017, the carr ing amount of the Group's propert , plant and equipment, other than the mining structures and assets under construction, was RMB1,978,755,000 (2016: RMB1,135,629,000).

( ) *N*

Net realisable value of inventories is the estimated selling price in the ordinar course of business, less estimated costs of completion and selling e penses. These estimates are based on the current market condition and the historical e perience of distributing and selling products of similar nature. It could change significantl as a result of competitor's actions in response to industr c cles or other changes in market condition. Management assesses the estimations at each reporting date. At 31 December 2017, the carr ing amount of the Group's inventories was RMB99,155,000 (2016: RMB49,652,000).

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Engineering estimates of the Group's coal reserves are inherentl imprecise and represent onl appro imate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated coal reserves can be designated as proved and probable . Proved and probable coal reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, as prices and cost levels change from ear to ear, the estimate of proved and probable coal reserves also changes as adverse changes in prices and cost levels would affect the cost effectiveness of mining the coal and hence ma cause reclassifications from reserves to resources categories. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation and amortisation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation and amortisation e penses and impairment loss. Depreciation and amortisation rates are determined based on estimated proved and probable coal reserve quantit (the denominator) and capitalised costs of mining structures and coal mining rights (the numerator). The capitalised cost of mining structures are depreciated and coal mining rights are amortised based on the units of coal produced. At 31 December 2017, the carr ing amounts of the Group's mining structures recognised in propert , plant and equipment and the Group's coal mining rights were RMB1,733,293,000 (2016: RMB737,652,000) and RMB4,417,366,000 (2016: RMB2,292,588,000) respectivel .

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The estimation of the liabilities for final reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of mone and the risks specific to the liabilit . The Group considers various factors, including future production volume and development plan, the geological structure of the mining regions and reserve volume, to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities ma turn out to be different from the actual e penditure incurred. The discount rate used b the Group ma also be altered to reflect the changes in the market assessments of the time value of mone and the risks specific to the liabilit , such as changes of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), revisions to the obligations will be recognised. At 31 December 2017, the carr ing amount of the Group's accrued reclamation obligations was RMB105,280,000 (2016: RMB96,458,000).

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The Group assesses at each reporting date whether there is an indication that non-financial assets with definite lives ma be impaired or that an impairment loss recognised in prior periods for such non-financial assets ma no longer e ist or ma have decreased. If an such indication e ists, the Group estimates the recoverable amount of the assets in accordance with the accounting polic . In assessing whether there is an indication that non-financial assets ma be impaired or that impairment loss ma have reversed, the Group considers indications from both internal and e ternal sources of information such as evidence of obsolescence or decline in economic performance of the assets, changes in market conditions and economic environment. These assessments are subjective and require management's judgements and estimations.

2. CHANGES IN ACCOUNTING POLICIES

In the preparation of the consolidated financial statements for the ear ended 31 December 2017, the Group has applied, for the first time, the following amendments issued b the IASB.

IAS 7 Amendments	Disclosure Initiative
IAS 12 Amendments	Recognition of Deferred Ta Assets for Unrealised Losses
Amendments to IFRSs	Annual Improvements to IFRSs 2014 – 2016 C cle

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. However, additional disclosure has been included to satisf the new disclosure requirements introduced b the amendments to IAS 7 Statement of cash flows: Disclosure Initiative, which require entities to provide disclosures that enable user of the financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

3. NEW AND REVISED IFRSs NOT YET ADOPTED

The Group has not applied the following new and revised IFRSs, that have been issued but are not et effective in these consolidated financial statements.

		Effective for accounting periods beginning on or after
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*
Amendments to IFRSs	Annual Improvements to IFRSs 2014 2016 C cle	1 Januar 2018
IAS 40 Amendments	Transfers of Investment Propert	1 Januar 2018
IFRS 2 Amendments	Classification and Measurement of Share-based Pa ment Transactions	1 Januar 2018
IFRS 4 Amendments	Appl ing IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 Januar 2018
IFRS 9	Financial Instruments	1 Januar 2018
IFRS 15	Revenue from Contracts with Customers	1 Januar 2018
IFRS 15 Amendments	Clarifications to IFRS 15 Revenue from Contracts with Customers	1 Januar 2018
IFRIC Interpretation 22	Foreign Currenc Transactions and Advance Consideration	1 Januar 2018
Amendments to IFRSs	Annual Improvements to IFRSs 2015 2017 C cle	1 Januar 2019
IFRS 9 Amendments	Prepa ment Features with Negative Compensation	1 Januar 2019
IFRS 16	Leases	1 Januar 2019
IFRIC Interpretation 23	Uncertaint over Income Ta Treatments	1 Januar 2019
IFRS 17	Insurance Contracts	1 Januar 2021

* On 17 December 2015, the IASB issued Effective Date of Amendments to IFRS 10 and IAS 28 . This update defers the effective date of the amendments in Sale or Contribution of Assets between an Investor and its Associate or Joint Venture that the IASB issued in September 2014. Earl application of these amendments continues to be permitted.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is e pected to be in the period of initial application. So far it has concluded that the adoption of them is unlikel to have a significant impact on the consolidated financial statements e cept for the following:

IFRS 9 Financial Instruments

IFRS 9 has introduced new requirements for a) classification and measurement of financial assets; b) impairment of financial assets; and c) general hedge accounting.

Specificall , with regard to the classification and measurement of financial assets, IFRS 9 requires all recognised financial assets that are within the scope of IFRS 9 to be subsequentl measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solel pa ments of principal and interest on the principal outstanding are generall measured at amortised cost at the end of each of the subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both b collecting contractual cash flows and selling financial assets, and that have contractual terms that are solel pa ments of principal and interest on the principal amount outstanding, are generall measured at fair value through other comprehensive income. All other debt investments and equit investments are measured at their fair value at the end of subsequent accounting periods. Further, under IFRS 9, entities ma make an irrevocable election to present subsequent changes in the fair value of an equit investment (that is not held for trading nor contingent consideration recognised b an acquirer in a business combination to which IFRS 3 applies) in other comprehensive income, with onl dividend income generall recognised in profit or loss and that cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment. The Group has assessed that its financial assets currentl measured at amortised cost will continue with their respective classification and measurements upon the adoption of IFRS 9.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liabilit that is attributable to changes in the credit risk of that liabilit is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liabilit 's credit risk are not subsequentl reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liabilit designated as fair value through profit or loss is presented in profit or loss. The Group currentl does not have an financial liabilities designated at fair value through profit or loss and therefore this new requirement will not have an impact on the Group on adoption of IFRS 9.

With regard to impairment of financial assets, IFRS 9 has adopted an e pected credit loss model, as opposed to an incurred credit loss model required under IAS 39. In general, the e pected credit loss model requires an entit to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the e pected credit loss depending on the degree of the change in credit risk. This new impairment model ma result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. Based on a preliminar assessment, the directors of the Compan e pect that the adoption of IFRS 9 is unlikel to result in significant impact on the Group's financial performance.

With regard to the general hedge accounting requirements, IFRS 9 retains the three t pes of hedge accounting mechanisms currentl available in IAS 39. Under IFRS 9, greater fle ibilit has been introduced to the t pes of transactions eligible for hedge accounting, specificall broadening the t pes of instruments that qualif for hedging instruments and the t pes of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entit 's risk management activities have also been introduced. The Group currentl does not appl an hedge accounting and therefore this new requirement will not have an impact on the Group on adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entit should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entit e pects to be entitled in e change for those goods or services. Specificall , IFRS 15 introduces a 5-step approach to revenue recognition:

Step 1: Identif the contract(s) with a customer
Step 2: Identif the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entit satisfies a performance obligation

Under IFRS 15, an entit recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underl ing the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, e tensive disclosures are required b IFRS 15.

The directors of the Compan e pect that the adoption of IFRS 15 is unlikel to result in significant impact on the Group's financial performance but it ma affect related disclosures made in the Group's consolidated financial statements.

IFRS 16 Leases

Under IFRS 16 a lessee recognises a right-of-use asset and a lease liabilit . The right-of-use asset is treated similarl to other non-financial assets and depreciated accordingl and the liabilit accrues interest. This will t picall produce a front-loaded e pense profile (whereas operating leases under IAS 17 would t picall have had straight-line e penses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liabilit will lead to an overall decrease of e pense over the reporting period.

The lease liabilit is initiall measured at the present value of the lease pa ments pa able over the lease term, discounted at the rate implicit in the lease if that can be readil determined. If that rate cannot be readil determined, the lessee shall use their incremental borrowing rate.

As with IFRS 16's predecessor, IAS 17, lessors classif leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantiall all the risks and rewards incidental to ownership of an underl ing asset. Otherwise a lease is classified as an operating lease.

For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease pa ments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underl ing asset is diminished, another s stematic basis.

Recognition exemptions

Instead of applying the recognition requirements of IFRS 16 described above, a lessee may elect to account for lease payments as an expense on a straight-line basis over the lease term or another systematic basis for the following two types of leases:

- leases with a lease term of 12 months or less and containing no purchase options – this election is made by class of underlying asset; and

- leases where the underlying asset has a low value when new (such as personal computers or small items of office furniture) – this election can be made on a lease-by-lease basis.

The directors of the Company anticipate that the application of IFRS 16 in the future may affect amounts reported and related disclosure. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the Group performs a detail review.

4. SEGMENT REPORTING

(a) Segment results, assets and liabilities

The Group has two operating and reportable segments which are the Group's strategic business units as follows:

Coal business: Coal mining, purchases and sales, filtering, storage and blending of coal in the PRC.

Shipping transportation: Time charter and voyage charter of vessels.

These strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chief Executive Officer (the "CEO") reviews internal management reports on a monthly basis.

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

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

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

Revenue and e penses are allocated to the reportable segments with reference to sales generated b those segments and the e penses incurred b those segments.

	Coal business		**Shipping transportation**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from e ternal customers	**2,857,163**	608,469	**148,508**	107,718	**3,005,671**	716,187
Inter-segment revenue	**–**	–	**20,130**	–	**20,130**	–

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

Revenue

	2017	2016
	RMB'000	*RMB'000*
Total of reportable segments revenue	**3,025,801**	716,187
Elimination of inter-segment revenue	**(20,130)**	–
Consolidated revenue	**3,005,671**	716,187

Profit/(loss) before taxation

	2017	2016
	RMB'000	*RMB'000*
Total of reportable segments profit before ta ation	**5,077,033**	327,995
Unallocated head office and corporate e penses	**(11,880)**	(8,073)
Net finance costs	**(378,712)**	(446,955)
Consolidated profit/(loss) before ta ation	**4,686,441**	(127,033)

Assets

	2017	2016
	RMB'000	*RMB'000*
Total of reportable segments assets	**10,848,131**	6,174,613
Elimination of inter-segment receivables	**(611,511)**	(522,604)
Unallocated assets	**61,622**	10,423
Consolidated total assets	**10,298,242**	5,662,432

Liabilities

	2017	2016
	RMB'000	*RMB'000*
Total of reportable segments liabilities	**11,344,724**	11,470,099
Elimination of inter-segment pa ables	**(1,308,551)**	(1,349,211)
Ta pa able	**282,638**	242,050
Deferred ta liabilities	**1,178,514**	205,673
Unallocated liabilities	**5,534**	15,128
Consolidated total liabilities	**11,502,859**	10,583,739

(c) Geographic information

At 31 December 2017, the Group's total assets are primaril dominated b assets handling its coal business and shipping transportation business. The coal is sold primaril to the PRC domestic customers and investments in all coal mines are ph sicall located in the PRC. Therefore, related assets are almost all located in the PRC. The vessels are primaril deplo ed across geographical markets for shipping transportation throughout the world. As a result, the directors of the Compan consider that it will not be meaningful to allocate the Group's assets and their related capital e penditure to specific geographical areas. Accordingl , geographical segment information is onl presented for revenue, which is based on the geographical location of customers.

Revenue from external customers

	2017	2016
	RMB'000	*RMB'000*
PRC	**2,927,911**	641,359
Other countries	**77,760**	74,828
Total	**3,005,671**	716,187

(d) Information about major customers

During the ear, revenue derived from the following customers in coal business segment with whom transactions have e ceeded 10% of the Group's revenue are as follows:

	2017	2016
	RMB'000	*RMB'000*
Customer A	**360,310**	N/A
Customer B	**320,011**	N/A
Customer C	**N/A**	155,610
Customer D	**N/A**	87,535

Revenue from customers A and B for the ear ended 31 December 2016 and revenue from customers C and D for the ear ended 31 December 2017 contributed less than 10% of the Group's revenue for the respective ear.

5. REVENUE

Revenue for the ear represents the sales of coal and charter hire income.

The amount of each significant categor of revenue recognised during the ear is as follows:

	2017	2016
	RMB'000	*RMB'000*
Sales of coal	**2,857,163**	608,469
Charter hire income	**148,508**	107,718
	3,005,671	716,187

6. OTHER INCOME, GAINS AND LOSSES

	N	2017 RMB'000	2016 RMB'000
Government subsidies	( ), ( )	**30,352**	2,479
Foreign e change (loss)/gain, net		**(5,052)**	7,716
Net losses on disposal of subsidiaries	( )	**(3,025)**	–
Net gain/(loss) on disposal of propert , plant and equipment	( )	**1,454**	(70,525)
Waiver of management fee pa ables and safet supervision fee pa ables	( )	**160,753**	–
Recover of bad debts previousl written off		**8,403**	–
Sublease income		**297**	–
Others		**2,589**	4,368
		195,771	(55,962)

N :

(i) During the ear ended 31 December 2017, the Group received unconditional subsidies from local government as recognition of the Group's contribution to the development of local econom and demolition of one vessel in the preceding ear (Note (iii)). During the ear ended 31 December 2016, the Group received unconditional subsidies from local government as recognition of the Group's contribution to the development of local econom .

(ii) On 31 December 2017, the Group disposed of eleven subsidiaries of the Group to independent third parties for an aggregate of cash consideration of United States dollars (USD") 5. The subsidiaries were dormant in nature and had no significant impact on the results and cash flows of the Group for the ear ended 31 December 2017.

(iii) During the ear ended 31 December 2017, the Group obtained government subsid of RMB30,213,000 (2016: RMB30,019,000), in respect of demolition of two vessels during the ear ended 31 December 2016 in accordance with Implementation Plan for Earl Retirement and Replacement of Obsolete and Worn-out Transportation Vessels And Singlehull Oil Tankers"《老舊運輸船舶和單殼油輪提前報廢更新實施方案》and Administrative Measure For The Special Subsidies Given B The Central Finance To Encourage Retirement And Replacement Of Obsolete and Worn-out Transportation Vessels And Single-hull Oil Tankers"《老舊運輸船舶和單殼油輪報廢更新中央財政補助專項資金管理辦法》jointl promulgated b the Ministr of Finance, the Ministr of Transport, the Development and Reform Commission, and the Ministr of Industr and Information Technolog of China (Vessel Demolition Subsid "). During the ear ended 31 December 2017, the government subsid of RMB30,213,000 has been included in government subsidies (Note (i)). During the ear ended 31 December 2016, after taking into account the government subsid compensation of RMB30,019,000, the net loss on demolition of the two vessels was RMB70,929,000 and has been included in net loss on disposal of propert , plant and equipment.

(iv) On 31 December 2017, a PRC state-owned enterprise, who is responsible for providing management services and safet supervision to Shan i Xin hou Shenchi Xinglong Coal Co., Ltd. (Xinglong Coal") and Shan i Xin hou Shenchi Hong uan Coal Co., Ltd. (Hong uan Coal"), has waived its amounts due from the Group in total of appro imatel RMB160,753,000 and such gain has been accounted for as waiver of management fee pa ables and safet supervision fee pa ables during the ear.

7. PROFIT/(LOSS) BEFORE TAXATION

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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories *(N ( ))*	**2,208,013**	675,625
Minimum lease pa ments under operating lease:		
– properties	**2,452**	14,581
– vessels	**43,283**	4,734
Depreciation of propert , plant and equipment	**159,589**	96,513
Amortisation of coal mining rights	**81,678**	21,319
Amortisation of lease prepa ments	**140**	140
Propert , plant and equipment written-off	**5,318**	2,090
Auditor's remuneration		
– audit services	**1,972**	1,852
– non-audit services	**700**	1,130
Management fee and safet supervision fee	**–**	48,090
Emplo ee benefit e penses (e cluding directors' and chief e ecutive's remuneration)		
– Salaries, allowances and benefits in kind	**334,717**	132,547
– Contribution to retirement benefit schemes	**13,303**	5,260
– Share-based pa ments	**973**	5,232
	348,993	143,039

N :

(i) Cost of inventories included RMB421,379,000 (2016: RMB180,418,000) relating to emplo ee benefit e penses, depreciation for propert , plant and equipment and amortisation of coal mining rights which amounts are also included in the respective total amounts disclosed separatel above for each of these t pes of e penses.

(b) Reversal of impairment losses, net

	2017	2016
	RMB'000	*RMB'000*
Reversal of impairment losses on propert , plant and equipment, net	**(2,087,848)**	(211,597)
Reversal of impairment losses on coal mining rights	**(2,206,456)**	(371,199)
Reversal of impairment losses on trade receivables, net	**(147,436)**	(13,568)
Reversal of impairment losses on prepa ments and other receivables, net	**(6,409)**	(7,809)
	(4,448,149)	(604,173)

8. INCOME TAX EXPENSE

Income ta e pense in the consolidated statement of comprehensive income represents:

	2017	2016
	RMB'000	*RMB'000*
Current ta e pense		
– PRC Corporate Income Ta	**7,945**	9,288
– Over-provision of PRC Corporate Income Ta in prior ears	**(18,695)**	(2,515)
Deferred ta	**972,841**	182,921
Income ta e pense	**962,091**	189,694

(i) Pursuant to the rules and regulations of the Ca man Islands and the British Virgin Islands, the Group is not subject to an income ta in the Ca man Islands and the British Virgin Islands (2016: Nil).

(ii) No provision for Hong Kong Profits Ta has been made for the subsidiaries located in Hong Kong as these subsidiaries did not have an assessable profits subject to Hong Kong Profits Ta during the ear (2016: Nil).

(iii) Provision for the PRC Corporate Income Ta was based on the statutor rate of 25% (2016: 25%) of the assessable profits of subsidiaries which carried on businesses in the PRC.

9. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculations of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinar equit shareholders of the Compan and the weighted average number of ordinar shares in issue during the ear.

The calculations of basic earnings/(loss) per share attributable to ordinar equit shareholders of the Compan for the ears ended 31 December 2017 and 2016 are based on the following data:

	2017	2016
	RMB'000	*RMB'000*
Profit/(loss) for the ear attributable to equit shareholders of the Compan	**3,158,349**	(330,542)
Less: Distribution relating to perpetual subordinated convertible securities classified as equit	**–**	(5,030)
Profit/(loss) for the ear attributable to ordinar equit shareholders of the Compan used in calculating basic earnings/(loss) per share	**3,158,349**	(335,572)
Weighted average number of ordinar shares for the purpose of basic earnings/(loss) per share	**2,493,413,985**	2,493,413,985

Diluted earnings/(loss) per share

The calculations of diluted earnings/(loss) per share attributable to ordinar equit shareholders of the Compan for the ears ended 31 December 2017 and 2016 are based on the following data:

	2017	2016
	RMB'000	*RMB'000*
Profit/(loss) for the ear attributable to ordinar equit shareholders of the Compan used in calculating basic earnings/(loss) per share	**3,158,349**	(335,572)
Add: Distribution saving relating to perpetual subordinated convertible securities classified as equit	**–**	N/A
Adjusted profit/(loss) for the ear attributable to ordinar equit shareholders of the Compan used in calculating diluted earnings/(loss) per share	**3,158,349**	(335,572)
Weighted average number of ordinar shares for the purpose of diluted earnings/(loss) per share	**2,493,413,985**	2,493,413,985
Adjustments for calculation of diluted earnings/(loss) per share:		
Perpetual subordinated convertible securities	**118,000,000**	N/A
Adjusted weighted average number of ordinar shares for the purpose of diluted earnings/(loss) per share	**2,611,413,985**	2,493,413,985

For the ear ended 31 December 2017, the computation of diluted earnings per share does not assume the e ercise the Compan 's outstanding share options since the e ercise prices of these options were higher than the average market price of shares for the ear ended 31 December 2017 and hence the share options were not dilutive.

For the ear ended 31 December 2016, as the Compan 's outstanding share options and perpetual subordinated convertible securities had an anti-dilutive effect to the diluted loss per share calculation, the conversion of these above potential ordinar shares is not assumed in the computation of diluted loss per share.

10. DIVIDENDS

The directors of the Compan do not recommend the pa ment of an dividends to its ordinar shareholders for the ear ended 31 December 2017 (2016: Nil).

11. TRADE AND BILL RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade and bill receivables	**1,034,231**	794,171
Less: impairment	**(251,347)**	(401,829)
	782,884	392,342

All of the trade and bill receivables are e pected to be recovered within one ear.

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

	2017	2016
	RMB'000	*RMB'000*
Within 2 months	**339,148**	242,172
Over 2 months but within 6 months	**350,501**	9,002
Over 6 months but within 1 ear	**1,610**	72
Over 1 ear but within 2 ears	**3,509**	54,158
Over 2 ears *(N)*	**88,116**	86,938
	782,884	392,342

N : As at 31 December 2017, trade receivables aged over 2 ears amounting to RMB87,664,000 (2016: RMB79,860,000) were due from customers which the Group has trade and other pa able balances with. Based on past e perience and repa ment histor of the trade debtors, the directors of the Compan believe that no impairment allowance is necessar in respect of these balances.

Credit terms granted to customers mainl range from 0 to 60 da s (2016: 0 to 60 da s) depending on 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.

12. TRADE PAYABLES

An ageing anal sis of trade pa ables of the Group is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 ear	**295,919**	130,559
Over 1 ear but within 2 ears	**345,694**	828,322
Over 2 ears	**308,337**	22,946
	949,950	981,827

13. BORROWINGS

	N	2017 RMB'000	2016 RMB'000
Bank loans			
– Secured	( )	**788,825**	5,043,520
– Unsecured	( )	**1,017,222**	962,681
		1,806,047	6,006,201
Other borrowings	( )	**4,239,838**	37,070
Total borrowings		**6,045,885**	6,043,271

Interest pa ables on the borrowings are included in other pa ables.

As 31 December 2017, secured bank loans of RMB641,326,000 and other borrowings of RMB2,164,386,000 were not renewed or rolled over upon maturit and carried interest at rates ranging from 4.75% to 6.83% per annum. As at 31 December 2017, these borrowings are secured b coal mining rights with a carr ing amount of RMB1,392,654,000, propert , plant and equipment with a carr ing amount of RMB221,627,000, inventories with a carr ing amount of RMB2,896,000. These borrowings are also secured b Fortune Pearl International Limited's (Fortune Pearl , the ultimate holding compan of the Compan) equit interest in the Compan and the Group's equit interest in Shan i Shuo hou Pinglu District Huameiao Chongsheng Coal Co., Ltd. (Chongsheng Coal), Xinglong Coal, Hong uan Coal, Super Grace Enterprises Limited (Super Grace) and Oriental Wise Group Limited (Oriental Wise) and guaranteed b the Compan , certain subsidiaries of the Compan , related parties and Mr. Xu Jihua (Mr. Xu), the controlling shareholder. In addition, bank deposits of RMB171,000 was restricted for use as a result of the bank borrowings were not renewed or rolled over upon maturit .

As 31 December 2016, secured bank loans of RMB672,289,000, unsecured bank loans of RMB269,850,000 and other borrowings of RMB17,090,000 were not renewed or rolled over upon maturit and carried interest at rates ranging from 4.75% to 12.96% per annum. As at 31 December 2016, these borrowings are secured b coal mining rights with a carr ing amount of RMB994,151,000, propert , plant and equipment with a carr ing amount of RMB407,274,000, lease prepa ments with a carr ing amount of RMB5,073,000, guaranteed b the Compan , certain subsidiaries of the Compan , related parties, Mr. Xu and a former director. In addition, bank deposits of RMB1,939,000 was restricted for use as a result of the bank borrowings were not renewed or rolled over upon maturit .

During the ear ended 31 December 2017, several banks assigned their bank loans due from the Group amounting to RMB4,239,838,000 and interest and penalt interest due from the Group amounting to RMB490,089,000 to asset management companies in the PRC.

Bank loans and other borrowings amounting to RMB1,499,842,000 (2016: RMB2,473,678,000) in aggregate due for repa ment after one ear which contain a cross default clause that demands immediate repa ment when there is default in an bank loans repa ment had become repa able on demand and hence are classified as current liabilities.

Bank loans due for repa ment, based on the scheduled repa ment terms set out in the loan agreements and without taking into account the effect of an repa ment on cross default clause are as follows:

	2017 RMB'000	2016 RMB'000
Within 1 ear or on demand	**1,333,657**	3,532,523
Over 1 ear but within 2 ears	**324,890**	1,118,336
Over 2 ears but within 5 ears	**147,500**	1,355,342
	1,806,047	6,006,201

Other borrowings due for repa ment, based on the scheduled repa ment terms set out in the loan agreements and without taking into account the effect of an repa ment on cross default clause are as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 ear or on demand	**3,212,386**	37,070
Over 1 ear but within 2 ears	**1,027,452**	[illegible]
	4,239,838	37,070

The Group's total borrowings are secured b the following assets:

	2017	2016
	RMB'000	*RMB'000*
Propert , plant and equipment	**1,373,638**	1,110,714
Coal mining rights	**4,417,366**	2,292,588
Lease prepa ments	**–**	5,073
Inventories	**2,896**	28,509
Trade and bill receivables	**–**	33,365

As at 31 December 2017, the Group's total borrowings are also secured b other receivables of a related compan of which Mr. Xu is the shareholder, a propert held b Mr. Xu, Fortune Pearl's equit interest in the Compan and the Group's equit interest in Shan i Huameiao Energ Group Co., Ltd. (Huameiao Energ), Shan i Shuo hou Pinglu District Huameiao Xingtao Coal Co., Ltd. (Xingtao Coal), Shan i Shuo hou Pinglu District Huameiao Feng i Coal Co., Ltd. (Feng i Coal), Chongsheng Coal, Xinglong Coal, Hong uan Coal, Shuo hou Guangfa Energ Investment Co., Ltd. (Shuo hou Guangfa), Super Grace and Oriental Wise. As at 31 December 2017, total borrowings of RMB6,045,885,000 were guaranteed b the Compan , certain subsidiaries of the Compan , related parties and/or Mr. Xu.

As at 31 December 2016, the Group's total borrowings are also secured b other receivables of a related compan of which Mr. Xu is the shareholder, a propert held b Mr. Xu, a propert held b Mr. Xu Da, the e ecutive director of the Compan meiao3Hu9(mW')55(s equit0 of w.a prop9(As4002s equit1atru.4 TDAs at 31 2

15. CONTINGENT LIABILITIES

(a) Outstanding litigations

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

(i) Litigation claims relating to the performance of the contract execution between Liaoning Zhonghuitong Asset Management Limited ("Zhonghuitong") and Xinglong Coal and Huameiao Energy

On 29 November 2012, Xinglong Coal acquired certain coal mining machineries at a consideration of RMB94,708,000. On 27 June 2013, Xinglong Coal settled the purchase of machineries by way of bill payables of RMB94,708,000 which was guaranteed by Zhonghuitong. Xinglong Coal eventually repaid the bill payables of RMB59,021,000 and failed to honor its remaining obligation of RMB35,687,000. As a guarantor, Zhonghuitong settled the principal and interest of the bill payables of RMB35,687,000 on behalf of Xinglong Coal. During the year ended 31 December 2015, Zhonghuitong applied to the Liaoning Shenyang Municipal Intermediate People's Court to order Xinglong Coal and Huameiao Energy to repay RMB35,687,000, late penalty charges of RMB3,788,000 and interest charges of RMB6,888,000, totalling RMB46,363,000, in addition to the court litigation costs. The interest payment was calculated on the basis of 0.05% per day from 28 June 2014 until the settlement. An aggregate amount of RMB46,363,000 had already been recognised as payables to Zhonghuitong included in other payables in the consolidated statement of financial position as at 31 December 2015.

During the year ended 31 December 2016, pursuant to the judgements of the courts in the PRC, the Group was ordered to make immediate repayment of payables to the plaintiffs, with additional corresponding legal costs of RMB279,000, which have been recognised in the consolidated financial statements for the year ended 31 December 2016.

During the year ended 31 December 2017, the Group successfully reached an agreement with Zhonghuitong on a monthly instalment settlement plan for a period of 29 months. According to the settlement plan, late penalty charges of RMB3,788,000 and interest of RMB6,888,000 were waived. As a result of the foregoing, the Group reversed late penalty charges of RMB3,788,000 and interest charges of RMB6,880,000 in the consolidated financial statements for the year ended 31 December 2017.

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

As at 31 December 2015, there were several litigation claims initiated by the suppliers against the Group to demand immediate repayment of overdue payables in relation to purchase of machineries with an aggregate amount of RMB132,206,000 and the late penalty charges of RMB6,605,000 and corresponding legal costs of RMB108,000. An aggregate amount of RMB138,919,000 had already been recognised as payables to these suppliers included in other payables in the consolidated statement of financial position as at 31 December 2015.

During the year ended 31 December 2016, pursuant to the judgements of the courts in the PRC, the Group was ordered to make immediate repayment of payables of RMB137,118,000 to the plaintiffs. During the year ended 31 December 2017, the Group successfully reached an agreement with certain plaintiffs at a PRC court on a settlement plan with an aggregate amount of RMB26,551,000 that will be repaid by monthly installment.

During the year ended 31 December 2017, pursuant to the judgements of the courts in the PRC, the Group was ordered to make immediate repayment of payables of RMB2,206,000 to another two plaintiffs.

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

During the ear ended 31 December 2015, there were litigation claims initiated b two of the previous owners (the Previous Owners) of Xinglong Coal Mine and Hong uan Coal Mine against the Group to demand immediate repa ment of the unsettled considerations with an aggregate amount of RMB51,338,000 in relation to the acquisitions of coal mining rights of Xinglong Coal Mine and Hong uan Coal Mine in 2013. Pursuant to the judgements of the Shan i Shuo hou Municipal Intermediate People's Court dated 20 April 2015 and 10 December 2015, the Group was ordered to pa the Previous Owners the unsettled consideration of RMB51,338,000, the late penalt charges and interest charges of RMB3,000,000 and corresponding legal costs of RMB350,000. On 23 Jul 2015 and 4 Januar 2016, the Group lodged appeal applications to the Shan i Provincial Higher People's Court. The amount of RMB54,688,000 had alread been recognised as pa ables to the Previous Owners included in other pa ables in the consolidated statement of financial position as at 31 December 2015.

During the ear ended 31 December 2016, the Group successfull reached an agreement with one of the Previous Owners on a settlement plan with an aggregate amount of RMB13,000,000 that would be repaid b monthl installment of RMB1,000,000. Accordingl , such litigation claim was released.

Pursuant to the judgement of the Shan i Province High People's Court dated 12 October 2017, the Group was ordered to make immediate repa ment of pa able to another Previous Owner, with additional late penalt charges and interest charges of RMB3,000,000 and corresponding legal costs of RMB248,000. As a result of the foregoing, the Group further recognised the corresponding legal costs of RMB248,000 in the consolidated financial statements for the ear ended 31 December 2017.

During the ear ended 31 December 2016, another previous owner of Hong uan Coal filed a lawsuit against the Group to demand immediate repa ment of the unsettled considerations of RMB87,423,000 and the late penalt charges and interest charges of RMB14,487,000 in relation to the acquisitions of coal mining rights of Hong uan Coal Mine. The amount of RMB87,423,000 had alread been recognised as pa ables to this previous owner included in other pa ables in the consolidated statement of financial position as at 31 December 2016. As a result of the foregoing, the Group further recognised the late penalt charges and interest charges of RMB14,487,000 in the consolidated financial statements for the ear ended 31 December 2016.

Pursuant to the judgement of the Shan i Province High People's Court dated 16 June 2017, the Group was ordered to make immediate repa ment of pa able to this previous owner, with additional corresponding legal costs and interest charges. As a result of the foregoing, the Group further recognised the late penalt charges, interest charges and corresponding legal costs of RMB7,303,000 in aggregate in the consolidated financial statements for the ear ended 31 December 2017.

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

In 2015, a bank filed a lawsuit in Zhuhai Municipal Intermediate People's Court against the Group to demand immediate repa ment of the defaulted bank borrowings of RMB148,882,000 and interest charges of RMB328,000 respectivel . The principal of RMB148,882,000 and respective interest charges of RMB328,000 had alread been recognised as borrowings and accrued e penses included in other pa ables respectivel in the consolidated statement of financial position as at 31 December 2015.

In 2016, another bank filed lawsuit in Shan i Province High People's Court against the Group to demand immediate repa ment of the defaulted bank borrowings of RMB492,444,000 and interest charges of RMB13,068,000 respectivel . The principal of RMB492,444,000 and respective interest charges of RMB13,068,000 had alread been recognised as borrowings and accrued e penses included in other pa ables respectivel in the consolidated statement of financial position as at 31 December 2016.

Pursuant to the judgements, several bank accounts of the Group were fro en for one ear from the date of the judgements and the coal mining rights of the Group and two properties of the Group's related companies were fro en for three ears from the date of judgement. In addition, the Group was ordered to make immediate repa ment of the aforesaid balances.

In 2017, two banks filed lawsuit in Zhuhai Municipal Intermediate People's Court against the Group to demand immediate repa ment of the bank borrowings of RMB210,771,000 and interest charges of RMB11,110,000 respectivel . The principal of RMB210,771,000 and respective interest charges of RMB11,110,000 had alread been recognised as borrowings and accrued e penses included in other pa ables respectivel in the consolidated statement of financial position as at 31 December 2017. Up to the date of this announcement, these litigation claims are still in progress.

The Group is still in the process of negotiating with these four banks to renew its loans outstanding.

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

During the ear ended 31 December 2016, there were litigation claims initiated b HengJiu against the Group in relation to pa ables for down-hole construction with an aggregate amount of RMB77,350,000 which had alread been included in other pa ables in the consolidated statement of financial position. The Group was requested to make immediate repa ment of overdue portion of the pa ables of an aggregate amount of RMB30,000,000 that was overdue.

Pursuant to the judgements dated 12 August 2016, Heilongjiang Provincial Ji i Municipal Intermediate People's Court took the view that the litigation claims were not under its jurisdiction. Therefore, the litigation claims were referred to Shan i Provincial Shuo hou Municipal Pinglu People's Court.

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

Pursuant to the judgements issued b Shan i Provincial Shuo hou Municipal Pinglu People's Court dated 1 August 2017, the Group was ordered to make immediate repa ment of overdue portion of the pa ables of an aggregate amount of RMB44,400,000 and the late penalt charges of RMB13,860,000 and corresponding legal costs of RMB322,000. As a result of the foregoing, the Group further recognised the late penalt charges and corresponding legal costs of RMB5,182,000 in the consolidated financial statements for the ear ended 31 December 2017.

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

During the ear ended 31 December 2016, there was a litigation claim initiated b Yu Lin Zhong Kuang against the Group to demand immediate repa ment of overdue pa able in relation to construction of coal mining infrastructure. The amount of RMB101,323,000 had alread been recognised as pa able to this supplier included in other pa ables in the consolidated statement of financial position as at 31 December 2016.

Pursuant to the judgement issued by Shanxi Provincial Xinzhou City Intermediate People’s Court dated 9 January 2017, the Group was ordered to make immediate repayment of payable of RMB130,769,000, which including the aforesaid payable to this supplier of RMB101,323,000 and late penalty charges of RMB16,345,000 and interest of RMB13,101,000. As a result of the foregoing, the Group further recognised the late penalty charges of RMB16,345,000 and interest of RMB13,101,000 in the consolidated financial statements for the year ended 31 December 2016.

On 22 February 2017, the Group appealed to Shanxi Provincial High People’s Court. Pursuant to the judgement dated 21 July 2017, Shanxi Provincial High People’s Court concluded that in the absence of reliable evidence on the valuation of construction work performed by the plaintiff, the original judgement was overturned and a retrial was ordered. Up to the date of this announcement, the retrial has yet been arranged. In the opinion of the directors of the Company, no further provision for these litigation claims was required to be made in the consolidated financial statements for the year ended 31 December 2017.

(vii) ***Litigation claim relating to the performance of the contract execution Beijing Zhongkuang Wantong Technology Development Company Limited (“Beijing Zhongkuang”) and Huameiao Energy and Hongyuan Coal***

During the year ended 31 December 2017, there was a litigation claim initiated by Beijing Zhongkuang against the Group to demand immediate repayment of overdue payable in relation to production of coal and maintenance of coal mining system with an aggregate amount of RMB10,547,000 and late penalty charges of RMB2,084,000. The amount of RMB10,547,000 had already been recognised as payable to this supplier included in other payables in the consolidated statement of financial position as at 31 December 2017.

Pursuant to the judgement of the Shenchi County People’s Court dated 20 December 2017, the Group was ordered to make immediate repayment of payable to Beijing Zhongkuang, with additional late penalty charges of RMB2,084,000. As a result of the foregoing, the Group further recognised the late penalty charges of RMB2,084,000 in the consolidated financial statements for the year ended 31 December 2017. Subsequently, the Group appealed to Shanxi Provincial High People’s Court. Up to the date of this announcement, the appeal has yet been concluded. In the opinion of the directors of the Company, no further provision for this litigation claim was required to be made in the consolidated financial statements for the year ended 31 December 2017.

Other than the disclosure of above, as at 31 December 2017, the Group was not involved in any other material litigation or arbitration. As far as the Group was aware, the Group had no other material litigation or claim which was pending or threatened against the Group. As at 31 December 2017, the Group was the defendant of certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the directors of the Company believe that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

(b) Financial guarantees issued

As at the end of the reporting period, the Group has issued the guarantees to certain banks in respect of borrowings made by Tongmei Qinfa (Zhuhai) Holdings Co., Ltd. (“Tongmei Qinfa”), an associate of the Group. Under the guarantee, the Group that is a party to the guarantee are jointly and severally liable for any of the borrowings of Tongmei Qinfa from those banks.

As at 31 December 2017, the directors of the Company do not consider it probable that a claim will be made against the Group under any of the guarantees. The maximum liability of the Group at 31 December 2017 under the guarantees issued is a portion of the outstanding amount of the borrowings of Tongmei Qinfa amounting to RMB656,832,000 (2016: RMB640,600,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading non-state owned thermal coal supplier in China, and it operates an integrated coal suppl chain, including coal mining, purchase and sales, filtering, storage, blending of coal in the PRC and shipping transportation business. During the ear ended 31 December 2017, the Group continued to focus on these business activities and e panded its integrated coal suppl chain through upward vertical integration.

BUSINESS REVIEW

Termination of Disposal of the Group's Coal Business and Shipping Business in the PRC

As set out in the announcement of the Compan dated 14 Jul 2016, the Group entered into a conditional sale and purchase agreement dated 25 April 2016 (as supplemented b a supplemental agreement dated 11 Jul 2016) with Bo Hai Investment Limited (the **Purchaser**), pursuant to which the Group proposed to dispose of entire issued equit interest in Hong Kong Qinfa International Trading Limited and its subsidiaries (the **Disposal Group**) to the Purchaser. As disclosed in the Compan 's announcement dated 30 April 2017, as at 30 April 2017, save that the condition relating to the approval of the independent shareholders to the entr of the agreement and the transaction contemplated thereunder at an e traordinar general meeting had been fulfilled, other conditions precedent had not been fulfilled.

As the conditions precedent contained in the agreement were not satisfied or otherwise waived on or before the long stop date, the Group and the Purchaser had entered into a letter of termination dated 30 April 2017 with the effect of terminating the agreement.

Full resumption of coal business

In 2017, the Group restarted its original coal procurement channels and successfull e ploited a procurement channel in Inner Mongolia. The total purchase of coal in 2017 amounted to 2,834,000 tonnes, of which 857,000 tonnes for foreign trade and 1,977,000 tonnes for domestic trade.

Enhanced control on implementation of financial budget and tax planning and informatisation construction

The Group is full implementing control on capital budget, arrange funds reasonabl and improve ta planning capabilit this ear. The Group promotes its informatisation construction b updating office s stem, coal transportation and sales management s stem and human resources s stem, so as to improve the Group's informatisation and enhance office efficienc and transparenc . The Group's governance structure will be clearer with significantl strengthened management and control s stem, and a three-level governance structure will be clearl established to enhance management control of resources.

As of 31 December 2017, the Group owned and operated five coal mines in the PRC. The table sets forth certain information about these coal mines.

	Location	Ownership	Site area	Production capacity	Operation status
			(.)	( )	
Huameiao Energ – Xingtao Coal	Shuo hou Shan i	80%	4.3	1.5	Under operation
Huameiao Energ – Feng i Coal	Shuo hou Shan i	80%	2.4	0.9	Under operation
Huameiao Energ – Chongsheng Coal	Shuo hou Shan i	80%	2.9	0.9	Under operation
Xinglong Coal	Xin hou Shan i	100%	4.0	0.9	Under development (Temporaril suspended)
Hong uan Coal	Xin hou Shan i	100%	4.1	0.9	Under operation (Temporaril suspended)

The Group engaged an independent mineral industr consultant to estimate the total coal reserves and resources as of 30 June 2016 in accordance with the JORC code.

COAL CHARACTERISTICS

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

Coal Quality Characteristic	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal
Seam	4	9	9
Moisture (%)	9.13-12.11%	2.07-2.90%	8.70-11.84%
Ash (%)	21.07-29.94%	18.36-30.42%	21.25-23.85%
Sulfur (%)	0.76-1.81%	0.31-0.84%	1.78-2.40%
Volatile Matter (%)	21.96-27.49%	19.90-29.49%	27.54-28.88%
Energ Content (MJ/kg)	17.30-18.13	17.08-22.03	20.36-22.25

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 1 Januar 2017 (Mt)						
Proven reserves	62.71	16.43	29.18	22.49	30.16	160.97
Probable reserves	12.26	27.43	19.51	9.53	1.17	69.90
Total reserves as of 1 Januar 2017 (Mt)	74.97	43.86	48.69	32.02	31.33	230.87
L : Total raw coal production for the ear (Mt)	(2.77)	(1.90)	(1.98)	n.a.	n.a.	(6.65)
Reserves as of 31 December 2017 (Mt)	**72.20**	**41.96**	**46.71**	**32.02**	**31.33**	**224.22**
Resources						
Resources as of 1 Januar 2017 (Mt)	111.35	67.99	72.39	45.96	41.78	339.47
L : Total raw coal production for the ear (Mt)	(2.77)	(1.90)	(1.98)	n.a.	n.a.	(6.65)
Resources as of 31 December 2017 (Mt)	**108.58**	**66.09**	**70.41**	**45.96**	**41.78**	**332.82**

The following table sets forth the full- ear production figures at the abovementioned mines for the ears indicated:

	Year ended 31 December	
	2017	2016
Raw coal production volume	***('000 tonnes)***	*('000)*
Huameiao Energ Xingtao Coal	**2,767**	417
Huameiao Energ Feng i Coal	**1,898**	722
Huameiao Energ Chongsheng Coal	**1,984**	905
Total	**6,649**	2,044

	Year ended 31 December	
	2017	2016
Commercial coal production volume (Note)	***('000 tonnes)***	*('000)*
Huameiao Energ Xingtao Coal	**1,798**	271
Huameiao Energ Feng i Coal	**1,234**	469
Huameiao Energ Chongsheng Coal	**1,289**	588
Total	**4,321**	1,328

N : Per the competent person's report issued on 30 September 2011, 31 Ma 2013 and 25 Jul 2016, the volume of commercial coal produced b Huameiao Energ is calculated b a ield rate of 65% raw coal.

Exploration, Mining and Development Expenses

The Group's e ploration, mining and development e penses consist of the following amounts:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Materials and consumables	**85,157**	32,489
Staff cost	**199,054**	54,103
Other direct cost	**44,329**	33,442
Overhead and others	**361,264**	106,259
Evaluation fee	**1,347**	1,321
Total	**691,151**	227,614

FINANCIAL REVIEW

Revenue

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Coal business	**2,857,163**	608,469
Shipping transportation	**148,508**	107,718
	3,005,671	716,187

C

	Year ended 31 December	
	2017	2016
	'000 tonnes	*'000*
Coal Handling and Trading Volume of Coal Business	**7,062**	2,123

During the ear ended 31 December 2017, the volume of the Group's coal handling and trading recorded a 232.6% increase as compared with 2016. The coal selling prices during the ear ended 31 December 2017 were in range between RMB201 per tonne and RMB650 per tonne, which were less fluctuated when compared to the range between RMB88 per tonne and RMB626 per tonne in 2016.

The average coal selling price and the average monthl   coal handling and trading volume for each of the three   ears ended 31 December 2017 are set forth in the table below:

	Year ended 31 December		
	2017	2016	2015
Average selling price			

1 *2017* 0 20152

Cost of Sales

Cost of sales of the Group in 2017 amounted to RMB2,319.0 million, representing an increase of 241.2% compared with RMB679.7 million in 2016. The increase was due to the increase in coal handling and trading volume during the ear of 2017.

The table below set forth the cost of sales of the coal business segment:

	Year ended 31 December	
	2017	2016
	RMB million	*RMB*
Cost of coal purchased	**898.5**	262.3
Cost of coal transportation	**621.1**	54.4
Cost of self-produced coal	**689.9**	252.3
Materials, fuel, power	**85.1**	32.5
Staff costs	**199.1**	54.1
Depreciation and amortisation	**222.3**	83.2
Others	**183.4**	82.5
Other costs	**–**	11.1
Total cost of sales of coal business segment	**2,209.5**	580.1

The Group purchases coal mainl from the PRC market. The following table sets forth information regarding the Group’s origins of coal based on sales volume and revenue in 2017 and 2016:

	Year ended 31 December			
	2017		2016	
Origins of coal	**Sales volume**	**Revenue**	Sales volume	Revenue
	’000 tonnes	***RMB’000***	*’000*	*12,12 20(*

Gross Profit

The Group's gross profit was RMB686.6 million during the ear ended 31 December 2017 as compared with gross profit of RMB36.5 million during the same period in 2016. Under the circumstances of improvement in average selling prices of thermal coal, the Group increased the scale of coal handling and trading volume to generate gross profit of the Group.

Other Income, Gains and Losses

During the ear ended 31 December 2017, the Group's other income, gains and losses amounted to a net gain of RMB195.8 million, representing an increase of appro imatel of RMB251.8 million, as compared with a net loss of RMB56.0 million in 2016. The increase in other income, gains and losses in 2017 was mainl due to the one-off gain arising from the waiver of management fee pa ables and safet supervision fee pa ables. On 31 December 2017, a PRC state-owned enterprise, who is responsible for providing management services and safet supervision to Xinglong Coal and Hong uan Coal, has waived its amounts due from the Group in total of appro imatel RMB160.8 million and such gain has been accounted for as waiver of management fee pa ables and safet supervision fee pa ables during the ear.

Distribution Expenses

Distribution e penses increase b 224.6% to RMB51.9 million for the ear ended 31 December 2017, as compared with RMB16.0 million in 2016. The increase in distribution e penses was in line with the increase in coal handling and trading volume during the ear.

Administrative Expenses

During the ear ended 31 December 2017, the Group's administrative e penses amounted to RMB179.0 million, representing a decrease of 5.5%, as compared with RMB189.3 million in 2016. The slight decrease was mainl attributable to the Group has further launched a series of cost saving controls during the ear to reduce the administrative e penses.

Other Expenses

During the ear ended 31 December 2017, the Group's other e penses amounted to RMB34.5 million, representing a decrease of 42.0%, as compared with RMB59.5 million in 2016.

Net Finance Costs

Net finance costs of the Group in 2017 amounted to RMB378.7 million, representing a decrease of RMB68.3 million or 15.3%, as compared with RMB447.0 million in 2016. The decrease was mainl due to decrease of bank interest rate in 2017.

Profit Attributable to Equity Shareholders

Profit attributable to equit shareholders of the Compan during the ear ended 31 December 2017 was RMB3,158.3 million, representing an increase of appro imatel of RMB3,488.8 million as compared with loss of RMB330.5 million in the same period in 2016. The increase in profit attributable to equit shareholders of the Compan was mainl attributable to the reversal of impairment loss on propert , plant and equipment and coal mining rights, and the improvement on the operating results.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group adopts stringent financial management policies and strives to maintain a health financial condition. The Group funds its business operations and general working capital b internall generated financial resources and bank borrowings. As at 31 December 2017, the Group recorded net current liabilities of RMB8,852.3 million.

The Group has taken initiative to enhance the financial fle ibilit b diversif ing the funding bases and obtain medium term loans to replace short term loans. The Group is currentl negotiating with financial institutions to renew and e tend bank borrowings and consider wa s to improve the Group's working capital. As of 31 December 2017, the cash and cash equivalents of the Group amounted to RMB80.3 million (2016: RMB24.7 million), representing an increase of 225.1%.

As at 31 December 2017, the total bank and other borrowings of the Group were RMB6,045.9 million (2016: RMB6,043.3 million), which were classified as current liabilities. As a result of the non-pa ment of loan principal and interests of RMB2,805.7 million and RMB435.6 million respectivel , borrowings amounting to RMB1,499.8 million (2016: RMB2,473.7 million) due for repa ment after one ear which contain a cross default clause that demands immediate repa ment when there is default in an bank loans repa ment are classified as current liabilities. The bank and other borrowings carried interest at rates ranging from 4.35% to 7.28% (2016: 4.35% to 13.50%) per annum.

As at 31 December 2017, the Group had total banking facilities of RMB1,806.0 million (2016: RMB6,136.4 million), of which RMB1,806.0 million (2016: RMB6,006.2 million) were utilised. During the ear ended 31 December 2017, several banks assigned their bank loans due from the Group amounting to RMB4,239.8 million to asset management companies in the PRC. As a result, total banking facilities as at 31 December 2017 decreased.

As at 31 December 2017, the Group's cash and cash equivalents, e cept amount of RMB1.4 million in United States dollars (**USD**) and amount of RMB0.6 million in HKD, were held in RMB. All the Group's bank and other borrowings were made in RMB.

The gearing ratio (calculated as borrowings netted off sum of cash and cash equivalents and pledged and restricted deposits divided b total assets) of the Group as at 31 December 2017 was 57.9% (2016: 106.3%). The decrease in gearing ratio was mainl due to increase of total assets as a result of reversal of impairment losses on propert , plant and equipment, coal mining rights, trade receivables and prepa ments and other receivables.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's cash and cash equivalents are held predominatel in RMB and USD. Operating outgoings incurred b the Group's subsidiaries in the PRC are mainl denominated in RMB while overseas purchases are usuall denominated in USD. The Group's subsidiaries usuall receive revenue in RMB. Hence, the Directors do not consider that the Group faces significant e posure to foreign e change fluctuation risk.

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2017, the Group's assets in an aggregate amount of RMB5,794.0 million (2016: RMB3,470.4 million) in forms of propert , plant and equipment, coal mining rights, lease prepa ments, inventories, trade and bill receivables and bank deposits were pledged to banks for credit facilities granted to the Group.

CONTINGENT LIABILITIES

E cept for certain matters disclosed in the Note 15 to the consolidated financial statements in this announcement, the Group did not have an material contingent liabilities as at 31 December 2017.

FINAL DIVIDEND FOR THE YEAR ENDED 31 DECEMBER 2017

The Board does not recommend the pa ment of a final dividend for the ear ended 31 December 2017 (2016: Nil).

EMPLOYEES AND REMUNERATION

As of 31 December 2017, the Group emplo ed 2,027 emplo ees. The Group has adopted a performance-based reward s stem to motivate its staff and such s stem is reviewed on a regular basis. In addition to the basic salaries, ear-end bonuses ma be offered to staff members with outstanding performance.

Subsidiaries of the Compan established in the PRC are also subject to central pension scheme operated b the local municipal government. In accordance with the relevant national and local labour and social welfare laws and regulations, subsidiaries of the Compan established in the PRC are required to pa on behalf of their emplo ees a monthl social insurance premium covering pension insurance, medical insurance, unemplo ment insurance and other relevant insurance. Subsidiaries of the Compan incorporated in Hong Kong have participated in mandator provident fund scheme, if applicable, in accordance with Mandator Provident Fund Schemes Ordinance.

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

BUSINESS OUTLOOK

In 2018, based on an internal market-oriented mechanism, the Group targets to achieve higher volume and revenue as well as qualit and efficienc enhancement, b focusing on an integrated operation of production, transportation, sales and trade, to e pand its industrial chain and improve its suppl chain, and build development drivers with resources to achieve qualit development.

Strengthening application of new processes and new technologies and promoting coal mine standardisation to provide better technical support for production

The Group will engage advanced technicians, increase its investment, research and development and use of production equipment and technolog , and establish a standard construction management and control s stem to e pand standardisation construction to the frontline departments. The Group will improve the awareness of standardisation among coal mine workers to form standardised code of conduct and achieve scientific management b keeping standard for an thing, an where, an time b an one. The Group will make great efforts to develop qualit standards b focusing on highlighted project for qualit standardisation, and promote the overall development of qualit standardisation work.

Improving material supply management system to regulate material management, reduce overall costs and promote material supply value chain management

The Group will establish a material management and control mode and business process effecting unified management and centralised implementation, with clearl -defined responsibilities assigned to functions at different levels. The Group will also establish a scientific standard supplier management s stem to improve procurement efficienc and reduce procurement costs. The Group will build a highl shared material suppl information platform to ensure reasonable inventor and reduce capital occupation to improve operating efficienc .

Strengthening financial planning, consolidating construction of investment and financing channels, and enhancing financial analysis capability to facilitate business development

The Group will activel e pand the financing platform and various financing channels, and establish full -functional investment management s stem to strengthen the overall investment management capabilities. The Group will strengthen assets management b revitalising the e isting assets and effectivel managing and utilising assets to improve its operating efficienc , and improve its financial anal sis and decision-making capabilities b evaluating its business and financial position to better support its operating decision-making.

Improving human resources system, and strengthening its support and steering functions in our operations

The Group will graduall adjust its organisational structure according to the changes in the objectives and business development to achieve a streamlined and efficient management model with balanced authorit and responsibilit as well as separated implementation and supervision. Moreover, based on the objectives and business requirements, the Group will continue to optimise and enhance its human resources management s stem, organisational development, recruitments, remuneration packages and etc., so as to improve its core talent development scheme.

Timely monitoring industry trends and actively seeking merger and acquisition opportunities

The Group will make d namic adjustment to the product structure based on market demand and customer orientation to ma imi e their values. The Group will monitor industrial development

AUDIT COMMITTEE OF THE BOARD

An audit committee was established b the Board on 12 June 2009 with written terms of reference in compliance with the Code. The primar duties of the audit committee are to review and supervise the Group's financial reporting process and internal controls. The members of the audit committee of the Board are the three independent non-e ecutive Directors, namel Mr. HUANG Guosheng, Mr. LAU Sik Yuen and Mr. XING Zhi ing. Mr. LAU Sik Yuen is the chairperson of the audit committee of the Board.

The audit committee has reviewed the consolidated financial statements of the Group for the financial ear ended 31 December 2017.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the ear ended 31 December 2017 as set out in the preliminar announcement have been agreed b the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's consolidated financial statements for the ear. The work performed b Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued b the Hong Kong Institute of Certified Public Accountants, and consequentl no assurance has been e pressed b Moore Stephens CPA Limited on the preliminar announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an e tract of the independent auditor's report on the Group's audited consolidated financial statements for the ear ended 31 December 2017.

> In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the ear then ended in accordance with International Financial Reporting Standards issued b the International Accounting Standards Board and have been properl prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.
>
> **MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**
>
> We draw attention to Note 1.2(c) to the consolidated financial statements, which highlights that the Group had net current liabilities of RMB8,852,285,000 and capital deficienc of RMB1,204,617,000. As at 31 December 2017, the borrowings and accrued interest amounting to an aggregate amount of RMB2,805,712,000 and RMB435,551,000 respectivel were not renewed or rolled over upon maturit . The non-pa ment of loan principal and interests in accordance with the scheduled repa ment dates caused the banks and other borrowing creditors having the rights to call for immediate repa ment of all borrowings and their respective interest. As at 31 December 2017, the borrowings classified as current liabilities included certain borrowings with scheduled repa ment terms over one ear amounting to RMB1,499,842,000. In addition, as at 31 December 2017, there were several outstanding litigations against the Group mainl requesting the Group to repa certain pa ables with interest immediatel as set out in Note 15(a).

These conditions, along with other matters as set forth in Note 1.2(c) to the consolidated financial statements, indicate the e istence of material uncertainties which ma cast significant doubt over the Group's abilit to continue as a going concern. Our opinion is not modified in respect of these matters.

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

During the ear ended 31 December 2017, neither the Compan nor an of its subsidiaries purchased, sold or redeemed an listed securities of the Compan .

PUBLICATION OF ANNUAL REPORT

The annual report of the Compan for the financial ear ended 31 December 2017 (the **Annual Report**) containing all the information required b Appendi 16 to the Listing Rules and an other applicable laws and regulations will be dispatched to the Shareholders and published on the websites of the Stock E change (www.hke .com.hk) and the Compan (www.qinfagroup.com) in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The annual general meeting of the Compan will be held on Wednesda , 27 June 2018. To determine the eligibilit of the shareholders of the Compan to attend the annual general meeting to be held on Wednesda , 27 June 2018, the register of members will be closed from Frida , 22 June 2018 to Wednesda , 27 June 2018, both da s inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied b the relevant share certificates must be lodged with the Compan 's share registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem E change Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4 p.m. on Thursda , 21 June 2018.

B order of the Board
China Qinfa Group Limited
XU Da
C

Guang hou, 27 March 2018

A , B M . XU D , M . BAI T , M . WANG J , M . FUNG W S M . LIU J D M . HUANG G , M . LAU S Y M . XING Z - D .