[illegible]

中 國 秦 發 集 團 有 限 公 司

CHINA QINFA GROUP LIMITED

([illegible])

(Stock code: 00866)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

The B a d efe t the fit a e t a ce e t f the C a dated 15 A g t 2017. The fi a cia high ight f the G f the i th ded 30 J e 2017 a e et t a f :

Re e f the i th ded 30 J e 2017 a RMB1,370.0 i i , e e ti g a i c ea e f 568.9% a c a ed t the c e di g e i d i 2016.

C a ha d i g a d t adi g e f the i th ded 30 J e 2017 a 3.25 i i t e , e e ti g a i c ea e f 302.0% a c a ed t the c e di g e i d i 2016.

G fit a gi f the i th ded 30 J e 2017 a 33.2% a c a ed ith g a gi 35.9% t the c e di g e i d i 2016.

P fit att ib tab e t e it ha eh de f the C a f the i th ded 30 J e 2017 a RMB151.4 i i , a c a ed ith f RMB442.5 i i f the c e di g e i d i 2016.

The b a d (the **Board**) f di ect (the **Directors**) f Chi a Qi fa G Li ited (the **Company**) efe t the fit a e t a ce e t f the C a dated 15 A g t 2017. The B a d he eb a ce the a dited c idated e t a d fi a cia iti f the C a a d it b idia ie (c ecti e , the **Group**) f the i th ded 30 J e 2017 ith c a ati e fig e f the i th ded 30 J e 2016.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

, t , t 30 , 2017

		Six months ended 30 June	
		2017	2016
	, t	***RMB'000***	*'000*
		(Unaudited)	(U a dited)
Revenue	*5*	**1,370,008**	204,828
C t f a e		**(915,328)**	(278,450)
Gross profit/(loss)		**454,680**	(73,622)
Othe i c e, gai a d e	*6*	**(1,069)**	(35,785)
Di t ib ti e e		**(31,164)**	(3,668)
Ad i i t ati e e e		**(116,550)**	(88,236)
Re e a f i ai t, et	*( )*	**67,898**	5,724
Othe e e		**(37,104)**	(19,438)
Results from operating activities		**336,691**	(215,025)
Fi a ce i c e		**195**	612
Fi a ce c t		**(187,024)**	(243,900)
Net finance costs	*7*	**(186,829)**	(243,288)
Profit/(loss) before taxation	*( )*	**149,862**	(458,313)
I c e ta c edit/(e e)		**7,111**	(26,202)
Profit/(loss) for the period		**156,973**	(484,515)
Other comprehensive (loss)/income			
Ite that a be ec a ified b e t t fit :			
F eig c c t atio diffe e ce f f eig e atio		**(4,700)**	7,801
Other comprehensive (loss)/income for the period, net of tax		**(4,700)**	7,801
Total comprehensive income/(loss) for the period		**152,273**	(476,714)

	Note	Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to:			
Equity shareholders of the Company		**151,417**	(442,522)
Non-controlling interests		**5,556**	(41,993)
Profit/(loss) for the period		**156,973**	(484,515)
Total comprehensive income/(loss) for the period attributable to:			
Equity shareholders of the Company		**146,717**	(434,721)
Non-controlling interests		**5,556**	(41,993)
Total comprehensive income/(loss) for the period		**152,273**	(476,714)
Earnings/(loss) per share attributable to the equity shareholders of the Company during the period	*10*		
Basic earnings/(loss) per share		**RMB5.97 cents**	(RMB17.38 cents)

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. COMPANY BACKGROUND AND BASIS OF PREPARATION

1.1 General information

Chi a Qi fa G Li ited (the **Company**) a i c ated i the Ca a I a d 4 Ma ch 2008 a a e e ted c a ith i ited iabi it de the C a ie La (2007 Re i i) f the Ca a I a d . The C a ' ha e e e i ted the Mai B a d f The St c E cha ge f H g K g Li ited (the **Stock Exchange**) 3 J 2009 (the **Listing Date**). The add e f it egi te ed ffice i C ic et S a e, H tchi D i e, P.O. B 2681, G a d Ca a KY1-1111, Ca a I a d a d the i ci a ace f b i e f the C a ' b idia ie i Chi a i 23 d F , S th T e, P i te ati a P aza, N .1 Pazh Ea t R ad, Haizh Di t ict, G a gzh , G a gd g, the Pe e' Re b ic f Chi a (the **PRC**).

The i ci a acti itie f the C a a d it b idia ie (t gethe , the **Group**) a e c a i g, cha e a d a e , fi te i g, t age, b di g f c a i the PRC a d hi i g t a tati .

1.2 Basis of preparation

The c de ed c idated fi a cia tate e t ha e bee e a ed i acc da ce ith I te ati a Acc ti g Sta da d (**IAS**) 34 I te i Fi a cia Re ti g i ed b the I te ati a Acc ti g Sta da d B a d (**IASB**) a d the a icab e di c e i i f the R e G e i g the Li ti g f Sec itie the St c E cha ge.

The c de ed c idated fi a cia tate e t ha e bee e a ed i acc da ce ith the a e acc ti g icie ad ted i the a a fi a cia tate e t f the ea e ded 31 Dece be 2016, e ce t that the G ha a ied, f the fi t ti e, ce tai a e d e t t I te ati a Fi a cia Re ti g Sta da d (**IFRSs**) i ed b the IASB that a e effecti e f the c e t e i d, a di c ed i N te 2.

The c de ed c idated fi a cia tate e t c tai c de ed c idated fi a cia tate e t a d e ected e a at i f ati . The te i c de a e a ati f e e t a d t a acti that a e ig ifica t t a de ta di g f the cha ge i fi a cia iti a d e f a ce f the G i ce the a a fi a cia tate e t f the ea e ded 31 Dece be 2016. The c de ed c idated fi a cia tate e t a d i f ati the e d t i c de a f the i f ati e i ed f f et f fi a cia tate e t e a ed i acc da ce ith IFRS , a d h d be ead i c j cti ith the G ' a a fi a cia tate e t f the ea e ded 31 Dece be 2016.

The c de ed c idated fi a cia tate e t a e a dited.

Going concern basis

A at 30 J e 2017, the G ' c e t iabi itie e ceed it c e t a et b a i ate RMB9,263,407,000 a d ca ita deficie c f RMB4,770,373,000. A at 30 J e 2017, b i g a d acc ed i te e t a ti g t a agg egate a t f RMB1,712,155,000 a d RMB514,986,000 e ecti e e e t e ed ed e . at it f hich, t the date f thi a ce e t, the ba had e ed ch b i g f RMB73,500,000. S b e e t t 30 J e 2017, the G had ett ed the i ci a f ch b i g f RMB1,000,000. The - a e t f a i ci a a d i te e t i acc da ce ith the ched ed e a e t date ca ed the ba ha i g the ight t ca f i ediate e a e t f a b i g a d thei e ecti e i te e t. I thi c ecti , ce tai b i g ith ched ed e a e t te e e ea t ta i g RMB1,427,342,000 ha e bee c a ified a c e t iabi itie .

A at the date f thi a ce e t, the G ha t btai ed ai e f the e e a t ba the e c defa t c a e , b t the e ba ha e t ta e a acti agai t the G t de a d i ediate e a e t e ce t f a di c ed i N te 19(a)(iii).

I additi , a at 30 J e 2017, the e e e e e a di g itigati ai e e ti g e a e t f g t ta di g a abe ith i te e t agai t the G , a et t i N te 19.

The e c diti indicate the e i t ce f a ateia ce tai t hich a ca t ig ifica t d bt the G ' abi it t c ti e a a g i g c ce .

The c de ed c idated fi a cia tate e t ha e bee e a ed the a ti that the G i c ti e t e ate a a g i g c ce t ith ta di g the c diti e ai i g a at 30 J e 2017 a d b e e t the et t the date f thi a ce e t. I de t i e the G ' fi a cia iti , i ediate i idit a d ca h f , a d the i e t tai the G a a g i g c ce , the di ect f the C a ha e ad ted e e a ea e t gethe ith the ea e i g e at the date f thi a ce e t hich i c de, b t t i ited t , the f i g:

(i) The G a ie c t c t ea e i c t f a e, ad i i t ati e e e e a d ca ita e dit e;

(ii) The G i a i i g it a e eff t i c di g ee i g gte de f e a t a d c a t adi g c a ie i the PRC ith a ie t i i g e ati g ca h f . C ide i g the tabi it f c a a et a d tead c a ice, the G i e ected t ge e ate e ati g ca h i f i the c i g ea f it e i ti g d cti faci itie c ti ;

(iii) The G ha bee acti e eg tiati g ith ce tai ba t e e it b i g. D i g the i th e ded 30 J e 2017, the G ha cce f e te ded the e a e t a d e e ed the te f ce tai e i ti g ba a that had ig i a at it bef e 30 J e 2018, t ta i g RMB526,111,000, hich RMB378,611,000 a d RMB147,500,000 i be fa i g d e bef e a d afte 30 J e 2018 e ecti e ;

(i) S b e e t t 30 J e 2017, the ba had e e ed the b i g f RMB73,500,000. The e e ed b i g d be e a ab e afte 30 J e 2018;

( ) I e ati t th e ba a that e e t e e ed ed e at it th e ba a that beca e i ediate e a ab e de the c defa t c a e, the G i i the ce f eg tiati g ith the e e a t ba t e te d the e a e t a d e e the a a d t btai ai e f the e de f the d e a e t a t t the e e a t c defa t c a e;

(i) F b i g hich i be at e bef e 30 J e 2018, the G i acti e eg tiate ith the ba he the fa d e t ec e ece a f d t eet the G ' i g ca ita a d fi a cia e ie e t i the f t e. The G ha t e e ie ced a ig ifica t diffic tie i e e i g t f it h t-te b i g thei at itie a d the e i i dicati that the ba i t e e the e i ti g h t-te b i g the G ' e e t. The di ect f the C a , ha e e a ated a the e e a t fact a ai ab e t the , a e f the i i that the G d be ab e t e e ch b i g at it ; a d

(ii) The G i acti e eg tiati g ith the ai tiff f ett e e t f the c t ca e. D i g the i th e ded 30 J e 2017, the G ha cce f eached a ag ee e t ith ce tai ai tiff at a PRC c t a ett e e t a e 40 ca e ith a aggegated a t f RMB72,062,000 that i be e aid b th i ta e t. The aggegated a t t be etted bef e 30 J e 2018 a ted t RMB24,000,000. The di ect f the C a a e f the ie that the G i be ab e t e e the e atte ith t ig ifica t i act the G ' ca h f i the e t t e e th .

O the ba i f the cce f i e e tati f the ea e de c ibed ab e i the f e eeab e f t e a d afte a e i g the G ' c e t a d f eca ted ca h iti , the di ect f the C a a e ati fied that the G i be ab e t eet i f the G ' fi a cia bigati a the fa d e f the e e th f 30 J e 2017. Acc di g , the c de ed c idated fi a cia tate e t f the G ha e bee e a ed a g i g c ce ba i .

Sh d the G be abe t c ti e i b i e a a g i g c ce , ad t e t d ha e t be ade t ite d the a e f a et t thei e ti ated ec e abe a t, t ide f the iabi itie that ight a i e a d t ec a if -c e t a et a d -c e t iabi itie a c e t a et a d c e t iabi itie e ecti e . The effect f the e ad t e t ha e t bee efected i the c de ed c idated fi a cia tate e t .

2. CHANGES IN ACCOUNTING POLICIES

The IASB ha i . ed a . . be f a. d. t t IFRS that a e fi t effecti e f the c. t acc ti g e i d f the G . .

IAS 7 A. d. t	Di c . e itiati e
IAS 12 A. d. t	Rec iti f Defe ed Ta . A et f U ea i ed L e
A. d. t t IFRS	A . a I. e. t t IFRS 2014-2016 C c e

N e f the e a. d. t ha e had a . ate ia effect h the G . ' e . t a d fi a cia iti f the c. t i e i d ha e bee e a ed e ted. The G . ha t a ied a e t a da d i te etati that i t et effecti e f the c. t acc ti g e i d.

3. ESTIMATES

The e a ati f the c de ed c idated fi a cia tate. t e . i e . a age. t t . a e dge. t, e ti. ate a d a . . ti that affect the a icati f acc ti g icie a d the e ted a. t f a et a d iabi itie , i c . e a d e. e. Act. a e . t . a diffe f . the e e ti. ate .

I e a i g the c de ed c idated fi a cia tate. t , the ig ifica t dge. t . ade b . a age. t i a i g the G . ' acc ti g icie a d the e . ce f e ti. ati ce tai t e e the a. e a th e that a ied t the c idated fi a cia tate. t f the ea ded 31 Dece. be 2016.

4. SEGMENT REPORTING

(a) Segment results, assets and liabilities

The G . ha t e tab e eg. t c a b. i e a d hi i g t a tati hich a e the G . ' t ategic b. i e . it . The e t ategic b. i e it ffe diffe t d. ct a d e ice , a d a e . a aged e a ate beca . e the e i e diffe t tech g a d . a eti g t ategie . F each f the t ategic b. i e it , the Chief E ec ti e Office (the **CEO**) e ie i te a . a age. t e t a . th ba i .

F the . e f a e i g eg. t e f . a ce a d a cati g e . ce bet ee eg. t , the CEO . it the e . t , a et a d iabi itie att ib. tab e t each e tab e eg. t the f i g ba i :

The . ea . e . ed f e ti g eg. t fit/( ) i ad ted fit/( ) bef e et fi a ce c t a d i c . e ta . c edit/(e . e). Ite t ecifica att ib. tab e t i di id. a eg. t , . ch a a cated head ffice a d c ate e. e a e f. the ad ted.

Seg. t a et i c. de a ta gib e a et , c a . i i g ight , ea e e a . t , i te e t i a a ciate a d c. t a et ith the e ce ti f a cated c ate a et . Seg. t iabi itie i c. de t ade a d bi a ab e , the a ab e att ib. tab e t acti itie f the i di id. a eg. t , acc . ed ec a. ati b igati a d b i g . a aged di ect b the eg. t .

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

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

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

Revenue

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

Profit/(loss) before taxation

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

Assets

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

Liabilities

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

5. REVENUE

Re e f the e i d e e t the a e f c a d cha te hi e c e. The a t f each i ifica t categ f e e ec i ed d i g the e i di a f :

	Six months ended 30 June	
	2017	2016
	RMB'000	*'000*
	(Unaudited)	(U a dited)
Sa e f c a	**1,303,113**	159,419
Cha te hi e c e	**66,895**	45,409
	1,370,008	204,828

6. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2017	2016
	RMB'000	*'000*
	(Unaudited)	(U a dited)
G e t b idie *(t ( ))*	**–**	2,091
F eig e cha ge ( )/gai , et	**(3,454)**	2,372
Net gai /( ) di a f e t, a t a d e i t *(t ( ))*	**650**	(40,337)
Rec e f e a t e i itte ff	**287**	
Othe	**1,448**	89
	(1,069)	(35,785)

t

(i) The G ecei ed c diti a b idie f ca g e t d i g the i th ded 30 J e 2016 a ec iti f the G ' c t ib ti t the de e t f the ca ec .

(ii) D i g the i th ded 30 J e 2016, the G a ied g e t b id i e ect f de iti f t e e i acc da ce ith I e tati P a f Ea Reti e t a d Re ace t f Ob ete a d W - t T a tati Ve e a d Si g eh Oi Ta e 《老舊運輸船舶和單殼油輪提前報廢更新實施方案》a d Ad i it ati e Mea e f the S ecia S b idie Gi b the C t a Fi a ce t E c age Reti e t a d Re ace t f Ob ete a d W - t T a tati Ve e a d Si g e-h Oi Ta e 《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》, t gated b the Mi i t f Fi a ce, the Mi i t f T a t, the De e t a d Ref C i i , a d the Mi i t f d t a d f ati Tech g f Chi a (**Vessel Demolition Subsidy**). Afte ta i g i t acc t the b id c ati , the et f de iti f the e e a RMB40,716,000 a d ha bee i c ded i et di a f e t, a t a d e i t d i g the i th ded 30 J e 2016.

7. NET FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	*'000*
	(Unaudited)	(U a dited)
te e t i c e	**(195)**	(612)
te e t b i g	**196,075**	242,889
te e t cha ge di g f di c t	**7,526**	2,132
Le : i te e t ca ita i ed i t e t, a t a d e i t *(t)*	**(16,577)**	(1,121)
Fi a ce c t	**187,024**	243,900
Net fi a ce c t	**186,829**	243,288

t The b i g c t ha e bee ca ita i ed at a ate f 5.25% (i th ded 30 J e 2016: 5.11%) e a .

8. PROFIT/(LOSS) BEFORE TAXATION

(a) P fit/( ) bef e ta ati n i a i ed at afte cha gin g/(c editin g):

	Six months ended 30 June	
	2017	2016
	RMB'000	*'000*
	(Unaudited)	(Un a dited)
De eciati n f e t, an t an d e i n t	**80,195**	56,542
A ti ati n f c a nin g ight	**43,185**	6,496
A ti ati n f ea e e a n t	**70**	70
W ite-d wn f in n t ie t n et ea i ab e a e	**–**	573
P e t, an t an d e i n t w itt n - ff	**–**	2,090
Net (gai n)/ f di a f e t, an t an d e i n t	**(650)**	40,337

(b) Re e a f i ai n t, n et:

	Six months ended 30 June	
	2017	2016
	RMB'000	*'000*
	(Unaudited)	(Un a dited)
(Re e a f i ai n t)/i ai n t e n t ade ecei ab e	**(50,324)**	2,989
Re e a f i ai n t e n e a n t an d the ecei ab e	**(17,574)**	(8,713)
	(67,898)	(5,724)

9. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	*'000*
	(Unaudited)	(Un a dited)
C n t ta e n e		
PRC C ate In c e Ta	**–**	18,092
Un de- i i n f PRC C ate In c e ta in i ea	**670**	
Defe ed ta (c edit)/e n e	**(7,781)**	8,110
In c e ta (c edit)/e n e	**(7,111)**	26,202

(i) P an t t the e an d eg ati n f the Ca an I an d an d the B iti h Vi gin I an d , the G i n t b ect t an in c e ta in the Ca an I an d an d the B iti h Vi gin I an d (i n th n ded 30 J n e 2016: Ni).

(ii) N i i n f H n g K n g P fit Ta ha been ade f the b idia ie cated in H n g K n g a the e b idia ie didn t ha e an a e ab e fit b ect t H n g K n g P fit Ta d in g the e i d (i n th n ded 30 J n e 2016: Ni).

(iii) P i i n f the PRC C ate In c e Ta wa ba ed n the tat t ate f 25% (i n th n ded 30 J n e 2016: 25%) f the a e ab e fit f b idia ie which ca ied n b in e e in the PRC.

10. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The ca c. ati f ba ic ea g /( ) e ha e i ba ed the fit/( ) att ib. tab e t di a e . it ha eh de f the C . a d the eighted a e age . . be f di a ha e i . ed g the e i d.

The ca c. ati f ba ic ea g /( ) e ha e att ib. tab e t di a e . it ha eh de f the C . f the i . . th ded 30 J e 2017 d 2016 a e ba ed the f g data:

	Six months ended 30 June	
	2017	2016
	RMB'000	*'000*
	(Unaudited)	(a. dited)
P fit/( ) f the e i d att ib. tab e t e . it ha eh de f the C .	**151,417**	(442,522)
Le : Di t ib. ti e ati g t e et. a . b di ated c e tib e ec. itie c a ified a e . it	**(2,563)**	(2,464)
P fit/( ) f the e i d att ib. tab e t di a e . it ha eh de f the C .	**148,854**	(444,986)
Weighted a e age . . be f di a ha e f the . e f ba ic ea g /( ) e ha e	**2,493,413,985**	2,296,515,490

Diluted earnings/(loss) per share

The ca c. ati f di . ted ea g /( ) e ha e i ba ed the fit/( ) att ib. tab e t di a e . it ha eh de f the C . . The ad . ted eighted a e age . . be f di a ha e i the . . be f di a ha e i . ed g the e i d d a . . ed c e i f a di . ti e t tia di a ha e .

The . . be f ha e that . d ha e be i . ed a . . g the e . e ci e f the ha e ti e the . . be f ha e that c . d ha e be i . ed at fai a . e (dete . ed a the a e age . a et ice e ha e f the e i d) f the a . e t ta ceed i the . . be f ha e i . ed f c ide ati . The e . t g . . be f ha e i . ed f c ide ati i c . ded the eighted a e age . . be f di a ha e a the de . at f ca c. ati g di . ted ea g e ha e.

The e et. a . b di ated c e tib e ec. itie e e a . . ed t ha e be c e ted t di a ha e , d the fit/( ) f the e i d att ib. tab e t di a e . it ha eh de f the C . i ad . ted t e i . ate the di t ib. ti e ati g t e et. a . b di ated c e tib e ec. itie .

A the C . ' . t t di g ha e ti (i . . th ded 30 J e 2016: ha e ti d e et. a . b di ated c e tib e ec. itie) had ti-di . ti e effect t the di . ted ea g /( ) e ha e ca c. ati f the i . . th ded 30 J e 2017, the c e i f the t tia di . ti e ha e i t a . . ed the c . . tati f di . ted ea g /( ) e ha e f the i . . th ded 30 J e 2017.

	Six months ended 30 June	
	2017	2016
	RMB'000	*'000*
	(Unaudited)	(U a dited)
P fit/( )f the e i d att ib tab e t di a e it ha eh de f the C a	**148,854**	(444,986)
Add: Di t ib ti e ati g t e et a b di ated c e tib e ec itie c a ified a e it	**2,563**	N/A
P fit/( )f the e i d ed t dete i e di ted ea i g /( ) e ha e	**151,417**	(444,986)
Weighted a e age be f di a ha e	**2,493,413,985**	2,296,515,490
Ad t t f :		
A ed c e i f e et a b di ated c e tib e ec itie	**118,000,000**	N/A
Weighted a e age be f di a ha e f the e f di ted ea i g /( ) e ha e	**2,611,413,985**	2,296,515,490

11. DIVIDEND

The di ect f the C a d t ec d the a t f a i te i di id d f the i th ded 30 J e 2017 (i th ded 30 J e 2016: Ni).

12. COAL MINING RIGHTS

The ba a ce e e t the ight t c d ct i i g acti itie i Sha i P i ce. The i e ite a e cated

. t

(i) I. ai . t f e a . t d the ecei ab e

P i i f i. ai . t f e a . t d the ecei ab e a e a f :

	At 30 June 2017	At 31 Dece. be 2016
	RMB'000	*'000*
	(Unaudited)	(A. dited)
Othe de it d e a . t	**36,779**	42,913
A. t d. e f . -c t g ha eh de	**322,307**	322,307
Othe -t ade ecei ab e	**28,298**	39,864
	387,384	405,084

15. TRADE AND BILL PAYABLES

A ageg a i f t ade d bi a ab e f the G . i a f :

	At 30 June 2017	At 31 Dece. be 2016
	RMB'000	*'000*
	(Unaudited)	(A. dited)
Withi 1 ea	**88,540**	130,559
O e 1 ea b. t ithi 2 ea	**204,036**	828,322
O e 2 ea	**656,881**	22,946
	949,457	981,827

16. OTHER PAYABLES

	At 30 June 2017	At 31 Dece. be 2016
	RMB'000	*'000*
	(Unaudited)	(A. dited)
Current		
Recei t ad ce	**180,315**	108,264
Acc . ed e. e	**956,777**	780,854
A. t d. e t a e ated c .	**–**	16,169
A. t d. e t di ect	**1,285**	3,810
A. t d. e t . ti. ate h d g c .	**8,161**	8,830
A. t d. e t a ciate	**57,984**	57,984
Othe a ab e	**2,018,759**	1,970,832
	3,223,281	2,946,743
Non-current		
Othe a ab e	**50,028**	67,717
	3,273,309	3,014,460

The a. t d. e t a e ated c . , di ect , . ti. ate h d g c . d a ciate a e ec. ed, te e t-f ee d a e e a ab e de. d.

17. BORROWINGS

	At 30 June 2017	At 31 Dece be 2016
	RMB'000	*'000*
	(Unaudited)	(A dited)
Ba a		
Sec ed	**4,976,152**	5,043,520
U ec ed	**1,019,363**	962,681
	5,995,515	6,006,201
Othe b ing	**29,870**	37,070
	6,025,385	6,043,271

A at 30 J e 2017, ec ed ba a f RMB1,482,285,000 (31 Dece be 2016: RMB672,289,000), ec ed ba a f RMB200,000,000 (31 Dece be 2016: RMB269,850,000) a d the b ing f RMB29,870,000 (31 Dece be 2016: RMB17,090,000) e e t e ed ed e at it a d ca ied te e t at ate a gi g f 4.36% t 13.50% (31 Dece be 2016: 4.75% t 12.96%) e a .

A at 30 J e 2017, the e b ing a e ec ed b e t , a t a d e i t, c a ing ight , t ade a d bi ecei ab e a d edged de it ith ca ing a t f RMB708,176,000, RMB979,028,000, RMB29,142,000 a d RMB174,000 e ecti e a d g a a teed b the C a , ce tai b idia ie f the C a , e ated a tie a d/ a f e di ect (31 Dece be 2016: ec ed b e t , a t a d e i t, c a ing ight , ea e e a t a d edged de it ith ca ing a t f RMB407,274,000, RMB994,151,000, RMB5,073,000 a d RMB174,000 e ecti e a d g a a teed b the C a , ce tai b idia ie f the C a , e ated a tie a d/ a f e di ect).

S b e t t 30 J e 2017 a d t the date f thi a ce t, the G i the ce f eg tiati g ith the ba a d the c edit t e e the e b ing .

The G ' b ing a e ec ed b the f ing a et :

	At 30 June 2017	At 31 Dece be 2016
	RMB'000	*'000*
	(Unaudited)	(A dited)
P e t , a t a d e i t	**1,089,441**	1,110,714
C a ing ight	**2,249,403**	2,292,588
Lea e e a t	**5,003**	5,073
t ie	**79,853**	28,509
T ade a d bi ecei ab e	**29,142**	33,365
P edged de it	**174**	174

A at 30 J e 2017 a d 31 Dece be 2016, the G ' b ing a e a ec ed b the ecei ab e f a e ated c a f hich M . X Jih a (**Mr Xu**) i the ha eh de , a e t he d b M . X , the ti ate h di g c a ' e it te e t the C a a d the G ' e it te e t Sha i H a eia E e g G C ., Ltd. (**Huameiao Energy**), Sha i Sh zh Pi g Di t ict H a eia Xi gta C a C ., Ltd. (**Xingtao Coal**), Sha i Sh zh Pi g Di t ict H a eia Fe g i C a C ., Ltd. (**Fengxi Coal**), Sha i Sh zh Pi g Di t ict H a eia Ch g he g C a C ., Ltd. (**Chongsheng Coal**), Sha i Xi zh She chi Xi g g C a C ., Ltd. (**Xinglong Coal**), Sha i Xi zh She chi H g a C a C ., Ltd. (**Hongyuan Coal**), Sh zh G a gfa E e g e t t C ., Ltd., S e G ace E te i e Li ited a d O ie ta Wi e G Li ited a d a e t he d b M . X Da. A at 30 J e 2017, b ing f RMB6,015,635,000 (31 Dece be 2016: RMB6,033,401,000) e e g a a teed b the C a , ce tai b idia ie f the C a , e ated a tie a d/ a f e di ect .

18. CAPITAL COMMITMENTS

At each e ting date, ca ita c . . it. e t . t ta di g t ided f in the c de ed c idated fin a cia tate. e t a e a f :

	At 30 June 2017	At 31 Dece. be 2016
	RMB'000	*'000*
	(Unaudited)	(A. dited)
P et , a t a d e . i . e t	**50,676**	45,692

19. CONTINGENT LIABILITIES

(a) Outstanding litigation

U t the date f thi a ce. e t, the f i g ega ceedi g a e ti . t ta di g.

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

A at 31 Dece. be 2015, the e e e e a itigati c ai. i itiated b the . ie agai t the G . t de. a d i. . ediate e a . e t f e d. e a ab e i e ati t . cha e f . achi e ie ith a agg egate a. t f RMB132,206,000 a d the ate e a t cha ge f RMB6,605,000 a d c e di g ega c t f RMB108,000. A agg egate a. t f RMB132,206,000 had a ead bee ec g i ed a a ab e t the e . ie i c . ded i the a ab e . A a e . t f the f eg i g, the G . f the ec g i ed the ate e a t cha ge a d i te e t cha ge f RMB6,605,000 a d c e di g a e d

D n g the ea n ded 31 Dece be 2016, n the e i . e f H g . n C a M n e fi ed a a . it t Tai . n M ici a n te . ediate Pe e' C . t again t the G . t de. n d i . ediate e a . n t f the . ett ed c ide ati f RMB87,423,000 n d the ate n a t cha ge n d n te e t cha ge f RMB14,487,000 n e ati t the ac . i iti f c a . n n g ight f H g . n C a .

D n g the ea n ded 31 Dece be 2016, the G . ha . cce f eached n ag ee. n t ith e f the a n tiff a ett e. n t n ith n agg egated a . t f RMB13,000,000 that i be e aid b . th n ta . n t f RMB1,000,000. Acc di n g , . ch itigati c ai. a e ea ed d n g the i . . th n ded 30 J e 2017.

U t the date f thi n . ce. n t, itigati c ai. f RMB125,761,000 a e ti n g e . The a . t f RMB125,761,000 had a ead be ec g i ed a a ab e t the P e i . O e n c . ded n the a ab e . A a e . t f the f eg n g, the G . f. the ec g i ed the ate n a t cha ge n d n te e t cha ge f RMB14,487,000 n the c idated fi n a cia tate. n t f the ea n ded 31 Dece be 2016 n d RMB4,483,000 n the c de ed c idated fi n a cia tate. n t f the i . . th n ded 30 J e 2017 e ecti e .

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

n 2015, a ba fi ed a a . it n Zh. hai M ici a n te . ediate Pe e' C . t again t the G . t de. n d i . ediate e a . n t f the defa . ted ba b n g f RMB148,882,000 n d n te e t cha ge f RMB328,000 e ecti e . The n ci a f RMB148,882,000 n d e ecti e n te e t cha ge f RMB328,000 had a ead be ec g i ed a b n g n d acc . ed e. n e n c . ded n the a ab e e ecti e .

P . n t t the j dge. n t, e e a ba acc t n d ce tai c a . n n g ight f the G .

n the n the a ab e . e .

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

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

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

During the year ended 31 December 2016, there was a litigation claim initiated by Yu Lin Zhong Kuang against the Group to demand immediate repayment for overdue payables in relation to construction of coal mining infrastructure with an aggregate amount of RMB197,037,000. The amount of RMB101,323,000 had already been recognised as payable to this supplier included in the payables. Pursuant to the judgement issued by Shanxi Provincial Xinzhou City Intermediate People's Court on 9 January 2017, the Group was ordered to make immediate repayment of payable of RMB130,769,000, which including the aforesaid payable to this supplier of RMB101,323,000, late payment charges of RMB16,345,000 and interest of RMB13,101,000. As a result of the foregoing, the Group recognised the late payment 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 not yet been arranged. In the opinion of the directors of the Company, no further provision for these litigation claims was required to be made in the condensed consolidated financial statements for the six months ended 30 June 2017.

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

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

(b) Financial guarantees issued

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Revenue from coal business and coal handling and trading volume

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

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

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

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

Revenue from shipping transportation

The e . e f the hi g t tati eg t f the i . th ded 30 J e 2017 a RMB66.9 . i i , e e t g c ea e f RMB21.5 . i i 47.4% f . RMB45.4 . i i f the c e d g e i d 2016. The c ea e e . e a i. a i d e t ec e f the f eight hi g ate .

Gross profit and gross profit margin

The G . ' g fit a RMB454.7 . i i d. g the i . . th ded 30 J e 2017 a c . a ed ith g f RMB73.6 . i i d. g the a. e e i d 2016. de the ci c. . t ce f i. e. t a e age e g ice f the . a c a , the G . c ea ed the ca e f c a t ad g d. g . . e t g e ate g fit f the G . .

Net finance costs

Net fi ce c t f the G . d. g the i . . th ded 30 J e 2017 a. ted t RMB186.8 . i i , e e t g a dec ea e f RMB56.5 . i i 23.2% f . RMB243.3 . i i d. g the c e d g e i d 2016. The dec ea e a . a d e t dec ea e f b te e t ate 2017.

Profit attributable to the equity shareholders of the Company

P fit att ib. tab e t the e . it ha eh de f the C . f the i . . th ded 30 J e 2017 a RMB151.4 . i i , a c . a ed ith att ib. tab e t the e . it ha eh de f the C . f RMB442.5 . i i f the c e d g e i d 2016.

BUSINESS REVIEW

Business Overview

B efit f . a eb d f the ec . d the c ea e de . d, the e a a ig ifica t c ea e c a c . . ti . F the . e, a the c a- . ef . f the e e ted it effect, e e a c a- d c g ce ed ced thei d cti ca acit e the e ectati d the d cti f ce ta c a . e a . ded f ectificati . The e . ea . e he t tabi i e the . a et c a ice did t d . D g the fi t ha f f thi ea , the B hai- i . Stea . -c a P ice de . (BSPI 環渤海動力煤價格指數) e . a ed the ge f 562 t 606. N ith ta d g the c ti . . d c a ice f the fi t . th f 2017, the . a et c a ice did t d d g the t aditi a ff ea ea f . Ma ch t Ma . Sta t g f . J e, the eb c g . a et c a ice e c ti . . c ea ed afte te g t ea . . . e ea f e ect icit c . . . ti .

The ea ab e eb d f c a ice ha ed t i . e. t f the d. t de e . t i . t d i . ed the e at g c diti f c a c . ie . D g the fi t . a te f 2017, the G . ha te ed t . edi . . d g-te . c e ati ag ee. t ith e e a a ge- ize tate- ed c . ie ith . a c t acted . f . t 4.40 . i i t e . The G . ha a e . . ed the t ad g f i. ted c a f . d e ia the ec d . a te f 2017 ith c t acted . tit f a . i. ate 0.4 . i i t e . A the a e f c a ec e ed teadi d. g the i . . th ded 30 J e 2017, the G . . cce f. t. ed a d f . t fit. Re . e eached a . i. ate RMB1.37 bi i , c ea ed b 569% a c . a ed t the c e d g e i d the e i . ea . G fit . a g a 33% d the fit att ib tab e t ha eh de a a . i. ate RMB151.4 . i i . D g the e i d, th ee c a . e f H. a. eia de the G . d. ced a . i. ate 2.38 . i i t e f c . . e cia c a , c ea ed b a . i. ate 376% a c . a ed t the a. e e i d the e i . ea .

A f 30 J e 2017, the G ed d e ated fi e c a e Chi a. The tab e et f th ce tai f ati ab t the e c a e .

	t	Location	Ownership	Site area (.)	Operation status
H a eia E e g X gta C a	*1, 2*	Sh zh Sha i	80%	4.3	U de e ati
H a eia E e g F g i C a	*1, 3*	Sh zh Sha i	80%	2.4	U de e ati
H a eia E e g Ch g h g C a	*1, 4*	Sh zh Sha i	80%	2.9	U de e ati
X g g C a	*1, 5, 6*	X zh Sha i	100%	4.0	U de de e t
H g a C a	*1, 5, 7*	X zh Sha i	100%	4.1	U de e ati (Te a i ded)

(1) The G gaged de d t e a d t c ta t t e ti ate the t ta c a e e e d e ce a at 30 J e 2016 acc d ce ith the JORC C de.

(2) The d cti ca acit f X gta c a e f H a eia E e g i 1.50 i t e e , ith a t ta e t t b dget (e c di g c a a hi g t) f RMB380 i . The c t cti a c ced Oct be 2011. A at 30 J e 2017, the acc ated act a e t t a RMB380 i . The c t cti f X gta c a e d c a a hi g t a c eted, de i e g a ca acit f 1.5 i t e e .

(3) The d cti ca acit f F g i c a e f H a eia E e g i 0.9 i t e e , ith a t ta e t t b dget f RMB400 i . The c t cti a c ced Se te be 2011. A at 30 J e 2017, the acc ated act a e t t a RMB397 i . The c t cti f F g i c a e d c a a hi g t a c eted 21 Ja a 2014 d de i e g a ca acit f 0.9 i t e e .

(4) The d cti ca acit f Ch g h g c a e f H a eia E e g i 0.9 i t e e , ith a t ta e t t b dget f RMB391 i . The c t cti a c ced Se te be 2011. A at 30 J e 2017, the acc ated act a e t t a RMB392 i . The c t cti f Ch g h g c a e d c a a hi g t a c eted, de i e g a ca acit f 0.9 i t e e . It ha c ced e ati 21 Ja a 2014.

(5) The G c eted the e tab i h t f t c aie , Xi g g C a d H g . C a , b th h - ed b Sh chi Sh da E e g e t. t C ., Ltd. d i g the fi t ha f ea f 2013.

(6) The d cti ca acit f Xi g g c a . e i 0.9 . i i t e e . . , ith a t ta e t. t b. dget f RMB348 . i i . The c t . cti a c . . ced Dece. be 2012. A at 30 J e 2017, the acc. . . ated act. a e t. t a RMB253 . i i . The de e . t ha bee . ded d di g f f. the e t. t.

(7) The d cti ca acit f H g . c a . e i 0.9 . i i t e e . . , ith a t ta e t. t b. dget f RMB446 . i i . The c t . cti a c . . ced Ma ch 2013. A at 30 J e 2017, the acc. . . ated act. a e t. t a RMB341 . i i . The e ati ha bee . ded d di g f f. the e t. t.

COAL CHARACTERISTICS

Cha acte i tic f the c . . e cia c a d. ced b the G . ' e ati g . e a e a f :

Coal Quality Characteristic	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal
Sea.	4	9	9
M i t. e (%)	9.05-12.12%	1.55-3.16%	9.71-10.38%
A h (%)	20.11-28.73%	17.87-25.68%	19.35-22.16%
S. f. (%)	0.71-1.39%	0.32-0.96%	1.66-1.86%
V ati e Matte (%)	21.75-27.51%	25.00-38.84%	28.84-29.34%
E e g C t t (MJ/ g)	17.95-19.43	18.36-21.80	20.09-21.77

OPERATING DATA

Reserves and Resources

	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal	Xinglong Coal	Hongyuan Coal	Total
Reserves						
Re e e a at 1 Ja . a 2017 (Mt)						
P e e e	62.71	16.43	29.18	22.49	30.16	160.97
P bab e e e e	12.26	27.43	19.51	9.53	1.17	69.90
T ta e e e a at 1 Ja . a 2017 (Mt)	74.97	43.86	48.69	32.02	31.33	230.87
T ta a c a d cti f the e i d f . 1 Ja . a 2017 t 30 J e 2017 (Mt)	(1.55)	(0.95)	(1.17)	n.a.	n.a.	(3.67)
Reserves as at 30 June 2017 (Mt)	**73.42**	**42.91**	**47.52**	**32.02**	**31.33**	**227.2**
Resources						
Re . ce a at 1 Ja . a 2017 (Mt)	111.35	67.99	72.39	45.96	41.78	339.47
T ta a c a d cti f the e i d f . 1 Ja . a 2017 t 30 J e 2017 (Mt)	(1.55)	(0.95)	(1.17)	n.a.	n.a.	(3.67)
Resources as at 30 June 2017 (Mt)	**109.80**	**67.04**	**71.22**	**45.96**	**41.78**	**335.8**

The f g tab e et f th the ha f- ea d cti fig e at the ab e ti ed e f the e i d dicated:

Raw coal production volume	**Six months ended 30 June**	
	2017	2016
	('000 tonnes)	*('000 t)*
H a eia E e g X gta C a	**1,551+**	222+
H a eia E e g F g i C a	**948+**	302+
H a eia E e g Ch g h g C a	**1,167+**	248+
T ta	**3,666**	772

Commercial coal production volume	**Six months ended 30 June**	
	2017	2016
	('000 tonnes)	*('000 t)*
H a eia E e g X gta C a	**1,008+**	144+
H a eia E e g F g i C a	**617+**	196+
H a eia E e g Ch g h g C a	**758+**	161+
T ta	**2,383**	501

+: Pe the c etc t e ' e t i ed 25 J 2016, the e f c e cia c a d ced b H a eia E e g i ca c ated b a ie d ate f 65% f a c a .

Exploration, Mining and Development Expenses

The G ' e ati , g d de e t e e c i t f the f g a t :

	Six months ended 30 June	
	2017	2016
	RMB'000	*'000*
Mate ia d c ab e	**30,198**	10,182
Staff c t	**108,492**	45,329
Othe di ect c t	**26,302**	15,949
O e head d the	**142,273**	51,714
E a ati fee	**2,708**	892
T ta	**309,973**	124,066

Liquidity, Financial Resources and Capital Structure

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

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

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

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

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

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

Exposure to Fluctuations in Exchange Rates

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

Pledge of Assets of the Group and Guarantee

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

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

CORPORATE GOVERNANCE

The C a ha c ied ith the a icab e c de i i the C ate G e ce C de a et t A di 14 t the Li ti g R e th gh t the i th ded 30 J e 2017.

EMPLOYEES AND REMUNERATION

A at 30 J e 2017, the G e ed 1,842 e ee . The G ha ad ted a e f ce-ba ed e a d te t ti ate it taff d ch te i e ie ed a eg a ba i . additi t the ba ic a a ie , ea - d b e a be ffe ed t taff e be ith t ta di g e f ce.

S b idia ie f the C e tab i hed the PRC a e a b ect t cia ce c t ib ti ga i ed b the PRC g e t. acc da ce ith the e e t ati a d ca ab d cia e fa e a d eg ati , b idia ie f the C e tab i hed the PRC a e e i ed t a behaf f thei e ee a th cia ce e i c e g i ce, edica ce, e t ce d the e e t ce. S b idia ie f the C c ated H g K g ha e a tici ated dat id t f d che e, if a icab e, acc da ce ith the a icab e H g K g a d eg ati .