ANNUAL REPORT
2015 年報

SOLID FOUNDATION BUILDING OUR FUTURE

根基穩固 創建未來

with limited liability 於開曼群島註冊成立之有限公司 |

BOARD OF DIRECTORS

Executive Directors

Mr. XU Jihua (Chairman)
Mr. BAI Tao
(Appointed as Chief Executive Officer on 10 December 2015)
Mr. XU Da
Mr. MA Baofeng
Ms. WANG Jianfei
(Resigned as Chief Executive Officer on 10 December 2015)
Mr. WENG Li (Resigned on 8 April 2015)

Independent Non-Executive Directors

Mr. HUANG Guosheng
Mr. LAU Sik Yuen
Mr. XING Zhiying

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. FUNG Wai Shing

AUTHORISED REPRESENTATIVES

Ms. WANG Jianfei
Mr. FUNG Wai Shing

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

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Cricket Square
Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN CHINA

Unit Nos. 2201 to 2208
Level 22, South Tower, Poly International Plaza
No. 1 Pazhou Avenue East, Haizhu District
Guangzhou City, The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/ F
Two Chinachem Exchange Square
338 King's Road,
North Point, Hong Kong

AUDITOR

Moore Stephens CPA Limited
905 Silvercord, Tower 2, 30 Canton Road, Tsimshatsui
Kowloon, Hong Kong

PRINCIPAL BANKERS

China Minsheng Bank Corp., Ltd
Industrial and Commercial Bank of China
China Bohai Bank Co., Ltd
China CITIC Bank Corporation Limited
Jinshang Bank Co., Ltd

STOCK CODE

00866

WEBSITE

http://www.qinfagroup.com

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http://www.qinfagroup.com

Summary of the Group's results, assets, liabilities and equity for the last five financial years is set out below:

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RESULTS

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		For the year ended 31 December Ú dZÜgdSÚßË				
		2015 ZgSžË RMB'000 [OÆw© (Note) €•W•	2014 ZgS‚Ë RMB'000 [OÆw© (Note) €•W•	2013 ZgSgË RMB'000 [OÆw© (Restated) €¾ ••	2012 ZgSZË RMB'000 [OÆw© (Restated) €¾ ••	2011 ZgSSË RMB'000 [OÆw© (Restated) €¾ ••
Turnover	8X	1,414,524	6,488,279	10,830,133	11,085,285	9,971,106
Gross (loss)/profit	€ã&Ɉã;	(706,918)	(190,400)	1,063,016	1,513,379	1,088,408
Results from operating activities	¾ z 86	(7,689,352)	(641,619)	524,902	924,486	925,417
(Loss)/profit before taxation	ðüÃ€f&ɈP;	(8,037,702)	(1,177,656)	(14,605)	452,268	697,137
Income tax credit/(expense)	Ô{üšÕê5ɈšÕ•	1,105,525	(114,657)	(121,475)	(119,118)	(99,105)
(Loss)/profit for the year	Ë«€f&ɈP;	(6,932,177)	(1,292,313)	(136,080)	333,150	598,032
(Loss)/profit attributable to:	Ð&€f&ɈP;j					
Equity shareholders of the Company	I®!ÆB5Þ[	(6,011,184)	(1,183,426)	(247,765)	257,748	570,470
Non-controlling interests	¢›pÆB	(920,993)	(108,887)	111,685	75,402	27,562
		(6,932,177)	(1,292,313)	(136,080)	333,150	598,032
Coal handling and trading volume ('000 tonnes)	i•¾ ¿qøŽ€wš•	3,952	15,935	24,034	22,093	15,927

Note: The results of the years ended 31 December 2015 and 2014 were presented on a combined basis of the Group from both continuing and discontinued operations.

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ASSETS AND LIABILITIES * ¿ À

		As at 31 December õ d Z Ü g d S Ú				
		2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w ©	2013 Z g S g Ë RMB'000 [O Æ w ©	2012 Z g S Z Ë RMB'000 [O Æ w ©	2011 Z g S S Ë RMB'000 [O Æ w ©
Total assets	* < =	5,310,782	14,881,169	18,546,277	18,186,687	13,079,089
Total liabilities	À < =	(9,940,178)	(12,514,827)	(14,855,639)	(14,298,021)	(9,824,241)
Total (deficit)/equity	€ f Y •J Æ B < X	(4,629,396)	2,366,342	3,690,638	3,888,666	3,254,848

Note: • W j

1. The Company was incorporated in the Cayman Islands on 4 March 2008 and became the holding company of the Group with effect from 12 June 2009 upon completion of certain reorganisation steps as set forth in the prospectus of the Company dated 19 June 2009 (the "Prospectus").

   In order to improve asset structure, the Company has reorganised the trading business of Hong Kong Qinfa Trading Limited ("HK Qinfa Trading"), a wholly owned subsidiary of the Group to Hong Kong Qinfa International Trading Limited, another wholly owned subsidiary of the Group, in December 2011. HK Qinfa Trading is dormant as at the dispatch date of the annual report. The audited financial information of HK Qinfa Trading is as follows:

1. I ® ! õ Z g g ^ Ë g Ü , Ú õ š Ê ¥ W Ó m d I ® ! Ú , ‰ Z g g X Ë ¬ Ü d X Ú Y Ý p Ý û€ Ý p Ý û ™1 Y ð • \ É 7 • Ó d I ® ! õ Z g g X Ë ¬ Ü d Z Ú Ó ‰ I « › p ® ! f

   ‰ · * V ô d I ® ! Š õ Z g S S Ë d Z Ü Z 0 ¥ b ï q ø Þ " ® !€ 0 ¥ b ï q ø ™€ I « ˜ Œ • n ® ! •Y q ø 8 \ 0 ¥ b ï 7 ç q ø Þ " ® !€ I « $ S • Œ • n ® ! •f õ T ï Ë ˜ Ú d 0 ¥ b ï q ø r Ì 8 f 0 ¥ b ï q ø Y ¾ 2 è Ì Ø ½ h j

		31 December 2015 Z g S ž Ë d Z Ü g d S Ú USD'000 w Õ ©	31 December 2014 Z g S , Ë d Z Ü g d S Ú USD'000 w Õ ©
Revenue	×]	–	–
Gross profit	ã ;	–	–
Net profit/(loss) before tax	ð ü Ã ; — Œ f & •	416	(77)
Total assets	* < =	10,534	10,113
Net assets	* =	10,529	10,113

Dear Shareholders,

On behalf of the board of directors (" the Directors") (" the Board") China Qinfa Group Limited ("the Qinfa Group" or "the Company"), I hereby present the annual result of the Company and its subsidiaries (" the Group") for the year ended 31 December 2015.

In the end of 2015, China's coal price index decreased by 12.7 or 9.2% to 125.1 or as compared with the beginning of 2015. The Bohai-Rim Steam-Coal Price Index of Qinhuangdao decreased from the apex of RMB860 per ton in October 2011 to RMB370 per ton in the end of 2015, at the same level as in the end of 2004. Due to factors such as slowing economic growth, optimisation of industrial structure, change of energy structure and ecological constraint, growth of demand for coal is seriously imbalanced in the constantly slowing coal market. The entire industry is in excess capacity. The profit has substantially decreased, with a loss of more than 90%.

In the tough period of the coal market, with the constantly falling coal price, the downstream sector is unable to clear its stock. As a result, the Group's business and trade amount of coal also substantially decreased, with an increased loss. Under the difficult operation environment, the Group has adopted the following measures:

DISPOSAL OF 60% OF EQUITY HELD IN ZHUHAI QINFA PORT CO., LTD.

Prior to the disposal, the Group held 60% of equity interest in Zhuhai Qinfa Port Co., Ltd. In order to improve the Group's cash position and lower its gearing ratio, on 26 June 2015, Hong Kong Qinfa Trading Limited (a wholly-owned subsidiary of the Company) (" the Seller") entered into a conditional disposal agreement with Zhuhai Port Logistics Centre Co., Limited (. ¥ J t • Đ Þ " ® !) ("the Buyer"), pursuant to which the Seller conditionally agreed to sell and the Buyer conditionally agreed to purchase 60% of equity interest in Zhuhai Qinfa Port Co., Ltd. for a total cash consideration of RH''n wh(u)020.5(1 Tf.5(f)09.5(,)0.6(u)0.5(h)0.5[(R)0.5(H)65.5 (f)15.5A)0.5(l)0.5(a)0.5(0.0

COMPLETING EQUITY PLACING, MAINTAINING LIQUIDITY

On 21 December 2015, in accordance with the placing agreement between the Company and Sincere Securities Limited, a total of 200,000,000 placing shares have been placed to no less than six placees at the placing price of HKD0.249 per placing share. The net proceeds from the placing of approximately HKD47,917,000 will be used for the Group's general working capital to maintain the Group's liquidity.

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OPTIMISING ALLOCATION, CONTROLLING COSTS AND SAVING RESOURCES

In order to ensure the daily operation of the Group under the difficult business environment, we will (a) continue to optimise the Group's organisational structure and asset allocation, and activate bad assets; (b) increase production quality control over its coal products and reduce penalty; (c) reduce the staff size and ensure high efficiency; (d) explore multichannel sales combining traditional industry with "internet+"; and (e) increase control over cash flow, maintain the current bank balance and expand means of finance.

In the period when the overall industry is under major reform, the Group will concentrate its power to exploit at low cost and high profit. It will overcome market pressure, speed up structural adjustment, enhance management, increase cost control, optimise sales channels and improve the business situation. In addition, the Group is also looking for opportunities to introduce strategic investors to improve asset structure and develop new business models:

– further research the sales method combining internet and future exchange platform with the coal industry, and complete the value-added customer service integrating the coal industrial chain;

– respond the state's initiative to use clean coal and upgrade the Company's industrial structure, pay attention to low calorific coal projects, and discuss the feasibility of the pithead power plant project based on its own colliery.

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Finally, I would also like to take this opportunity to express my sincere thanks to the board of directors and all shareholders, management, employees and business partners who have supported the G roup for years. In 2016, the Group will take dramatic actions to establish a new business environment and create more value for the investors.

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Xu Jihua
Chairman
29 April 2016

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The Group is a leading 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 business. During the year ended 31 December 2015, the Group continued to focus on these business activities and expanded its integrated coal supply chain through upward vertical integration.

BUSINESS REVIEW

Disposal of 60% of Equity Interest Held in Zhuhai Qinfa Port Co., Ltd.

Zhuhai Qinfa Port Co., Ltd. is mainly engaged in operating its own dock as a coal port. It provides port handling services. Under the impact of the coal industry, it operates under very difficult business environment.

Prior to the disposal, the Group held 60% of equity interest in Zhuhai Qinfa Port Co., Ltd. In order to improve the Group's cash position and lower its gearing ratio, on 26 June 2015, Hong Kong Qinfa Trading Limited (a wholly-owned subsidiary of the Company) ("the Seller") entered into a conditional disposal agreement with Zhuhai Port Logistics Centre Co., Limited (. ¥ J t • Đ Þ " ® !) ("the Buyer"), pursuant to which the Seller conditionally agreed to sell, and the Buyer conditionally agreed to purchase, 60% of equity interest in Zhuhai Qinfa Port Co., Ltd. for a total cash consideration of RMB350 million. All conditions of the conditional disposal agreement have been met, and the disposal was completed in accordance with terms and conditions of the conditional disposal agreement on 7 August 2015, after which the Company has collected the cash consideration. The Company no longer holds any equity interest in Zhuhai Qinfa Port Co., Ltd.

Completing Equity Placing, Maintaining Liquidity

On 21 December 2015, in accordance with the placing agreement between the Company and Sincere Securities Limited, a total of 200,000,000 placing shares have been placed to no less than six placees at the placing price of Hong Kong dollars ("HKD") 0.249 per placing share. The net proceeds from the placing of approximately HKD47,917,000 will be used for the Group's general wording capital to maintain the Group's liquidity.

As of 31 December 2015, the Group owned and operated five coal mines in the PRC. The table sets forth certain information about these coal mines.

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	Note • W	Location ® Ã	Ownership ¹ Þ õ ± â	Site area & (sq. km) € ; Ù w ÷ •	Operation status 6 K 1
Huameiao Energy – Xingtao Coal 6 Õ ó • U Ñ 3 × i 8	1,2	Shuozhou Shanxi † ä È	80%	4.3	Under operation 6 •
Huameiao Energy – Fengxi Coal 6 Õ ó • U Ñ ¹ i 8	1,3	Shuozhou Shanxi † ä È	80%	2.4	Under operation 6 •
Huameiao Energy – Chongsheng Coal 6 Õ ó • U Ñ ^ º i 8	1,4	Shuozhou Shanxi † ä È	80%	2.9	Under operation 6 •
Xinglong Coal 3 ¤ i 8	1,5,6	Xinzhou Shanxi † Š È	100%	4.0	Under development š ï •
Hongyuan Coal ƒ Ã i 8	1,5,7	Xinzhou Shanxi † Š È	100%	4.1	Under operation 6 •
Tiaro Coal		Australia æ r	– (2014: 26.31%) € Z g S , Ë j 26.31% •	n.a. " G \	Disposed during 2015 Š õ Z g S ž Ë /

Notes:

(1) The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources as of 31 December 2015 in accordance with the JORC Code.

(2) The production capacity for Xingtao coal mine of Huameiao Energy is 1.5 million tonnes per annum, with a total investment budget (excluding coal washing plant) of RMB380 million. The construction was commenced in October 2011. As of 31 December 2015, the accumulated actual investment was RMB380 million. The mine has started joint trial operation since 30 June 2014, and is now subject to testing and inspection.

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(3) The production capacity for Fengxi coal mine of Huameiao Energy is 0.9 million tonnes per annum, with a total investment budget of RMB400 million. The construction was commenced in September 2011. As of 31 December 2015, the accumulated actual investment was RMB397 million. The construction of Fengxi coal mine and coal washing plant was completed on 21 January 2014 and delivered a capacity of 0.9 million tonnes per annum.

(4) The production capacity for Chongsheng coal mine of Huameiao Energy is 0.9 million tonnes per annum, with a total investment budget of RMB391 million. The construction was commenced in September 2011. As of 31 December 2015, the accumulated actual investment was RMB392 million. The construction of the coal mine and coal washing plant was completed, delivering a capacity of 0.9 million tonnes per annum. It has commenced operation on 21 January 2014.

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

(6) The production capacity for Xinglong coal mine is 0.9 million tonnes per annum, with a total investment budget of RMB348 million. The construction was commenced in December 2012. As of 31 December 2015, the accumulated actual investment was RMB222 million. The mine construction, civil engineering and installation works are in progress.

(7) The production capacity for Hongyuan coal mine is 0.9 million tonnes per annum, with a total investment budget of RMB446 million. The construction was commenced in March 2013. As of 31 December 2015, the accumulated actual investment was RMB294 million.

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(4) 6Õó•U^ºi$Y £•|‰ 900,000šJËd<³ kQ‰[OÆ391,000,000©dZgSSËXÜšˆ £fÚ ZgSžËdZÜgdSÚd] ¼ç³ [OÆ 392,000,000©f i$qyi@ˆûŠ ˆd–Ó*• 900,000šJËdZgS,ËSÜZdSÚŠ³*f

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(6) 3¤i$Y £•|‰ 900,000šJËd<³ kQ‰[OÆ348,000,000©dZgSZËdZÜšˆ £fÚ ZgSžËdZÜgdSÚd] ¼ç³ [OÆ222,000,000©d°f$ ez eÄ M¯† •f

(7) ƒÃi$Y £•|‰ 900,000šJËd<³ kQ‰[OÆ446,000,000©dZgSgËgÜšˆ £fÚ ZgSžËdZÜgdSÚd] ¼ç³ [OÆ 294,000,000©f

COAL CHARACTERISTICS

i•$D

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

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Coal Quality Characteristic	i/$D	Huameiao Energy – Xingtao Coal 6Õó•U Ñ3×i8	Huameiao Energy – Fengxi Coal 6Õó•U Ñ¹ i8	Huameiao Energy – Chongsheng Coal 6Õó•U Ñ^ºi8
Seam	i4	4	4	4
Moisture (%)	å± (%)	8.09-10.57%	2.19-2.65%	2.31-3.59%
Ash (%)	ò± (%)	15.51-24.27%	20.58-27.53%	23.25-30.74%
Sulfur (%)	^?Ž (%)	0.86-0.92%	0.69-0.88%	0.84-1.80%
Volatile Matter (%)	hïJ^Ž (%)	26.27-28.31%	23.58-27.46%	23.58-25.91%
Energy Content (MJ/kg)	ï Ž€ŠÊ Jw4•	18.24-22.35	17.35-21.12	17.14-19.35

OPERATING DATA　6 p ½

Reserves and Resources　· Ž ¿ U Ž

		Huameiao Energy - Xingtao Coal 6 Õ ó • U Ñ 3 × i 8	Huameiao Energy - Fengxi Coal 6 Õ ó • U Ñ ¹ i 8	Huameiao Energy - Chongsheng Coal 6 Õ ó • U Ñ ^ º i 8	Xinglong Coal 3 ¤ i 8	Hongyuan Coal ƒ Ã i 8	Total <
Reserves	· Ž						
Reserves as of 31 December 2015 (Mt)	Ú Z g S ž Ë d Z Ü g d S Ú c Y · Ž€ õ ¬ š •						
– Proven reserves	Ñ Ç ¼ · Ž	63.13	17.19	30.10	22.49	30.16	163.07
– Probable reserves	Ñ ? + · Ž	12.26	27.43	19.51	9.53	1.17	69.90
Total reserves as of 31 December 2015 (Mt)	Ú Z g S ž Ë d Z Ü g d S Ú Y < · Ž€ õ ¬ š •	75.39	44.62	49.61	32.02	31.33	232.97
Resources	U Ž						
Resources as of 31 December 2015 (Mt)	Ú Z g S ž Ë d Z Ü g d S Ú c Y U Ž€ õ ¬ š •	111.94	69.09	73.70	45.96	41.78	342.47

The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources as of 31 December 2015 in accordance with JORC Code.

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

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Raw coal production volume	a i * Ž	Year ended 31 December Ú d Z Ü g d S Ú ß Ë 2015 Z g S ž Ë ('000 tonnes) € w š •	2014 Z g S ‚ Ë ('000 tonnes) € w š •
Huameiao Energy – Xingtao Coal	6 Õ ó • U Ñ 3 × i 8	452	1,313
Huameiao Energy – Fengxi Coal	6 Õ ó • U Ñ ¹ i 8	545	2,212
Huameiao Energy – Chongsheng Coal	6 Õ ó • U Ñ ^ º i 8	445	1,342
Ruifeng Coal	• ‚ i 8	–	191
Hongyuan Coal	ƒ Ã i 8	–	172
Total	<	1,442	5,230

Commercial coal production volume	8 i * Ž	Year ended 31 December Ú d Z Ü g d S Ú ß Ë 2015 Z g S ž Ë ('000 tonnes) € w š •	2014 Z g S ‚ Ë ('000 tonnes) € w š •
Huameiao Energy – Xingtao Coal	6 Õ ó • U Ñ 3 × i 8	294[+]	854[+]
Huameiao Energy – Fengxi Coal	6 Õ ó • U Ñ ¹ i 8	354[+]	1,438[+]
Huameiao Energy – Chongsheng Coal	6 Õ ó • U Ñ ^ º i 8	289[+]	873[+]
Ruifeng Coal	• ‚ i 8	–	191[^]
Hongyuan Coal	ƒ Ã i 8	–	136[+]
Total	<	937	3,492

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

\+ : Per the competent person's report issued on 30 September 2011 and 31 May 2013, the volume of commercial coal produced by Huameiao Energy and Hongyuan Coal is calculated by a yield rate of 65% and 79% of raw coal respectively.

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Exploration, Mining and Development Expenses ž e š ® ¿ š ï l \

The Group's exploration, mining and development expenses consist of the following amounts: I « Y ž e š ® ¿ š ï l \ < ø h – X j

		Year ended 31 December Ú d Z Ü g d S Ú ß Ë	
		2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w ©
Materials and consumables	J Ø ¿ ƒ Ü	45,833	66,614
Staff cost	p ˆ Ó I	139,185	120,142
Other direct cost	I ü \ Ÿ Ó I	37,453	59,244
Overhead and others	œ Ÿ Ó I ¿ I ü	193,776	248,574
Evaluation fee	Y I	2,455	16,869
Total	<	418,702	511,443

FINANCIAL REVIEW Ì « ¥

Revenue and Handling and Trading Volume ×] ~ ¾ ¿ q ø Ž

		Year ended 31 December Ú d Z Ü g d S Ú ß Ë	
Revenue	×]	2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w ©
Coal business	i • 8	1,220,485	6,292,314
Shipping transportation	˜ 6 6 i	156,722	157,132
Port service income (reclassified as discontinued operation)	¥ y ×] € - ± ó ‰ Š ^ ß ¾ 8 •	37,317	38,833

		Year ended 31 December Ú d Z Ü g d S Ú ß Ë	
Handling and Trading volume	¾ ¿ q ø Ž	2015 Z g S ž Ë '000 tonnes w š	2014 Z g S , Ë '000 tonnes w š
Coal Handling and Trading	i • ¾ ¿ q ø	3,952	15,935

During the year ended 31 December 2015, the volume of the Group's coal handling and trading recorded a 75.2% decrease as compared with 2014. The monthly average coal selling prices during the year ended 31 December 2015 were in range between RMB206 per tonne and RMB354 per tonne, which were lower than the average selling prices between RMB263 per tonne and RMB452 per tonne in 2014. The decrease in coal handling and trading and monthly average coal selling price were principally because of the slow down in the growth of economics in China and resulting the sluggish coal demand during 2015, as well as the decline of international energy prices which aggravated the adjustment of coal price in China during 2015.

Ú Z g S ž Ë d Z Ü g d S Ú ß Ë d ~ Z g S , Ë ´ â d I « Y i • ¾ ¿ q ø Ž ¯ Ç 75.2% f õ Ú Z g S ž Ë d Z Ü g d S Ú ß Ë « Y Ê Ü ; i i • / § ÷ Ê š [O Æ 206 © Ê š [O Æ 354 © d - õ Z g S , Ë § ÷ Ê š [O Æ263 © Ê š [O Æ 452 © Y ; i / f i • ¾ ¿ q ø ø ¿ Ê Ü ; i i • / h % Y ô a ª J Z g S ž Ë • 7 ¾ ö # — ó à d ¬ ç i • ê Ë þ " Ã d j Z g S ž Ë 7 ç • U ø h { d • 7 Y i • ø Æ f

The average coal selling price and the coal handling and trading volume for each of the three years ended 31 December 2015 are set forth in the table below:

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		Year ended 31 December Ú d Z Ü g d S Ú ß Ë		
		2015 Z g S ž Ë	2014 Z g S , Ë	2013 Z g S g Ë
Average selling price (RMB per tonne)	; i / € Ê š [O Æ © •	309	395	445
Average monthly handling and trading volume ('000 tonnes)	; i Ê Ü ¾ ¿ q ø Ž€ w š •	329	1,328	2,003

The Group sells blended coal which is sourced from both overseas and the PRC domestic markets to customers, including power plants, cement plants and coal traders. Most of the Group's customers are located in the coastal regions of China. Power plants purchase coal for use in the combustion processes to produce steam for power and heat. Cement plants consume coal as primary fuel in their production process. The following table sets forth information regarding the Group's coal sales by industry segment during the years ended 31 December 2015 and 2014:

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		Year ended 31 December Ú d Z Ü g d S Ú ß Ë			
		2015 Z g S ž Ë		2014 Z g S , Ë	
		Net sales V / X RMB'000 [O Æ w ©	Percentage of Net sales & < V / X Y õ ± â % of total (%)	Net sales V / X RMB'000 [O Æ w ©	Percentage of Net sales & < V / X Y õ ± â % of total (%)
Power plants	ï e @	273,611	22.4	1,152,187	18.3
Coal traders	i • q ø	502,924	41.2	1,844,004	29.3
Cement plants and others*	å % @ ¿ I ü *	443,950	36.4	3,296,123	52.4
Total	<	1,220,485	100.0	6,292,314	100.0

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Cost of sales

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Cost of sales of the Group in 2015 amounted to RMB2,053.9 million, representing a decrease of 69.1% compared with RMB6,652.7 million in 2014. The decrease was due to the fall in coal trading and handling volume during the year of 2015.

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

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		Year ended 31 December Ú d Z Ü g d S Ú ß Ë	
		2015 Z g S ž Ë RMB million [O Æ õ ¬ ©	2014 Z g S , Ë RMB million [O Æ õ ¬ ©
Cost of coal purchased	. … i • Y Ó I	1,322.8	5,735.8
Cost of coal transportation*	i • 6 i Y Ó I *	66.7	211.5
Cost of self-produced coal	* i • Y Ó I	445.4	523.6

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The Group purchases coal from both overseas and the PRC market. The following table sets forth information regarding the Group's origins of coal based on sales volume and net sales in 2015 and 2014:

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Origins of coal	i • 8 U	2015 Z g S ž Ë Sales volume V Ž '000 tonnes w š	2015 Z g S ž Ë Net sales V / X RMB'000 [O Æ w ©	2014 Z g S , Ë Sales volume V Ž '000 tonnes w š	2014 Z g S , Ë Net sales V / X RMB'000 [O Æ w ©
China	• 7	3,944	1,216,981	14,735	5,751,675
Indonesia	™ 5	1	384	625	260,122
South Africa	Ì ¢	4	2,031	4	1,604
Australia	æ r	1	240	376	179,776
Canada	Å }	1	726	153	75,734
Others	I ü	1	123	42	23,403
Total	<	3,952	1,220,485	15,935	6,292,314

(Year ended 31 December / Ú d Z Ü g d S Ú ß Ë)

The Group keeps expanding the network of suppliers to ensure a supply of coal with reliable and stable quantity and quality.

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The Group has established stable cooperative relationships with its key overseas and PRC domestic coal suppliers and has developed business relationships with the majority of them over a period of not less than

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Gross Loss

The Group's gross loss was RMB676.7 million during the year ended 31 December 2015 as compared with RMB203.3 million during the same period in 2014. The Group recorded gross loss in 2015 principally because of the extended downturn of coal market in China and the sharp decrease in average selling prices of thermal coal price since the beginning of 2015, which was significantly higher than the reduction in cost of material and other costs of production.

Other Income, Gains and Losses

During the year ended 31 December 2015, the Group's other income, gains and losses amounted to RMB17.4 million, as compared with -RMB46.8 million in the same period in 2014. The increase in other income, gains and losses in 2015 was mainly due to the absence of the one-off loss arising from the loss on disposal of Ruifeng Coal of RMB162.6 million in 2014.

Distribution Expenses

Distribution expenses decreased by 65.2% to RMB30.8 million for the year ended 31 December 2015, compared by the RMB88.4 million in the same period in 2014. The decrease was in line with the decrease in coal handling and trading volume in 2015.

Administrative Expenses

During the year ended 31 December 2015, the Group's administrative expenses amounted to RMB208.3 million, representing a decrease of 10.8% compared by the RMB233.4 million in the same period in 2014. The decrease was mainly due to the fact that the Group has launched a series of cost saving controls during the year to lower the administrative expenses.

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Other Expenses

During the year ended 31 December 2015, the Group's other expenses amounted to RMB6,760.4 million, which mainly included impairment losses recognised in respect of (i) property, plant and equipment amounted to RMB3,067.5 million; (ii) coal mining rights amounted to RMB2,678.4 million; (iii) interests in associates amounted to RMB70.7 million; (iv) trade receivables amounted to RMB502.5 million; and (v) prepayments and other receivables amounted to RMB394.9 million.

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Net Finance Costs

Net finance costs of the Group in 2015 amounted to RMB368.0 million, representing a decrease of RMB148.1 million or 28.7% from RMB516.1 million in 2014.

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Loss Attributable to Equity Shareholders

Loss attributable to equity shareholders of the Company during the year ended 31 December 2015 was RMB6,011.2 million as compared with RMB1,183.4 million in the same period in 2014. The increase in loss was principally due to the non-cash loss arising from the impairment losses, with an aggregate amount of RMB6,714.0 million recorded in other expenses.

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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 borrowings.

As of 31 December 2015, the Group recorded net current liabilities of RMB6,229.0 million. The Group has taken initiative to enhance the financial flexibility by diversifying the funding bases and obtain medium term loans to replace short term loans. The Group is currently in the process of negotiating with certain banks in the PRC to raise new medium to long term interest-bearing bank borrowings.

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On 30 November 2015, the Company entered into a placing agreement (the "Placing Agreement") with Sincere Securities Limited (the "Placing Agent") pursuant to which the Placing Agent has agreed to place to independent placees for up to 200,000,000 new shares in the capital at the Company (the "Shares") at a price of HKD0.249 per placing share, for and on behalf of the Company. The net proceeds from the placing amounted to HK$47.9 million. The Directors believe that the subscription can provide an opportunity to broaden the shareholder base and strengthen the capital base and financial position of the Company for the Group's future business developments. The conditions of Placing Agreement have been fulfilled and completion of the placing took place on 21 December 2015. As a result of the placing, the number of Shares increased from 2,078,413,985 Shares (31 December 2014) to 2,278,413,985 Shares (31 December 2015).

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As of 31 December 2015, the cash and cash equivalents of the Group amounted to RMB20.7 million (as at 31 December 2014: RMB20 million).

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As of 31 December 2015, the Group's cash and cash equivalents, except amount of RMB8.9 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 made in RMB.

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The gearing ratio (calculated as bank and other borrowings netted off sum of cash and cash equivalents and pledged and restricted deposits divided by total assets) of the Group as at 31 December 2015 was 109.9% (as of 31 December 2014: 47.7%). The increase in gearing ratio was mainly due to decrease of total assets as a result of impairment losses on property, plant and equipment, coal mining rights, interests in associates, trade receivables and prepayments and other receivables.

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EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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The Group's cash and cash equivalents are held predominately in RMB and USD. Operating outgoings incurred by the Group's subsidiaries in the PRC are mainly denominated in RMB while overseas purchases 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.

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PLEDGE OF ASSETS OF THE GROUP

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As at 31 December 2015, the Group's assets in an aggregate amount of RMB3,073.7 million (as at 31 December 2014: RMB9,782.4 million) in forms of property, plant and equipment, coal mining rights, lease prepayments, inventories, trade and bill receivables and bank deposits were pledged to banks for credit facilities granted to the Group.

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CONTINGENT LIABILITIES

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Except for certain matters disclosed in the note 41 to the consolidated financial statements, the Group did not have any material contingent liabilities as at 31 December 2015.

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FINAL DIVIDEND FOR THE YEAR ENDED 31 DECEMBER 2015

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The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: Nil).

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MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Except for the disposal of the equity interest in Zhuhai Qinfa Port Co., Limited on 7 August 2015 as disclosed in the note 10 to the consolidated financial statements, there was no material acquisition and disposal of subsidiaries during the year ended 31 December 2015. Additional information is set forth in the notes to the consolidated financial statements of the Group.

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COMPLIANCE WITH LAWS AND REGULATIONS

Throughout the year ended 31 December 2015, the Company has complied with the relevant laws and regulations that have significant impact on the operations of the Group.

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RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

The Group understands that it is important to maintain good relationships with customers, suppliers and other business partners to achieve its long-term goals. Accordingly, our senior management has kept good communication, promptly exchanged ideas and shared business updates with them when appropriate. Except for certain outstanding litigations as disclosed in note 41(a) to the consolidated financial statements, there was no material and significant dispute between the Group and its customers, suppliers and other business partners during the year.

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EMPLOYEES AND REMUNERATION

As of 31 December 2015, the Group employed 1,557 employees. The Group has adopted a performance-based reward system to motivate its staff and such system is reviewed on a regular basis. In addition to the basic salaries, year-end bonuses may be offered to staff members with outstanding performance.

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

In addition, a Pre-IPO Share Option Scheme and Share Option Scheme were adopted in June 2009 to retain staff members who have made contribution to the success of the Group. As at 31 December 2015, the total number of share options outstanding was 154,393,369. The Directors believe that the compensation packages offered by the Group to its staff members are competitive in comparing with market standards and practices.

BUSINESS OUTLOOK

In the tough period of the coal market, with the constantly falling coal price, the downstream sector is unable to clear its stock. As a result, the Group's business and trade amount of coal also substantially decreased, with an increased loss. Under the difficult operation environment, the Group has adopted the following measures:

Optimising Allocation, Controlling Costs and Saving Resources

In order to ensure the daily operation of the Group under the difficult

Looking forward to the coming year, under the state policy of "cut excessive industrial capacity", the coal market is hard to recover from the difficult situation in short period as China's economic development is now in a new normal of structural adjustment. H owever, the Thirteenth F ive Year Plan will continue to apply

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The Board presents this annual report, together with the audited consolidated financial statements of the G roup for the year ended 31 December 2015 (the “Consolidated Financial Statements”).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the coal operation business involving coal mining, purchase and sales, filtering, storage, blending of coal in the PRC and shipping transportation. The principal activities of the subsidiaries of the Company are set out in note 20 to the Consolidated Financial Statements.

BUSINESS REVIEW

Details of the business review information are set out in the section headed “Management Discussion and Analysis” on pages 9 to 27 of this report.

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PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

FINANCIAL SUMMARY

A summary of the Group's result for each of the five years ended 31 December 2015 and the Group's assets and liabilities as at 31 December 2011, 2012, 2013, 2014 and 2015 are set out on page 4 to 5 of this report.

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

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

DIRECTORS

The Directors during the year of 2015 and up to the date of this report are as follows:

Executive directors:

Mr. XU Jihua (Chairman)
Mr. BAI Tao
(Appointed as Chief Executive Officer on 10 December 2015)
Mr. XU Da
Mr. MA Baofeng
Ms. WANG Jianfei
(Resigned as Chief Executive Officer on 10 December 2015)
Mr. WENG Li (Resigned on 8 April 2015)

Independent non-executive directors:

Mr. HUANG Guosheng
Mr. LAU Sik Yuen
Mr. XING Zhiying

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Pursuant to Article 83(3) of the Articles, the D irectors shall have the power from time to time and at any time to appoint any person as a D

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT è + ¿ ÷ t M # 4 5 Ý

Brief biographical details of Directors and senior management are set out on pages 53 to 57 of this report.

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DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

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As at 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 to the Listing Rules were as follows:

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1. Interests in the Company

1. õ I ® ! ˜ Æ B

Name of Director è + ' ¤	Nature of interest Æ B Ì /	Number of shares p … p f Long positions » Q	Short positions ñ Q	Approximate percentage of issued share capital of the Company (%) & I ® ! Š ï p I ˜ ? Ò õ ± â(%) Long positions » Q	Short positions ñ Q
Mr. XU Jihua* ± › 6 ‹ [*	Corporate ® !	1,168,229,610 (Note 1) € • W 1 •	Nil Ì	51.27	Nil Ì
Ms. WANG Jianfei î - ~ {	Beneficial Owner ¼ B ¹ Þ [	100,000,000	Nil Ì	4.39	Nil Ì
Mr. XU Da ± : ‹ [	Beneficial Owner ¼ B ¹ Þ [	145,135,251	Nil Ì	6.37	Nil Ì
Mr. MA Baofeng õ - ¤ ‹ [	Beneficial Owner (Note 2) ¼ B ¹ Þ [€ • W 2 •	54,164,457	Nil Ì	2.38	Nil Ì
Mr. BAI Tao c ñ ‹ [	Beneficial Owner ¼ B ¹ Þ [	50,000,000	Nil Ì	2.19	Nil Ì
Mr. HUANG Guosheng » 7 ÷ ‹ [	Beneficial owner (Note 3) ¼ B ¹ Þ [€ • W 3 •	500,000	Nil Ì	0.02	Nil Ì
Mr. LAU Sik Yuen ¨ U ‹ [	Beneficial owner (Note 4) ¼ B ¹ Þ [€ • W 4 •	500,000	Nil Ì	0.02	Nil Ì
Mr. XING Zhiying › ® ‹ [	Beneficial owner (Note 5) ¼ B ¹ Þ [€ • W 5 •	500,000	Nil Ì	0.02	Nil Ì

Notes:

• W j

1. These Shares include 1,036,000,000 Shares and 118,000,000 Shares to be allotted and issued upon full conversion of the perpetual subordinated convertible securities ("PSCS") are held directly by Fortune Pearl International Limited ("Fortune Pearl") which is wholly-owned by Mr. Xu Jihua. By virtue of the SFO, Mr. Xu is deemed to have interests in the Shares so held by Fortune Pearl. The remaining Shares are held directly by Mr. Xu.

2. The beneficial interest represents 1,200,000 Shares and 2,964,457 Shares that may be issued pursuant to the full exercise of the options granted to Mr. MA under the Share Option Scheme on 12 June 2009 and 17 January 2012 respectively.

3. The beneficial interest represents 500,000 Shares that may be issued pursuant to the full exercise of the options granted to Mr. HUANG Guosheng under the Share Option Scheme on 30 April 2015.

4. The beneficial interest represents 500,000 Shares that may be issued pursuant to the full exercise of the options granted to Mr. LAU Sik Yuen under the Share Option Scheme on 30 April 2015.

5. The beneficial interest represents 500,000 Shares that may be issued pursuant to the full exercise of the options granted to Mr. XING Zhiying under the Share Option Scheme on 30 April 2015.

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

1. p … < 1,036,000,000 p p … ¿ õ „ p 3 l Q n ã t l p Ç N€˜ Q n ã t l p Ç N ™• š ø ã ï ¿ ï ˜ 118,000,000 p p … _ œ E 7 ç Þ " ® !€˜ œ E™•\ Ÿ 5 Þ d þ ® ! _ ± › 6 ‹ [Œ ¹ Þ f ì ½ Ç N ¿ , ¬ â 7 d ± ‹ [— V ‰ õ _ œ E 5 Þ ˜ p … • ¹ Þ Æ B f q h ˜ p … _ ± ‹ [þ Œ œ E \ Ÿ 5 Þ f

2. ¼ B Æ ; 8 ª I ® ! ± 9 õ Z g g X Ë ¬ Ü d Z Ú ¿ Z g S Z Ë S Ü d V Ú ì ½ … p Æ Œ ¬ š õ ‹ [˜ … p Æ Œ & 4 Û þ ï Y 1,200,000 p ¿ 2,964,457 p p … f

3. ¼ B Æ ; 8 ª I ® ! õ Z g S ž Ë , Ü g d Ú ì ½ … p Æ Œ ¬ š » 7 ÷ ‹ [˜ … p Æ Œ & 4 Û þ ï Y 500,000 p p … f

4. ¼ B Æ ; 8 ª I ® ! õ Z g S ž Ë , Ü g d Ú ì ½ … p Æ Œ ¬ š | U ‹ [˜ … p Æ Œ & 4 Û þ ï Y 500,000 p p … f

5. ¼ B Æ ; 8 ª I ® ! õ Z g S ž Ë , Ü g d Ú ì ½ … p Æ Œ ¬ š › ® ‹ [˜ … p Æ Œ & 4 Û þ ï Y 500,000 p p … f

* è + ± › 6 ‹ [d u R , è + 6 ô © f

2. Interests in associated corporations

2. õ ´ L , ˜ Æ B

Name of Director è + ' ¤	Name of associated corporations ´ L , ¤ H	Capacity …	Number of shares p … p f	Percentage of issued shares (%) Š ï p … õ ± â(%)
Mr. XU Jihua ± › 6 ‹ [	Fortune Pearl œ E	Beneficial owner ¼ B ¹ Þ [	1	100

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY

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As at 31 December 2015, the interests and short positions of the persons, other than a Director or chief executive of the Company, in the Shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

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Name of shareholder p ‘ ¤	Number of shares p … p f Long positions » Q	 Short positions ñ Q	Approximate percentage of issued share capital of the Company (%) & I ® ! Š ï p I ˜ ? Ò õ ± â(%) Long positions » Q	 Short positions ñ Q
Fortune Pearl (Note 1) œ E€ • W1 •	1,154,000,000	Nil Ì	50.65	Nil Ì
Link Beautiful Limited L ¥ — 6 Þ " ® !	215,000,000	Nil Ì	9.44	Nil Ì

Note:

1. The 1,154,000,000 Shares include the interests in Shares by virtue of the 118,000,000 Shares to be allotted and issued to Fortune Pearl upon full conversion of the PSCS. Fortune Pearl is wholly-owned by Mr. Xu Jihua, a Director.

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Save as disclosed above, as at 31 December 2015, the Company had not been notified by any persons (other than Directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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PLACING OF SHARES

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On 30 November 2015, the Company entered into a placing agreement (the "Placing Agreement") with Sincere Securities Limited (the "Placing Agent") pursuant to which the Placing Agent has agreed to place to independent placees for up to 200,000,000 new shares in the capital at the Company (the "Shares") at a price of HKD0.249 per placing share, for and on behalf of the Company. The net proceeds from the placing amounted to HK$47.9 million. The Directors believe that the subscription can provide an opportunity to broaden the shareholder base and strengthen the capital base and financial position of the Company for the Group's future business developments. The conditions of Placing Agreement have been fulfilled and completion of the placing took place on 21 December 2015. As a result of the placing, the number of Shares increased from 2,078,413,985 Shares (31 December 2014) to 2,278,413,985 Shares (31 December 2015).

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DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than in pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme detailed in note 31 to the Consolidated Financial Statements, at no time during the year ended 31 December 2015 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debts securities (including debentures) of, the Company or any other body corporate and none of the Directors, their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

PERPETUAL SUBORDINATED CONVERTIBLE SECURITIES

The Company had outstanding PSCS in the principal amount of HK$194,700,000 as at 31 December 2015, which was convertible into ordinary Shares in the Company at the initial Conversion Price of HK$1.65 per conversion share (subject to adjustments). Assuming the exercise in full of the conversion rights attaching to the PSCS at the initial Conversion Price, a total of 118,000,000 conversion shares will be issued. The PSCS were held by Fortune Pearl International Limited. The sole ultimate beneficial owner of the Fortune Pearl International Limited is Mr. Xu, who is a Director of the Company.

PERMITTED INDEMNITY PROVISION

Subject to the applicable laws, every director of the Group's companies shall be entitled to be indemnified by the relevant company against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties or in relation thereto pursuant to their respective Articles of Associations. Such provisions were in force during the course of the financial year ended 31 December 2015 and remained in force as of the date of this report.

REMUNERATION POLICY

The remuneration policy of the Group to reward its employees is based on their performance, duties and responsibilities, qualifications and competence displayed. The Group has adopted a performance-based rewarding system to motivate its employees and such system is reviewed on a regular basis. In addition to the basic salaries, year-end bonuses will be offered to those staff members with outstanding performance.

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Emoluments payable to the senior management of the Group are decided by the remuneration committee of the Board, having regard to the Group's operating results, individual experience, performance and responsibility, and the compensation levels adopted by companies of comparable size engaging in similar business.

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Emoluments payable to the Directors are decided by the remuneration committee of the Board, having regard to the compensation levels adopted by companies of similar size engaging in similar business.

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Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in notes 11 and 12 to the Consolidated Financial Statements.

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MANAGEMENT CONTRACTS

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No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

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MAJOR SUPPLIERS AND CUSTOMERS

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The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers were as follows:

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Purchases	® … X	
– the largest supplier	Ñ ð } 6 Ð	31.4%
– five largest suppliers in aggregate	Ñ ž } 6 Ð ¥	66.8%

Sales	V / X	
– the largest customer	Ñ ð } Ò	14.3%
– five largest customers in aggregate	Ñ ž } Ò ¥	52.4%

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major suppliers or customers.

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CONNECTED TRANSACTIONS

Disposal of 60% of equity interest in Zhuhai Qinfa Port Co., Ltd.

On 26 June 2015, Hong Kong Qinfa Trading Limited (a wholly-owned subsidiary of the Company) (the "Seller") entered into a conditional disposal agreement with Zhuhai Port Logistics Centre Co., Limited ( ) (the "Buyer"), pursuant to which the Seller conditionally agreed to sell, and the Buyer conditionally agreed to purchase, 60% of equity interest in Zhuhai Qinfa Port Co., Ltd. for a total cash consideration of RMB350 million. All conditions of the disposal agreement had been met, and the disposal was completed in accordance with terms and conditions of the conditional disposal agreement on 7 August 2015.

The Buyer is a wholly owned subsidiary of Zhuhai Port Holdings Group Co., Limited ( ) ("Zhuhai Holdings"), which owned 40% of the equity interest in Zhuhai Qinfa Port Co., Ltd as at the date of the disposal agreement. As such, each of Zhuhai Holdings and the Buyer was a connected person at subsidiary level of the Group. Accordingly, the disposal constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Proposed disposal of entire equity interest in Hong Kong Qinfa International Trading Limited

On 25 April 2016, Qinfa Investment Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with Bo Hai Investment Limited to dispose of the entire shareholding interest in Hong Kong Qinfa International Trading Limited (the "Proposed Disposal"). As Bo Hai Investment Limited is a company wholly owned by Mr. XU Jihua, the ultimate controlling shareholder of the Company, Bo Hai Investment Limited is a connected person of the Company. Accordingly, the Proposed Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Proposed Disposal is yet to complete and is subject to approval of The Stock Exchange of Hong Kong Limited and independent shareholders and certain conditions precedent as stated in the sale and purchase agreement.

The Group carried out the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.76(1) of the Listing Rules) during the year ended 31 December 2014:

On 12 June 2009, Zhuhai Qinfa Logistics Co., Ltd. (“Qinfa Logistics”), Q

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Besides, the independent non-executive Directors have conducted an annual review on the Structure Contracts and have confirmed that (i) the transactions carried out during 2015 have been entered into in the ordinary and usual course of the Group's business; (ii) the transactions carried out during 2015 have been entered into in accordance with the relevant provisions of the Structure Contracts and so that all revenue generated by China Qinfa Group has been retained by Qinfa Logistics; (iii) any new contracts or renewed contracts have been entered into on the same terms as the existing Structure Contracts and are fair and reasonable so far as the Group is concerned and in the interests of the shareholders as a whole; and (iv) no dividends or other distributions have been made by any member of China Qinfa Group to its equity interest holders.

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

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

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In order to allow Hong Kong Qinfa Group to manage and operate the coal operation business in China, the Engagement Agreements and the Pledge Agreements (as defined in the Prospectus) (collectively the "Structure Contracts") were entered into under which all the business activities of China Qinfa Group are managed and operated by Qinfa Logistics and all economic benefits and risks arising from the business of China Qinfa Group are transferred to Qinfa Logistics. Pursuant to the equity transfer agreements dated 25 October 2010, 15 December 2010 and 17 December 2010, equity interests of Qinhuangdao Qinfa Trading Co., Ltd., Yangyuan Guotong Coal Trading and Transportation Co., Ltd. and Datong Xiejiazhuang Jinfa Trading and Transportation Co., Ltd have been transferred to the Group. As of 31 December 2015, Zhuhai Qinfa Trading Co., Ltd ("Zhuhai Qinfa Trading") and Zhuhai Qinfa Shipping Co., Ltd. ("Zhuhai Qinfa Shipping") remained controlled by the Group under the Structure Contracts.

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

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

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As a result of the Structure Contracts, Zhuhai Qinfa Trading and Zhuhai Qinfa Shipping are accounted for as the Company's subsidiaries, and their financial position and operating results are consolidated in the Group's Consolidated Financial Statements. The revenue and total asset value subject to the arrangements under the Structure Contracts amounted to approximately RMB43,090,561 (2014: RMB140,192,000) for the year ended 31 December 2015 and approximately RMB68,473,000 (2014: RMB73,183,000) as of 31 December 2015, respectively.

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

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

– imposing economic penalties;

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

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

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

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

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

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

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

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

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

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

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

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Based on the fact that Mr. Xu holds 42.12% of the issued share capital of the Company, and is hence capable of exerting decisive impact on the management and decisions of China Qinfa Group through the Structure Contracts, the PRC legal advisers of the Company advise that Mr. Xu is likely to be deemed as "ultimate control person" under the Draft FIL and that the contractual arrangements under the Structure Contracts are likely to be permitted to continue under the Draft FIL.

à õ ± ‹ [5 Þ I ® ! Š ï p I Y 42.12% d ª ä • D · @ V ô ¥ Ò Á • 7 b ï « Y M # ¿ Ô * [Ô › Ì Y B ¤ d ½ I ® ! Y • 7 , ¥ * S] d ì ½ . , £ é d ± ‹ [• 6 — V ‰ ˜ ð ^ › S [™d þ V ô ¥ Ò ° h Y ¥ Ò Ä ° ì ½ . , £ é Ð X · ƒ f

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

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Details of the related party transactions of the G roup for the year ended 31 December 2015 are set out in note 37 to the Consolidated F inancial Statements. The related party transactions with Q infa Industry, M r. XU and M

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

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

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		Number of Share options outstanding J 4 … p Æ p f						
Category/Name of Participant ~ k ó 9 J ‘ ¤	Date of grant ¬ Ú ,	At 1 January 2015 õ Z g S ž Ë S Ü S Ú	Exercised during the year õ Ë « 4	Lapsed during the year õ Ë « 0 Ö	At 31 December 2015 õ Z g S ž Ë d Z Ü g d S Ú	Exercise price HK$ 4 ¥ ©	Exercise period 4 ,	Approximate percentage of issued share capital of the Company (%) & I ® ! Š ï p I Y ? Ò õ ± â (%)
Executive director B è +	12 June 2009 Z g g X Ë ¬ Ü d Z Ú							
Mr. MA Baofeng õ - ¤ ‹ [		1,200,000	–	–	1,200,000	1.26	12 June 2009 to 11 June 2019 Z g g X Ë ¬ Ü d Z Ú Z g S X Ë ¬ Ü d S Ú	0.05
Employees ‡ p	12 June 2009 Z g g X Ë ¬ Ü d Z Ú	10,800,000	–	–	10,800,000	1.26	12 June 2009 to 11 June 2019 Z g g X Ë ¬ Ü d Z Ú Z g S X Ë ¬ Ü d S Ú	0.48
		12,000,000	–	–	12,000,000			0.53

Notes:

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

2. Each option granted under the Pre-IPO Share Option Scheme has a vesting period of one to three years commencing from 3 July 2009, being the listing date of the Shares on the Stock Exchange. The Company has no legal or constructive obligation to repurchase or settle the option in cash.

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

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

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

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

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

   The significant inputs into the model were:

   - risk-free rate of return – 3.029% per annum;
   - forecast fluctuations in share price – 56%; and
   - forecast dividend yield – 1.50% per annum.

   Based on the inputs above to the "Binomial Option Pricing Model", the total fair value of the outstanding options as at the grant date (i.e. 12 June 2009) was HK$7,650,000.

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

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3. Ê ¤ ì ½ / ã ® š ï / Ã … p Æ Œ ¬ š … p Æ Y ¢ Õ ¬ [d Þ Æ j

   (a) j 9 Ú , S „ Ë ˜ Ú Î 4 … p Æ < p Y 30% i

   (b) j 9 Ú , G „ Ë ˜ Ú Î 4 … p Æ < p Y 30% i ¿

   (c) j 9 Ú , g „ Ë ˜ Ú Î 4 … p Æ < p Y 40% f

   ì ½ / ã ® š ï / Ã … p Æ Œ ¬ Y … p Æ Y ® ª = W ® \˜ Z ° Ì … p Æ › | è ™> › f

   i] | Ì Y ô i] = ‰ j

   - Ì , ˆ « Ñ Ê Ë 3.029% i
   - k » p * 7 Ñ 56% i ¿
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   ì ½ j ˜ Z ° Ì … p Æ › | è ™ Y i] = d õ ¬ Ú ,€ C Z g g X Ë ¬ Ü d Z Ú • J 4 Y … p Æ < ® ª = ‰7,650,000 © f

   ˜ Z ° Ì … p Æ › | è ™ W ‰ Y … p Æ ® ª = þ £ d J µ G \ * Y … p Æ ® ª = Y … p Æ › | Ì • ð ‰ I \ Y o ¿ f … p Æ = _ Ô õ 2 p Y ð • ÿ £ þ : ç Y = f Ô 4 \ p Y , • Á … p Æ ® ª = Y ¿ Ó } B ¤ f

Share Option Scheme

The Company adopted the Share Option Scheme which shall be valid and effective for a period of ten years commencing from 12 June 2009.

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

The subscription price shall be a price determined by the Directors, but shall not be less than the highest of (i) the nominal value of the share; (ii) the closing price of the shares on the date of the offer; and (iii) the average closing price of the shares for the five trading days immediately preceding the date of the offer.

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

An option may be exercised at any time during a period to be determined by the Board, which shall not in any event exceed ten years from the date of grant. The Share Option Scheme does not specify any minimum holding period. The acceptance of an offer must be made within 30 days from the date of offer with a non-refundable payment of HK$1.00.

The total number of shares available for issue under the Share Option Scheme is 57,606,631 Shares, representing approximately 2.53% of the issued share capital of the Company as at 29 April 2016.

On 17 January 2012, the Company has granted share options (the "Options") to subscribe for a total of 20,751,196 new ordinary shares of the Company under the Share Option Scheme to 15 eligible participants of the Share Option Scheme at the exercise price HKD1.50 per share (which represents the highest of (i) the closing price of HKD1.50 per Share as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of HKD1.392 per Share as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of HKD0.10 per Share). The Options are valid for a period of 10 years from 17 January 2012 to 16 January 2022. None of the Grantees is a director, chief executive or substantial shareholder of the Company or an associate (as defined in the Listing Rules) of any of them.

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© … ² _ è + > › d " " { Ç õ ø h g k ˜ ð ÷ k j (i) p … ˜ & = i (ii) p … õ d O … p Æ Ú , ˜ × 9 i ¿ (iii) p … õ a Ÿ d O … p Æ Ú , Ã ž H t ø Ú ˜ ; i × 9 f

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… p Æ õ , Û œ š ø 4 d " Ì ½ ¬ Ú , Î " { t @ d Ë f … p Æ Œ (Ì • › ð õ 5 Þ , f ¬ … p Æ [Ÿ v … p Æ Û ² õ d O … p Æ Ú , Î g d Ú « ® t 1.00 ¥ © d ä › ° Z " × " f

õ Z g S ¬ Ë , Ü Z d X Ú d ì ½ ® š ï / Œ š ï p … < p ‰ 57,606,631 p p … d & I ® ! Š ï p I Ò 2.53% f

õ Z g S Z Ë S Ü d V Ú d I ® ! ì ½ … p Æ Œ £ … p Æ Œ Y 15 ¤ ¥ ø ~ k ¬ … p Æ € … p Æ™• d ø © … ¥ 20,751,196 p I ® ! Y - w · p d 4 ‰ Ê p 1.50¥©€C (i) õ ¬ Ú , L t Ô Ê Ú Œ Ô • × 9 Ê p 1.50 ¥ © i (ii) a Ÿ ¬ Ú , Ã 5 H t ø Ú L t Ô Ê Ú Œ Ô • ; i × 9 Ê p 1.392 ¥ © i ¿ (iii) ¤ È = Ê p 0.10 ¥ © g k • ˜ ð ÷ k f … p Æ Y Þ Ö , ‰ , 10 Ë d Z g S Z Ë S Ü d V Ú Î Z g Z Z Ë S Ü d ¬ Ú ß f ? Ì Õ ¬ [‰ I ® ! Y è + e ð ÷ A [p Ð ô p Ð ¾ , ˜ L © [€ › È j 9 • Æ f

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

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

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

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

On 30 April 2015, the Company has further granted Options to subscribe for a total of 157,500,000 new ordinary shares of the Company under the Share Option Scheme to eligible participants of the Share Option Scheme at the exercise price HKD0.485 per share (which represents the highest of (i) the closing price of HKD0.485 per Share as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of HKD0.484 per Share as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of HKD0.10 per Share). The Options are valid for a period of 10 years from 30 April 2015 to 29 April 2025. Among the total of 157,500,000 Options granted, 1,500,000 were granted to the directors of the Company. The remaining share options of 156,000,000 were granted to other eligible participants who are not directors, chief executive or substantial shareholders of the Company, nor an associate (as defined in the Listing Rules) of any of them.

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

(a) in respect of the period from 30 April 2015 to 29 April 2016, 40% of the total number of Options granted to him;

(b) in respect of the period from 30 April 2016 to 29 April 2017, 30% of the total number of Options granted to him; and

(c) in respect of the period from 30 April 2017 to 29 April 2018, 30% of the total number of Options granted to him.

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(a) Z g S Z Ë S Ü d V Ú Î Z g S g Ë S Ü d ¬ Ú ß d ” { t @ £ I ¬ Y … p Æ < p Y40% i

(b) Z g S g Ë S Ü d V Ú Î Z g S , Ë S Ü d ¬ Ú ß d ” { t @ £ I ¬ Y … p Æ < p Y30% i ¿

(c) Z g S , Ë S Ü d V Ú Î Z g S ž Ë S Ü d ¬ Ú ß d ” { t @ £ I ¬ Y … p Æ < p Y30% f

õ Z g S ž Ë , Ü g d Ú d I ® ! ì ½ … p Æ Œ † S É £ … p Æ Œ Y ¥ ø ~ k ¬ … p Æ d ø © … ¥ •157,500,000 p I ® ! Y - w · p d 4 ‰ Ê p 0.485¥©€C (i) õ ¬ Ú , L t Ô Ê Ú Œ Ô • × 9 Ê p 0.485 ¥ © i (ii) a Ÿ ¬ Ú , Ã 5 H t ø Ú L t Ô Ê Ú Œ Ô • ; i × 9 Ê p 0.484 ¥ © i ¿ (iii) ¤ È = Ê p 0.10 ¥ © g k • ˜ ð ÷ k f … p Æ Y Þ Ö , ‰ , 10 Ë d Z g S ž Ë , Ü g d Ú Î Z g Z ž Ë , Ü Z d X Ú ß f ¯ Š ¬ Y ¥ • 157,500,000 … … p Æ •1,500,000 … W ¬ š I ® ! è + f I q 156,000,000 … … p Æ W ¬ š I ü ¥ ø ~ k d ¾ (¢ I ® ! Y è + e ð ÷ A [p Ð ô p Ð ¾ , ˜ L © [€ › È j 9 • Æ f

… p Æ õ … p Æ Þ Ö , « ‡ Û 4 d “ ¢ Õ ¬ [Þ Æ õ ø h , œ 4 Y … p Æ ð ÷ p f j

(a) Z g S ž Ë , Ü g d Ú Î Z g S ¬ Ë , Ü Z d X Ú ß d ” { t @ £ I ¬ Y … p Æ < p Y 40% i

(b) Z g S ¬ Ë , Ü g d Ú Î Z g S V Ë , Ü Z d X Ú ß d ” { t @ £ I ¬ Y … p Æ < p Y 30% i ¿

(c) Z g S V Ë , Ü g d Ú Î Z g S ^ Ë , Ü Z d X Ú ß d ” { t @ £ I ¬ Y … p Æ < p Y 30% f

The fair value of options granted on 17 January 2012 and 30 April 2015 under Share Option Scheme respectively was determined using the "Binomial Option Pricing Model". The significant inputs into the model were:

± 9 õ Z g S Z Ë S Ü d V Ú ¿ Z g S ž Ë , Ü g d Ú ì ½ … p Æ Œ ¬ Y … p Æ Y ® ª = W ® \˜ Z ° Ì … p Æ › | è ™ > › f i] | Ì Y ô i] = ‰ j

- risk-free rate of return – 1.51% and 1.64% per annum respectively;
- forecast fluctuations in share price – 55.31% and 53.89% respectively; and
- forecast dividend yield – 2.11% and 0% per annum respectively.

- Ì , ˆ « Ñ Ê Ë ± 9 1.51% ¿ 1.64% i
- k » p * 7 Ñ ± 9 55.31% ¿ 53.89% i ¿
- k » p ¹ × B Ñ Ê Ë ± 9 2.11% ¿ 0% f

Based on the inputs above to the "Binomial Option Pricing Model", the total fair value of the outstanding options as at the grant date (i.e. 17 January 2012 and 30 April 2015 respectively) was approximately HKD11,642,000 and HKD28,667,000. The "Binomial Option Pricing Model" is designed to assess the fair value of options and is a common choice among various option pricing models for assessing the fair value of options. The value of the options depends on the valuation arrived at based on certain subjective assumptions on variables. Any changes in the variables used may cause a substantial effect on the assessment of the fair value of the options.

ì ½ j ˜ Z ° Ì … p Æ › | è ™ Y i] = d õ ¬ Ú ,€ C ± 9 Z g S Z Ë S Ü d V Ú ¿ Z g S ž Ë , Ü g d Ú • J 4 Y … p Æ < ® ª = Ò ‰ 11,642,000 ¥ © ¿ 28,667,000 ¥ © f Z ° Ì … p Æ › | è ™ W ‰ Y … p Æ ® ª = þ £ d J µ G \ * Y … p Æ ® ª = Y … p Æ › | Ì • I \ Y o ¿ f … p Æ = _ Ô õ 2 p Y ð • ô H ÿ £ þ : ç Y = f Ô 4 \ p Y , • Á … p Æ ® ª = Y ¿ Ó } B ¤ f

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

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		Number of share options outstanding J 4 … p Æ p f							
Category/Name of participant ~ k ó 9 J ' ¤	Date of grant ¬ Ú ,	At 1 January 2015 õ Z g S ž Ë S Ü S Ú	Granted during the year õ Ë « ¬	Exercised during the year õ Ë « 4	Lapsed during the year õ Ë « 0 Ö	At 31 December 2015 õ Z g S ž Ë d Z Ü g d S Ú	Exercise price HK$ 4 ¥ ©	Exercise period 4 ,	Approximate percentage of issued share capital of the Company (%) & I ® ! Š ï p I ? Ò õ ± â(%)
Executive director B è +									
Mr. MA Baofeng õ - ¤ ‹ [	17 January 2012 Z g S Z Ë S Ü d V Ú	2,964,457	–	–	–	2,964,457	1.50	17/01/2012 to 16/01/2022 Z g S Z Ë S Ü d V Ú Z g Z Z Ë S Ü d ¬ Ú	0.14

Category/Name of participant ~kó9J'¤	Date of grant ¬ Ú,	At 1 January 2015 õ ZgSžË SÜSÚ	Granted during the year õË«¬	Exercised during the year õË« 4	Lapsed during the year õË«0Ö	At 31 December 2015 õ ZgSžË dZÜgdSÚ	Exercise price HK$ 4 ¥©	Exercise period 4,	Approximate percentage of issued share capital of the Company (%) &I®! Šï pI ?Òõ±â(%)
Independent non-executive directors ùm¢B è+									
Mr. HUANG Guosheng »7÷‹[	30 April 2015 ZgSžË,ÜgdÚ	–	500,000	–	–	500,000	0.485	30/04/2015 to 29/04/2025 ZgSžË ,ÜgdÚ ZgZžË ,ÜZdXÚ	0.02
Mr. LAU Sik Yuen |U‹[	30 April 2015 ZgSžË ,ÜgdÚ	–	500,000	–	–	500,000	0.485	30/04/2015 to 29/04/2025 ZgSžË ,ÜgdÚ ZgZžË ,ÜZdXÚ	0.02
Mr. XING Zhiying ›®‹[	30 April 2015 ZgSžË,ÜgdÚ	–	500,000	–	–	500,000	0.485	30/04/2015 to 29/04/2025 ZgSžË ,ÜgdÚ ZgZžË ,ÜZdXÚ	0.02
Sub-total ƒ		2,964,457	1,500,000	–	–	4,464,457			0.20
Employees ‡p	17 January 2012 ZgSZËSÜdVÚ	5,928,912	–	–	–	5,928,912	1.50	17/01/2012 to 16/01/2022 ZgSZË SÜdVÚ ZgZZË SÜd¬Ú	0.26
	30 April 2015 ZgSžË,ÜgdÚ	–	156,000,000	–	(24,000,000)	132,000,000	0.485	30/04/2015 to 29/04/2025 ZgSžË ,ÜgdÚ ZgZžË ,ÜZdXÚ	5.79
Sub-total ƒ		5,928,912	156,000,000	–	(24,000,000)	137,928,912			6.05
Total ¥		8,893,369	157,500,000	–	(24,000,000)	142,393,369			6.25

Number of share options outstanding J 4…pÆpf (spans columns At 1 January 2015 to At 31 December 2015)

As at the 31 December 2015, the total number of share options outstanding is 154,393,369.

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BANK AND OTHER BORROWINGS

The total bank and other borrowings of the Group as at 31 December 2015 amounted to approximately RMB5,905.3 million (2014: RMB7,651.9 million). Particulars of the bank and other borrowings are set out in note 28 to the Consolidated Financial Statements.

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SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float with at least 25% of the Shares held by the public as required by the Listing Rules as at the date of this report.

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DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or is likely to compete (either directly or indirectly) with the Group's business at any time during the year ended 31 December 2015 and up to the date of this report, save for Mr. XU Jihua's legal ownership in the equity interest in members of the China Qinfa Group (as defined in the Prospectus).

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As disclosed in the Prospectus, the Controlling Shareholders (as defined in the Prospectus) and the executive Directors (collectively, the "Covenantors") have entered into a deed of non-competition dated 12 June 2009 in favour of the Company. The Covenantors have provided the Group with written confirmations that they and their associates (other than members of the Group) have fully complied with the deed of non-competition throughout the year ended 31 December 2015.

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The independent non-executive Directors have conducted an annual review on the Covenantors' compliance with the deed of non-competition, the options, pre-emptive rights or first rights of refusals provided by the Controlling Shareholders (as defined in the Prospectus) on their existing or future competing businesses.

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During the year ended 31 December 2015, the Covenantors and their respective close associates did not direct any Business Opportunity (as defined in the Prospectus) to the Group. Therefore, the independent non-executive Directors did not conduct any review on the decision made in relation to Business Opportunity.

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EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2015

Details of the events after the year ended 31 December 2015 are set out in the section headed "Events after the Reporting Period" on page 24 under the section headed "Management Discussion and Analysis" of this report.

TAXATION OF HOLDERS OF SHARES

Hong Kong

The purchase, sale and transfer of shares registered in the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller (or transferee and transferor) is 0.1% of the consideration or, if greater, the fair value of the shares being bought/sold or transferred (rounded up to the nearest HK$'000). In addition, a fixed duty of HK$5.00 is currently payable on an instrument of transfer of shares.

Profits from dealings in the share arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Cayman Islands

Under the present Cayman Islands laws, transfers and other dispositions of shares in the Company are exempt from Cayman Islands stamp duty.

Consultation with professional advisers

Intending holders and investors of the Company's shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in shares. It is emphasised that none of the Company or its Directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of shares in the Company resulting from their subscription for, purchase, holding, disposal of or dealing in such shares.

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AUDITORS

KPMG, the preceding auditor, did not seek re-appointment as the auditor of the Company at the Company's annual general meeting held on 30 June 2014. An ordinary resolution was passed at the extraordinary general meeting of the Company on 30 June 2014 to appoint Moore Stephens Certified Public Accountants as the auditors of the Company. On 1 January 2015, Moore Stephens Certified Public Accountants practised in the name of another certified public accountant, Moore Stephens CPA Limited. Moore Stephens CPA Limited will retire and, being eligible, will offer themselves for re-appointment at the forthcoming Annual General Meeting.

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On behalf of the Board,
Xu Jihua
Chairman

Guangzhou, 29 April 2016

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DIRECTORS

Executive Directors

Mr. XU Jihua (± › 6), aged 59, is the chairman of the G roup and an executive Director. M r. XU is principally responsible for the G roup's overall business strategic development. M r. XU has more than 20 years of management and operation experience in the logistics and coal operation industries. In 1996, M r. XU acquired Qinhuangdao Development Zone Qinfa Trading Co., Ltd., a member of the Group, and has led the Group to become one of the leading non-state-owned coal operation companies in China in terms of annual coal trading volume. Prior to joining the G roup in 1996, Mr. XU was a manager in the Trading Department of Q inhuangdao Goods Exchange Center from 1992 to 1994. During the period from 1989 to 1991, M r. XU was the deputy head of Materials Bureau of H aigang District, Q inhuangdao City, the PRC. Mr. XU did not hold any directorship in any listed companies during the last three years. M r. XU was appointed as a Director on 4 March 2008 and was re-designated as an executive Director on 6 May 2008. Mr. XU is the sole beneficial owner and D irector of Fortune Pearl, a controlling shareholder of the Company.

Ms. WANG Jianfei (î -), aged 45, an executive D irector. M s. WANG is principally responsible for the G roup's overall management and operation. M s. WANG is also a member of the remuneration committee and nomination committee of the Board. M s. WANG obtained an associate degree in Computer Science by Angeles University Foundation in consortium with H ebei Business College in 1995. Ms. WANG completed an Executive MBA Programme sponsored by the • 7 [O } ª , ˆ I ~ c ¾ ö ¼ ú • Ð (Risk Capital and Network Economy Research Center of China Renmin University) and • 7 † 8 M # C Å • Ð (China Enterprise M anagement Training Center) in 2002. Ms. WANG has more than 14 years of enterprise management and operation experience. Before joining the Group in 2000, Ms. WANG worked in • ;J b 8 (b ¬ ¥) Þ " ® ! (COFCO Industry (Qinhuangdao) Pangthai Co., Ltd.) from 1995 to 2000. M s. WANG has been a director of Tiaro Coal Limited, a company listed on the Australian S ecurities E xchange, since 30 November 2009. Save as disclosed above, Ms. WANG did not hold any directorship in any listed companies during the last three years. M s. WANG was appointed as an executive Director on 6 May 2008.

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Mr. XU Da(± :), aged 30, achieved a bachelor degree in 2008. M r. XU is currently a vice president and the director of procurement of the Company and its subsidiaries (together the " Group"). Mr. XU has more than 5 years of working experience in thermal coal procurement operation from overseas. H e joined the Group as import and export manager in 2009. Mr. XU is the son of Mr. XU Jihua, the chairman, an executive director and the controlling shareholder of the company. M r. XU did not hold any directorship in any listed companies during the last three years.

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Mr. LI Yong (½ Ç), aged 42, is the standing deputy general manager of Zhuhai Qinfa Shipping Co. Ltd., a member of the Group, and is principally responsible for the domestic shipping transportation business of the Group. Mr. LI graduated with a bachelor degree in timber processing from Nanjing Forestry University (Ì / 8 } ª) in June 1997 and obtained a master degree in management from Tianjin Normal University (Â u ª Í } ª) in June 2004. Mr. LI has more than 12 years of working experience. Mr. LI was appointed as the standing deputy general manager of Zhuhai Qinfa Shipping Co. Ltd., in February 2008. During the period from June 2004 to February 2008, Mr. LI worked as a project manager in Qinhuangdao Qinfa Industry Group Co. Ltd., a connected person of the Group. Mr. LI worked as a business manager in Qinhuangdao Huasheng Trading Co., Ltd. (b ¬ ¥ 6 8 q ø Þ " ® !) during the period from August 1997 to April 2004.

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Mr. YU Tao (r ù), aged 43, is the vice president of the Group. Mr. Yu is responsible for both domestic and international shipping business of the Group. Mr. Yu has a Master degree of Maritime Law of Dalian Maritime University, is a professional manager with rich experiences in international shipping practice and management. Mr. Yu has worked on board of vessel and then EMC 23.328 0e.5(i)0.5(m)tualText<FEFF0044>>> BDC

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CORPORATE GOVERNANCE PRACTICES

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices. The corporate governance principles of the Company emphasise on accountability and transparency and are adopted in the best interest of the Company and its Shareholders. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of Shareholders and to fulfil its commitment to excellence in corporate governance.

The Company has adopted the Corporate Governance Code as set out in Appendix 14 to the Listing Rules as its corporate governance code of practices since the listing of its shares on the Stock Exchange. In the opinion of the Board, save for the deviations to code provisions A.6.7 below, the Company had complied with the code provisions as set out in the Corporate Governance Code throughout the year ended 31 December 2015.

Code Provision A.6.7

Under code provision A.6.7 of the Corporate Governance Code, the independent non-executive Directors should attend the general meetings of the Company. However, due to other business commitment, Mr. HUANG Guosheng and Mr. XING Zhiying, independent non-executive Directors, did not attend the annual general meeting of the Company held on 25 June 2015.

BOARD OF DIRECTORS

Responsibilities and Delegation

The Board is charged with providing effective and responsible leadership for the Company. The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of the Group's overall objectives and strategies, internal control and risk management systems, monitoring its operating and financial performance, performing the corporate governance duties and evaluating the performance of the senior management. The Directors, individually and collectively, have to make decisions objectively in the best interests of the Company and its Shareholders.

All Directors have access to the senior management of the Group and the company secretary. Management information is provided to enable them to participate at the meetings or as and when requested. The company secretary provides secretarial support to the Board and ensures adherence to Board procedures and the relevant rules and regulations which are applicable to the Company.

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The Board reserves for its decision all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The day-to-day management, administration and operation of the Company are managed by the executive Directors and senior management of the Company under the leadership of the Chief Executive Officer. The Board has delegated a schedule of responsibilities to these officers for the implementation of Board decisions. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid officers have to obtain Board approval.

Board composition

The Board currently consists of eight Directors, five of whom are executive Directors and three are independent non-executive Directors.

Executive directors:
Mr. XU Jihua (Chairman)
Mr. BAI Tao
(Appointed as Chief Executive Officer on 10 December 2015)
Mr. XU Da
Mr. MA Baofeng
Ms. WANG Jianfei
(Resigned as Chief Executive Officer on 10 December 2015)
Mr. WENG Li (Resigned on 8 April 2015)

Independent non-executive directors:
Mr. HUANG Guosheng
Mr. LAU Sik Yuen
Mr. XING Zhiying

All five executive Directors are responsible for implementing the business strategies and managing the business of the Group in accordance with all applicable rules and regulations, including, but not limited to, the Listing Rules. All Directors (including the independent non-executive Directors) have been consulted on all major and material matters of the Group. The Company maintains appropriate directors' and officers' liabilities insurance.

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The number of independent non-executive Directors has met the requirements under the Listing Rules and Mr. LAU Sik Yuen has appropriate accounting professional qualifications. The independent non-executive Directors bring a variety of experience and expertise to the Company. Biographical details of the independent non-executive Directors are set out on pages 55 to 56 of this annual report. Each of the independent non-executive Director has confirmed in writing of his independence pursuant to Rule 3.13 of the Listing Rules. The Board is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules.

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All the appointments of Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles.

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Minutes of Board meetings are being kept by the company secretary of the Company and are available for inspection by the Directors and auditor of the Company.

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During the year ended 31 December 2015, the Company held an annual general meeting and the Board held eight Board meetings, all of which were convened in accordance with the Articles, and the individual attendance of each Director is set out below:

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Name of directors	è + ' ¤	Number of attendance/ Number of meetings entitled to attend © ã p J Þ Æ © ã p Annual General Meeting p „ Ë } 6	Board Meeting è + 6 6 D
Mr. XU Jihua	± › 6 ‹ [	1/1	8/8
Ms. WANG Jianfei	î - ~ {	1/1	8/8
Mr. WENG Li (Resigned on 8 April 2015)	} c m ‹ [€ õ Z g S ž Ë , Ü ^ Ú Ø , •	0/1	1/1
Mr. XU Da	± : ‹ [	1/1	8/8
Mr. MA Baofeng	õ - ¤ ‹ [	1/1	8/8
Mr. BAI Tao	c ñ ‹ [	1/1	8/8
Mr. HUANG Guosheng	» 7 ÷ ‹ [	0/1	8/8
Mr. LAU Sik Yuen		U ‹ [	1/1	8/8
Mr. XING Zhiying	› ® ‹ [	0/1	8/8

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. XU Jihua is the chairman of the Board and an executive Director, responsible for providing advice for the overall management and strategic development and overseeing the operation of the Board. The other executive Directors Ms. WANG Jianfei (resigned as the Group's Chief Executive Officer on 10 December 2015) and Mr. BAI Tao (appointed as the Group's Chief Executive Officer on 10 December 2015) who is responsible for the Group's overall management, corporate development, strategic planning and the supervision of day-to-day operation. The segregation of duties and responsibilities between the chairman and the chief executive officer ensures a balance of power and authority.

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REMUNERATION COMMITTEE

The Board established a remuneration committee on 12 June 2009 with specific written terms of reference. The remuneration committee consists of an executive Director, Ms. WANG Jianfei, and two independent non-executive Directors, namely Mr. HUANG Guosheng and Mr. XING Zhiying. Mr. HUANG Guosheng is the chairperson of the remuneration committee of the Board.

The primary duties of the remuneration committee of the Board are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management of the Group. The remuneration committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her close associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

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The remuneration committee held two meetings during 2015 to assess performance of executive Directors and certain senior management and review their remuneration. The duties of the remuneration committee include determining, with delegated responsibility, the remuneration packages of Directors and senior management. All the members attended the meeting.

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Name of directors	è + ' ¤	Number of attendance/ Number of meetings entitled to attend © ã p J Þ Æ © ã p
Ms. WANG Jianfei	î - ~ {	2/2
Mr. HUANG Guosheng	» 7 ÷ ‹ [	2/2
Mr. XING Zhiying	› ® ‹ [	2/2

NOMINATION COMMITTEE

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The Board established a nomination committee on 12 June 2009 with specific written terms of reference. The nomination committee consists of an executive Director, Ms. WANG Jianfei, and two independent non-executive Directors, namely Mr. HUANG Guosheng and Mr. XING Zhiying. Mr. HUANG Guosheng is the chairperson of the nomination committee.

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The primary duties of the nomination committee of the Board include determining the policy for the nomination of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing of the independence of the independent non-executive Directors. The nomination committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations.

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The nomination committee held two meetings during 2015 to ensure that the Board has a balance of expertise, skills and experience appropriate to meet the requirements of the business of the Company. The nomination committee also evaluated the effectiveness of the board diversity policy. All the members attended the meeting.

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Name of directors	è + ' ¤	Number of attendance/ Number of meetings entitled to attend ©ãpJÞÆ ©ãp
Ms. WANG Jianfei	î -~{	2/2
Mr. HUANG Guosheng	»7÷‹[	2/2
Mr. XING Zhiying	›®‹[	2/2

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing on 12 June 2012. All the independent non-executive Directors entered into renewed appointment letters with the Company in 2012 for a term of three year. Such term is subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Articles.

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BOARD DIVERSITY POLICY

The Company formulated the board diversity policy, which set out the requirements for diversity in Board members and the principles for the selection of Directors.

(1) Policy summary

To achieve sustainable and balanced development, the Company sees increased diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In planning the Board's composition, board diversity needs to be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

(2) Quantifiable measurers and the progress of the Board Diversity Policy

Selection of candidates of the Company will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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During the reporting period, the nomination committee reviewed the composition of the Board and concluded that the Company had met the diversification requirements with regard to age, cultural and educational background, professional experience, skills and knowledge. When making the appointment and re-appointment of Directors in the future, the nomination committee will nominate new Directors pursuant to the requirements of the board diversity policy to achieve the objective of diversity in Board members.

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MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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The Company has adopted the Model Code as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2015 and up to the date of this report.

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AUDIT COMMITTEE

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The Board established an audit committee on 12 June 2009 with specific written terms of reference. The audit committee consists of three independent non-executive Directors, namely Mr. HUANG Guosheng, Mr. LAU Sik Yuen and Mr. XING Zhiying. Mr. LAU Sik Yuen is the chairperson of the audit committee of the Board.

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The primary duties of the audit committee are to review and approve the Group's financial reporting process and internal control system. The audit committee had reviewed the audited consolidated financial statements for the year ended 31 December 2015 and had also discussed auditing, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

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INTERNAL CONTROL

The Group has clearly defined the responsibility and authority of the Board and its senior management.

The Group has adopted certain internal control policies to manage and minimise financial and other risks, to ensure timely and accurate preparation and reporting of financial information, and to monitor compliance with laws by the senior management of the G roup in the performance of their duties.

The Group has also established an audit committee under the Board, which has the functions of monitoring compliance with laws by the Group's senior management and in its daily operations, and of carrying out investigations for suspected breaches of law. The Company

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SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

Shareholder(s) holding not less than one-tenth of the paid up capital of the Company can make a written requisition to the Board or the Company secretary to convene an extraordinary general meeting pursuant to article 58 of the Company's articles of association. The written requisition must state the objects of the meeting, and must be signed by the relevant shareholder(s) and deposited at the registered office of the Company, which is presently situated at Room 1303, 13th Floor, MassMutual Tower, No. 38 Gloucester Road, Wanchai, Hong Kong. The same procedure also applies to any proposal to be tabled at shareholder meetings.

The Company welcomes enquires from shareholders. The Board will review shareholders' enquires on a regular basis. Specific enquiries and suggestions by shareholders can be sent in writing to the Board or the Company Secretary. Shareholders may also make enquiries with the Board at the general meetings of the Company.

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The Group is a long-time, continuous supporter of corporate social responsibility, dedicated to contributing to society through nature preservation and helping the underprivileged. To maintain its sustainable development momentum and become a leading international coal operator, the Group treats its employees, customers, the society and the natural environment ethically.

ENVIRONMENTAL PROTECTION

The Group has been working tirelessly to build green communities. Besides promoting a green lifestyle, the Group strives to minimise damage to the environment while increasing production efficiency, creating win-win outcomes for the Group and the society.

Land reclamation

Consistent with the "those who destroys shall reclaim" guidance issued by the State Council, three coal mines of the Group (namely Fengxi Coal Mine, Chongsheng Coal Mine and Xingtao Coal Mine) carried out reclamation activities for all parcels of land compromised during the course of mine construction and production. The reclamation project focuses on agricultural production and forest restoration according to the principle of "using for agriculture, forestry or animal husbandry as appropriate." The Group will spend approximately RMB157 million on reclamation projects for the three coal mines over periods of 22, 27 and 31 years respectively. Throughout the process, the Group will provide streamlined management and land protection services, thereby allowing the land to maximise its economic, social and ecological benefits.

Office 4R

The Group actively encourages its employees to apply "4R" (reduce, reuse, recycle and replace) rules in the office. Under the 4R policy, the Group's employees replace direct paper printing with electronic scanning and use email to transmit documents in order to reduce the use of paper, and avoid the use of disposable products. From time to time, the Group reminds its employees to reuse single-side printed waste paper for printing internal documents. The Group's office drinking fountains also use recyclable plastic bottles. In the future, the Group will continue to pursue the 4R policy and maintain a green working environment.

HUMAN RESOURCES

The Group considers its employees to be essential for the business success. Therefore, the Group attaches great importance to its employees' physical and mental health and working environment, as well as their continuous skill development to enhance competitiveness. Thus, the Group has formulated occupational safety guidelines and policies for the working environment, along with related requirements for different employees, and provides regular safety training.

Communication channels

The Group believes that work performance and learning attitudes are

Housing allowance

In addition to general and basic benefits, the Group also offers housing allowances to coal miners to help limit the inconvenience they may encounter in getting to and from the workplace. This arrangement allows them to relocate to locations near the coal mine at lower cost to themselves, thereby saving commuting time and expense.

Safety code

As a coal operator, the Group attaches great importance to the safety of coal miners at work. Workers are therefore required to comply with the Group's strict safety code and wear appropriate safety equipment before entering coal mines. The Group is particularly proud that the Xingtao coal mine operated by Huameiao Energy was designated a Grade 1 Safety Demonstration Mine by the China National Coal Association.

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BASIS FOR DISCLAIMER OF OPINION

Limitation of scope in respect of corresponding figures of financial performance, cash flows and relevant disclosures

As detailed in the auditor's report dated 31 March 2015, we were unable to obtain sufficient appropriate audit evidence about certain trade receivables of RMB1,085,712,000, amounts due from non-controlling shareholders of RMB622,327,000 and prepayments of RMB161,460,000 as at 31 December 2013. Any adjustments that might have been found to be necessary in respect of the above would have a consequential effect on the net assets of the Group as at 31 December 2013. Since certain balances at 31 December 2013 formed the basis for the calculation of the loss on disposal of a subsidiary and impairment losses on prepayments for the year ended 31 December 2014 and the corresponding cash flows, we were unable to determine whether the loss on disposal of a subsidiary and impairment losses on prepayments for the year ended 31 December 2014, the net cash flows and the related disclosures were free from material misstatement. Our audit opinion on the consolidated financial statements for the year ended 31 December 2014 was disclaimed accordingly.

Our opinion on the current year's consolidated financial statements is also disclaimed because of the possible effect of the matter on the comparability of the current period's figures and the corresponding figures.

BASIS FOR DISCLAIMER OF OPINION (CONTINUED)

Multiple uncertainties relating to going concern

As set out in Note 1.2(c) to the consolidated financial statements which indicates that the Group incurred a consolidated net loss of RMB6,932,177,000 during the year ended 31 December 2015 and, as of that date, the Group had net current liabilities of RMB6,228,989,000 and capital deficiency of RMB4,629,396,000, of which the outstanding borrowings of RMB3,302,997,000 are due on demand or within one year. As at 31 December 2015, there were several pending litigations mainly requesting repayment of long outstanding payables with interest against the Group, as set out in Note 41(a) to the consolidated financial statements.

As further explained in Note 1.2(c) to the consolidated financial statements, the directors of the Company are taking certain measures to improve the Group's liquidity and solvency position. These measures mainly include (i) applying cost control measures in cost of sales and administrative expenses; (ii) obtaining financing from banks through negotiations for extension or renewal of outstanding borrowings; (iii) obtaining additional sources of debt financing from banks; and (iv) executing the disposal of the entire equity interest in Hong Kong Qinfa International Trading Limited, a wholly-owned subsidiary of the Company, and its subsidiaries.

As at the date of approval of the consolidated financial statements, these measures had not yet been concluded. Whether the Group is able to implement the abovementioned measures is subject to material uncertainties. The foregoing facts and circumstances indicate the existence of multiple material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the measures being taken by the directors of the Company as described in Note 1.2(c) to the consolidated financial statements. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and, therefore, do not include any adjustments relating to the realisation of assets, discharging of liabilities and classification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

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For the year ended 31 December 2015

		Notes • W	2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w © (Restated) € ¾ • •
Revenue	× B	5	1,377,207	6,449,446
Cost of sales	V / Ó I		(2,053,885)	(6,652,720)
Gross loss	ã f		(676,678)	(203,274)
Other income, gains and losses	I ü ×] e × B ¿ f &	6	17,381	(46,798)
Distribution expenses	± V š Õ		(30,831)	(88,350)
Administrative expenses	A š Õ		(208,260)	(233,380)
Other expenses	I ü š Õ	8(b)	(6,760,418)	(77,662)
Results from operating activities	¾ 8 ˜ 8 6		(7,658,806)	(649,464)
Finance income	Ì ×]		2,826	50,228
Finance costs	Ì Ó I		(370,803)	(566,318)

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For the year ended 31 December 2015

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At 31 December 2015

		Notes • W	2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w ©
Non-current assets	¢ t *			
Property, plant and equipment	J 8 e @ Ò ¿ £ ê	15	2,437,991	7,028,164
Coal mining rights	i • ® $ Æ	16	1,942,708	4,633,632
Lease prepayments	a # k ù * ›	17	5,213	112,921
Interests in associates	õ L ® ! ˜ Æ B	18	–	77,267
Deferred tax assets	È · ü ° *	19(a)	690	19,384
			4,386,602	11,871,368
Current assets	t *			
Inventories	À ¬	21	88,073	326,355
Trade and bill receivables	Ð × q ø * › ¿ Ð × C ½	22	582,284	1,268,992
Prepayments and other receivables	k ù * › ¿ l ü Ð × * ›	23	187,243	863,461
Pledged and restricted deposits	Š ê å ¿ a " S À ›	24	45,911	497,129
Cash and cash equivalents	$ – ¿ $ – J	25	20,669	53,864
			924,180	3,009,801
Current liabilities	t À			
Trade and bill payables	Ð ù q ø * › ¿ Ð ù C ½	26	(1,088,711)	(1,048,131)
Other payables	l ü Ð ù * ›	27	(2,525,023)	(2,258,701)
Borrowings	> r	28	(3,302,997)	(4,734,105)
Tax payable	Ð ù ü °		(236,438)	(247,145)
			(7,153,169)	(8,288,082)
Net current liabilities	t À X		(6,228,989)	(5,278,281)
Total assets less current liabilities	* < = ¯ t À		(1,842,387)	6,593,087
Non-current liabilities	¢ t À			
Other payables	l ü Ð ù * ›	27	(82,195)	(95,782)
Borrowings	> r	28	(2,602,325)	(2,917,796)
Accrued reclamation obligations	k d B ¤ l \	29	(79,047)	(74,693)
Deferred tax liabilities	È · ü ° À	19(b)	(23,442)	(1,138,474)
			(2,787,009)	(4,226,745)
Net (liabilities)/assets	€ À J * =		(4,629,396)	2,366,342

At 31 December 2015

		Notes • W	2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w ©
Capital and reserves	p I ¿ · ê			
Share capital	p I	30(b)	193,275	176,531
Perpetual subordinated convertible securities	Q n ã t I p Ç N	30(c)	156,931	156,931
Quasi-capital	ó I	30(d)	45,771	–
(Deficit)/reserves	€ f Y •J · ê	30(e)	(5,169,798)	781,592
Total (deficit)/equity attributable to equity shareholders of the Company	I ® ! Æ B 5 Þ [Ð & € f Y •J Æ B < X		(4,773,821)	1,115,054
Non-controlling interests	¢ › p Æ B		144,425	1,251,288
Total (deficit)/equity	€ f Y •J Æ B < X		(4,629,396)	2,366,342

Approved and authorised for issue by the Board of Directors of China Qinfa Group Limited on 29 April 2016.

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Xu Jihua	Wang Jianfei
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Director	Director
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For the year ended 31 December 2015

	Notes	Share capital RMB'000 Note 30(b)	Share premium RMB'000 Note 30(e)(i)	Quasi-capital RMB'000 Note 30(d)	Perpetual subordinated convertible securities RMB'000 Note 30(c)	Merger reserve RMB'000 Note 30(e)(ii)	Reserves RMB'000 Note 30(e)(iii)	Exchange reserve RMB'000 Note 30(e)(iv)	Share-based compensation reserve RMB'000 Note 30(e)(v)	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company											
At 1 January 2014		176,531	307,378	–	156,931	127,442	684,567	(139,305)	14,120	974,698	2,302,362	1,388,276	3,690,638
Total comprehensive income/(loss) for the year													
Loss for the year		–	–	–	–	–	–	–	–	(1,183,426)	(1,183,426)	(108,887)	(1,292,313)
Other comprehensive income													
Foreign currency translation differences for foreign operations		–	–	–	–	–	–	263	–	–	263	–	263
Total other comprehensive income		–	–	–	–	–	–	263	–	–	263	–	263
Total comprehensive income/(loss)		–	–	–	–	–	–	263	–	(1,183,426)	(1,183,163)	(108,887)	(1,292,050)
Transactions with equity shareholders and non-controlling interests, recorded directly in equity													
Disposal of a subsidiary		–	–	–	–	–	–	–	–	–	–	(31,434)	(31,434)
Distribution relating to perpetual subordinated convertible securities	30(c)	–	(4,628)	–	–	–	–	–	–	–	(4,628)	–	(4,628)
Capital contribution received from a non-controlling shareholder		–	–	–	–	–	–	–	–	–	–	3,333	3,333
Appropriation of maintenance and production funds	30(e)(iii)	–	–	–	–	–	103,661	–	–	(103,661)	–	–	–
Utilisation of maintenance and production funds	30(e)(iii)	–	–	–	–	–	(70,157)	–	–	70,157	–	–	–
Appropriation to reserves		–	–	–	–	–	2,644	–	–	(2,644)	–	–	–
Release of maintenance and production funds upon disposal of a subsidiary	30(e)(iii)	–	–	–	–	–	(59,778)	–	–	59,778	–	–	–
Release of reserves upon disposal of a subsidiary		–	–	–	–	–	(15,434)	–	–	15,434	–	–	–
Equity-settled share-based payments		–	–	–	–	–	–	–	483	–	483	–	483
Share options lapsed		–	–	–	–	–	–	–	(6,334)	6,334	–	–	–
Total transactions with equity shareholders and non-controlling interests		–	(4,628)	–	–	–	(39,064)	–	(5,851)	45,398	(4,145)	(28,101)	(32,246)
At 31 December 2014		176,531	302,750*	–	156,931	127,442*	645,503*	(139,042)*	8,269*	(163,330)*	1,115,054	1,251,288	2,366,342

	Notes	Share capital RMB'000 Note 30(b)	Share premium RMB'000 Note 30(e)(i)	Quasi-capital RMB'000 Note 30(d)	Perpetual subordinated convertible securities RMB'000 Note 30(c)	Merger reserve RMB'000 Note 30(e)(ii)	Reserves RMB'000 Note 30(e)(iii)	Exchange reserve RMB'000 Note 30(e)(iv)	Share-based compensation reserve RMB'000 Note 30(e)(v)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company											
At 1 January 2015													

		Notes • W	2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w ©
Operating activities	¾ z			
Cash generated from operations	¾ z Ô { $ –	25(b)	373,741	1,347,618
Interest paid	Š ù ; ¹		(283,064)	(770,223)
PRC Corporate Income Tax (paid)/refunded	€ Š ù Ĵ × « • 7 † 8 Ô { ü		(1,280)	14,180
Net cash generated from operating activities	¾ z Ô { $ – X		89,397	591,575
Investing activities	³ z			
Interest received	Š × ; ¹		2,844	50,519
Proceeds from sale of property, plant and equipment	/ J 8 e @ Ò ¿ £ ê Ô { › °		18,537	–
Acquisition of property, plant and equipment	× … J 8 e @ Ò ¿ £ ê		(312,948)	(1,218,464)
Net proceeds from disposals of subsidiaries and associates	/ • n ® ! ¿ L ® ! Ô { › ° X	32	346,712	79,992
Acquisition of associates	× … L ® !		–	(9,698)
Net cash generated from/(used in) investing activities	³ z Ô { Æ Ô \ •$ – X		55,145	(1,097,651)

For the year ended 31 December 2015

[redacted]

1 COMPANY BACKGROUND AND BASIS OF PREPARATION

1.1 General information

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

The principal activities of the Company and its subsidiaries (together, the "Group") are coal mining, purchase and sales, filtering, storage, blending of coal in the PRC and shipping transportation. The Group was also engaged in the provision of port services, which the Group has discontinued during the year as a result of the disposal of a subsidiary, as disclosed in Note 10.

1.2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS") and related Interpretations, promulgated by the International Accounting Standards Board ("IASB") and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The amendments to the Listing Rules with reference to the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time during the current financial year and the main impact is on the presentation and disclosure of certain information in these consolidated financial statements. A summary of the significant accounting policies adopted by the Group is set out below.

31 December 2015

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[redacted]

1 COMPANY BACKGROUND AND BASIS OF PREPARATION (CONTINUED)

1.2 Basis of preparation (continued)

(c) Going concern (continued)

As at 31 December 2015, the Group had entered into agreements to construct coal mines thereon which will involve capital expenditures totalling approximately RMB48,176,000. Pursuant to the terms of these agreements, such committed capital expenditure totalling approximately RMB48,176,000 has to be settled within the next twelve months from the date of the consolidated financial statements.

As set out in Note 28, certain borrowings of RMB197,102,000 were overdue and carried interest at rates ranging from 6.72% to 12.96% per annum and additional penalty interest at rates ranging from 3.36% to 6.48% per annum. Subsequent to 31 December 2015 and up to the date of approval of these consolidated financial statements, these borrowings have not been renewed or settled. In addition, subsequent to 31 December 2015 and up to the date of approval of these consolidated financial statements, further borrowings of RMB297,540,000 were overdue.

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

1 COMPANY BACKGROUND AND BASIS OF PREPARATION (CONTINUED)

1.2 Basis of preparation (continued)

(c) Going concern (continued)

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 2015 and subsequently thereto up to the date of approval of the consolidated financial statements. In order to improve the Group's financial positions, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted several measures together with other measures in progress at the date of approval of the consolidated financial statements which include, but not limited to, the followings:

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

(ii) The Group is currently in the process of negotiating with certain banks to renew its existing and obtain new borrowings with an aggregate amount of RMB430,422,000;

(iii) Subsequent to 31 December 2015, the Group has renewed banking facilities of RMB650,000,000 of which borrowings of RMB326,650,000 have been drawn down to repay its existing borrowings. The renewed borrowings would be repayable after 31 December 2016;

(iv) For borrowings which will be mature before 31 December 2016, the Group will actively negotiate with the banks when they fall due to secure necessary fund to meet the Group's working capital and financial requirements in the future. The directors of the Company, have evaluated all the relevant facts available to them, are of the opinion that the Group would be able to renew such borrowings upon maturity;

1 COMPANY BACKGROUND AND BASIS OF PREPARATION (CONTINUED)

1.2 Basis of preparation (continued)

(c) Going concern (continued)

(v) On 25 April 2016, the Group entered into a share sale and purchase agreement with Bo Hai Investment Limited, a related company wholly owned by Mr. Xu Jihua ("Mr. Xu"), the chairman of the Group in relation to the disposal of entire equity interest in Hong Kong Qinfa International Trading Limited, a wholly-owned subsidiary of the Company, and its subsidiaries ("HK Qinfa International Group"). The principal activities of HK Qinfa International Group are coal mining, purchase and sales, filtering, storage, blending of coal and shipping transportation in the PRC. The aggregate disposal consideration is expected to be approximately RMB22,040,000.

As at 31 December 2015, HK Qinfa International Group was in net current liabilities and net liabilities position of RMB6,058,874,000 and RMB4,869,345,000 respectively. The directors of the Company considered that the Group would be able to substantially improve its financial position by easing its debt burden and enhancing its flexibilities of fund utilisation upon completion of this disposal.

The proposed transaction is yet to complete and is subject to approval of the Stock Exchange and independent shareholders and certain conditions precedent as stated in the share sale and purchase agreement.

On the basis of the successful implementation of the measures described above in the foreseeable future and after assessing the Group's current and forecasted cash positions, the directors of the Company are satisfied that the Group will be able to meet in full the Group's financial obligations as they fall due for the twelve months from 31 December 2015. Accordingly, the consolidated financial statements of the Group has been prepared on the going concern basis.

1 COMPANY BACKGROUND AND BASIS OF PREPARATION (CONTINUED)

1.2 Basis of preparation (continued)

(c) Going concern (continued)

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

(d) Use of judgements and estimates

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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1 COMPANY BACKGROUND AND BASIS OF PREPARATION (CONTINUED)

1.2 Basis of preparation (continued)

(d) Use of judgements and estimates (continued)

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are described as follows:

(i) Impairment losses for trade and bill receivables

Impairment losses for trade and bill receivables are assessed and provided based on management's regular review of ageing analysis and evaluation of collectability. A considerable level of judgement is exercised by the management when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debts would affect the profit or loss in future years. At 31 December 2015, the carrying amount of the Group's trade and bill receivables was RMB582,284,000 (2014: RMB1,268,992,000). Further details are disclosed in Note 22.

(ii) Depreciation

Other than the mining structures, property, 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 periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates. Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expenses in future periods. At 31 December 2015, the carrying amount of the Group's property, plant and equipment, other than the mining structures, was RMB1,776,612,000 (2014: RMB5,410,913,000). Further details are disclosed in Note 15.

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1 COMPANY BACKGROUND AND BASIS OF PREPARATION (CONTINUED)

1.2 Basis of preparation (continued)

(d) Use of judgements and estimates (continued)

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. It could change significantly as a result of competit [illegible]

1 COMPANY BACKGROUND AND BASIS OF PREPARATION (CONTINUED)

1.2 Basis of preparation (continued)

(d) Use of judgements and estimates (continued)

(iv) Coal reserves (continued)

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation and amortisation expenses and impairment loss. Depreciation and amortisation rates are determined based on estimated proved coal reserve quantity (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 2015, the carrying amounts of the Group's mining structures recognised in property, plant and equipment and the Group's coal mining rights were RMB661,379,000 (2014: RMB1,617,251,000) and RMB1,942,708,000 (2014: RMB4,633,632,000) respectively. Further details are disclosed in Notes 15 and 16 respectively.

(v) Obligations for reclamation

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 money and the risks specific to the liability. The Group considers various factors, including future production volume and development plan, the geological structure of the mining regions and reserve volume,

1 COMPANY BACKGROUND AND BASIS OF PREPARATION (CONTINUED)

1.2 Basis of preparation (continued)

(d) Use of judgements and estimates (continued)

(vi) Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that non-financial assets with definite lives may be impaired. If any such indication exists, the Group estimates the recoverable amount of the assets in accordance with the accounting policy stated in Note 2(k)(ii). In assessing whether there is any indication that non-financial assets may be impaired, the Group considers indications from both internal and external 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 SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Subsidiaries and non-controlling interests (continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate (Note 2(b)) or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 2(k)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Note 2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Associates (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(e)).

(c) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU"), or groups of CGU, that is expected to benefit from the synergies of the combination and is tested annually for impairment (Note 2(k)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency

(i) Functional and presentation currency

Items included in the consolidated financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "functional currency"). The consolidated financial statements are presented in RMB (the "presentation currency"), while the functional currency of the Company is Hong Kong dollars ("HKD").

(ii) Foreign currency transactions

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the financial year. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency (continued)

(iii) Foreign operations

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated to RMB at exchange rates at the reporting date. The income and expenses of foreign operations are translated to RMB at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

If the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, then foreign currency differences arising from such item form part of the net investment in the foreign operation. Accordingly, such differences are recognised in other comprehensive income and accumulated in the translation reserve.

(e) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred assets. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses (Note 2(k)).

Loans and receivables comprise pledged deposits, cash and cash equivalents, trade and bill receivables, and other receivables.

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(ii) Non-derivative financial liabilities

The Group initially recognises financial liabilities on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

(ii) Non-derivative financial liabilities (continued)

The Group classifies non-derivative financial liabilities as financial liabilities at amortised cost. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost comprise trade and bill payables, other payables and borrowings.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Perpetual subordinated convertible securities

Perpetual subordinated convertible securities issued by the Group gives the right to the holder to convert these securities into a fixed number of the Company's shares at any time at a fixed exercise price per share. Perpetual subordinated convertible securities with no contracted obligation to repay its principal nor to pay any distribution are classified as equity. Respective distributions if and when declared are treated as equity dividends.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment

(i) Recognition and measurement

Items of plant and buildings, machinery, vessels and other properties are measured at cost less accumulated depreciation and impairment losses (Note 2(k)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs (Note 2(s)) and changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When proved and probable coal reserves have been determined, costs incurred to develop coal mines are capitalised as part of the cost of the mining structures. All other expenditures, including the costs of removing waste materials, the cost of repairs and maintenance and major overhaul, are expensed as they are incurred.

If significant parts of an item of property, plant and equipment have different estimated useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Plant and buildings	10-30 years
Machinery	3-30 years
Electronic and other equipment	3-10 years
Motor vehicles	5-15 years
Vessels	10-30 years
Port	30 years

Mining structures are depreciated using the units-of-production method, utilising only proved and probable coal reserves in the depletion base.

No depreciation is provided for assets under construction until such time as the relevant assets are completed and available for intended use. Assets under construction are transferred to the relevant categories of property, plant and equipment upon the completion of their respective constr.5(e)0.5(c)5.5(t)8(ar)10.1lnc5(s)5(o)5.5(f)0.5(t)0.5(h6w /Span<<181FEFF004E>>> BDC 0 -2.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Obligations for reclamation

The Group's obligations for reclamation consist of spending estimates at both surface and underground mines in accordance with the PRC rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash spending to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset associated with the liability for final reclamation and mine closure. The obligation and corresponding asset are recognised in the period in which the liability is incurred. The asset is depreciated on the units-of-production method over its expected life and the liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and the corresponding asset are recognised at the appropriate discount rate.

(k) Impairment of assets

(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(i) Non-derivative financial assets (continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill that have indefinite useful lives or coal mining rights that are not yet available for use, are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(ii) Non-financial assets (continued)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee benefits

(i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Defined benefit retirement plan obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the subsidiaries within the Group which operate in the PRC are required to participate in the central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme as specified by the local municipal government. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

There were no forfeited contributions utilised by the Group to reduce existing level of contributions for each of the years.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee benefits (continued)

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Binomial Model and Binomial Lattice Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to share capital and share premium accounts) or the option expires (when it is released directly to retained earnings or accumulated losses).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Provisions and contingent liabilities

Provisions are recognised when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

Revenue from the sales of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and value added tax. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue (continued)

(ii) Charter hire income

Income from time charter, which is of operating lease in nature, is recognised on a straight-line basis over the period of each charter.

Income from voyage charter is recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage.

(iii) Lease income from operating leases

Lease income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent leases are recognised as income in the accounting period in which they are earned.

(iv) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them. G rants that compensate the G roup for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the estimated useful life of the asset by way of reduced depreciation expense.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(p) Finance income and costs

Finance income comprise interest income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and bank charges. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(q) Income tax expense

Income tax expense for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purpose and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax expense (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax expense (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same tax authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Dividends payable

Dividends are recognised as a liability in the period in which they are declared.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate at 5.75% has been applied to the expenditure on the individual assets.

The capitalisation of borrowing costs as part of the cost of qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks and financial institutions on behalf of subsidiaries to secure interest-bearing bank borrowings and other banking facilities.

Financial guarantees are initially recognised in the consolidated financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Financial guarantee contracts (continued)

Where guarantees in relation to interest-bearing bank borrowings of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

(u) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented in the consolidated statement of comprehensive income, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, the assets or disposal group(s) constituting the discontinued operation.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Company's parent.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3 CHANGES IN ACCOUNTING POLICIES

In the preparation of the consolidated financial statements for the year ended 31 December 2015, the Group has applied, for the first time, the following amendments issued by the IASB.

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

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

4 SEGMENT REPORTING

(a) Segment results, assets and liabilities

The Group has three reportable segments – coal business, shipping transportation and port business – which are the Group's strategic business units. These strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. During the year, the port business segment was disposed of and was presented as discontinued operation which details were set out in Note 10 to the consolidated financial statements. For each of the strategic business units, the Chief Executive Officer (the "CEO") reviews internal management reports on a monthly basis.

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

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

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

4 SEGMENT REPORTING (CONTINUED)

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(a) Segment results, assets and liabilities (continued)

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

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		Continuing operations 5 ƒ ¾ 8				Discontinued operation Š ^ ß ¾ 8			
		Coal business i • 8		Shipping transportation ˜ 6 6 i		Port business ¥ y 8		Total <	
		2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w ©	2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w ©	2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w ©	2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w ©
Revenue from external customers	. Å Ò × B	1,220,485	6,292,314	156,722	157,132	37,317	38,833	1,414,524	6,488,279
Inter-segment revenue	± Å œ × B	–	–	–	75,354	–	1,647	–	77,001
Reportable segment revenue	S ± Å × B	1,220,485	6,292,314	156,722	232,486	37,317	40,480	1,414,524	6,565,280
Reportable segment (loss)/profit before taxation	S ± Å ð ü Ã € f & •J P ;	(7,401,623)	(666,224)	(243,618)	18,568	40,288	9,492	(7,604,953)	(638,164)
Depreciation and amortisation	± ¿ Å V	152,148	159,350	70,812	55,163	53,046	5,637	276,006	220,150
Impairment losses on property, plant and equipment	J 8 e @ Ò ¿ £ ê ¯ = f &	2,848,840	18,674	218,665	–	–	–	3,067,505	18,674
Impairment losses on coal mining rights	i • ® $ Æ ¯ = f &	2,678,444	–	–	–	–	–	2,678,444	–
Impairment losses on interests in associates	õ L ® ! ˜ Æ B ¯ = f &	70,705	19,333	–	–	–	–	70,705	19,333
Impairment losses/(reversal of impairment) on trade receivables	Ð × q ø * › ¯ = f & Æ ¯ = a « •	502,479	(9,011)	–	–	–	–	502,479	(9,011)
Impairment losses on prepayments and other receivables	k ù * › ¿ l ü Ð × * › ˜ ¯ = f &	394,855	42,136	–	–	–	–	394,855	42,136
(Loss)/gain on disposal of subsidiaries and associates	/ • n ® ! ¿ L ® ! ˜€ f & •J × B	(2,751)	(162,585)	–	–	70,834	–	68,083	(162,585)
Reportable segment assets	S ± Å *	5,016,443	12,399,005	669,135	896,359	–	1,998,886	5,685,578	15,294,250
(including interests in associates)	€ < õ L ® ! ˜ Æ B •	–	77,267	–	–	–	–	–	77,267
Reportable segment liabilities	S ± Å À	(9,957,818)	(9,818,480)	(963,345)	(933,003)	–	(1,458,739)	(10,921,163)	(12,210,222)

4 SEGMENT REPORTING (CONTINUED)

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

Revenue from continuing and discontinued operations

	2015 RMB'000	2014 RMB'000
Reportable segment revenue	1,414,524	6,565,280
Elimination of inter-segment revenue	–	(77,001)
Consolidated revenue from continuing and discontinued operations	1,414,524	6,488,279

Loss before taxation from continuing and discontinued operations

	2015 RMB'000	2014 RMB'000 (Restated)

31 December 2015

4 SEGMENT REPORTING (CONTINUED)

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

Assets

	2015 RMB'000	2014 RMB'000
Reportable segment assets	5,685,578	15,294,250
Elimination of inter-segment receivables	(381,224)	(434,207)
Deferred tax assets	690	19,384
Unallocated assets	5,738	1,742
Consolidated total assets	5,310,782	14,881,169

Liabilities

	2015 RMB'000	2014 RMB'000
Reportable segment liabilities	10,921,163	12,210,222
Elimination of inter-segment payables	(1,251,696)	(1,086,257)
Tax payable	236,438	247,145
Deferred tax liabilities	23,442	1,138,474
Unallocated liabilities	10,831	5,243
Consolidated total liabilities	9,940,178	12,514,827

4 SEGMENT REPORTING (CONTINUED)

(c) Geographic information

At 31 December 2015, the Group's total assets are primarily dominated by assets handling its coal business and shipping transportation business. The coal is sold primarily to the PRC domestic customers and investments in most of the coal mines are physically located in the PRC. At 31 December 2014, before the disposal of port business, the port is physically located in the PRC. Therefore, related assets and liabilities are almost all located in the PRC. The vessels are primarily deployed across geographical markets for shipping transportation throughout the world. As a result, the directors of the Company consider that it will not be meaningful to allocate the Group's assets and their related capital expenditure to specific geographical segments. Accordingly, geographical segment information is only presented for revenue, which is based on the geographical location of customers.

Revenue from external customers from continuing and discontinued operations

		2015 RMB'000	2014 RMB'000
PRC	• 7	1,303,629	6,376,090
Other countries	I ü 7 •	110,895	112,189
Total	¥	1,414,524	6,488,279

4 SEGMENT REPORTING (CONTINUED)

(d) Information about major customers

During the years ended 31 December 2015 and 2014, revenue derived only from the following customers in coal business segment with whom transactions have exceeded 10% of the Group's revenue are as follows:

	2015 RMB'000	2014 RMB'000
Customer A	270,085	615,452
Customer B	228,147	742,843
Customer C	N/A	925,420
Customer D	N/A	680,572

5 REVENUE

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

The amount of each significant category of revenue recognised during the year is as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Continuing operations		
Sales of coal	1,220,485	6,292,314
Charter hire income	156,722	157,132
	1,377,207	6,449,446

6 OTHER INCOME, GAINS AND LOSSES

	Notes	2015 RMB'000	2014 RMB'000
Continuing operations			
Leasing income		–	103,125
Government subsidies	(i)	3,237	7,111
Foreign exchange gain/(loss), net		6,653	(16,975)
Net loss on disposal of subsidiaries and associates		(2,751)	(162,585)
Gain on disposal of property, plant and equipment		3,174	–
Fair value gain on capitalisation of payables	(ii)	3,051	–
Others		4,017	22,526
		17,381	(46,798)

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

(ii) The Group capitalised certain payables as quasi-capital as disclosed in Note 30(d). The fair value gain represented the fair value of the shares to be issued at quoted market price over the carrying amount of payables extinguished.

7 NET FINANCE COSTS

	2015 RMB'000	2014 RMB'000 (Restated)
Continuing operations		
Interest income	(2,826)	(50,228)
Interest on borrowings	400,741	630,675
Interest charge on unwinding of discounts (Note 29)	4,354	5,224
Less: interest capitalised into property, plant and equipment*	(51,206)	(131,133)
	353,889	504,766
Bank charges	16,914	61,552
Finance costs	370,803	566,318
Net finance costs	367,977	516,090

* The borrowing costs have been capitalised at a rate of 5.75% per annum (2014: 6.97%-10.87%).

8 LOSS BEFORE TAXATION

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

		2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w © (Restated) € ¾ • •
Continuing operations	5 ƒ ¾ 8		
Cost of inventories (Note (i))	À ¬ Ó I€ • W (i) •	1,911,228	6,542,537
Write-down of inventories to net realisable value	À ¬ Û ¯ $ =	35,542	35,650
Minimum lease payments under operating lease:	¾ a # h ˜ ð - a # ù › j		
– properties	Ñ J 8	21,505	21,674
– vessels	Ñ u t	8,198	46,139
Depreciation for the property, plant and equipment	J 8 e @ Ò ¿ £ ê ±	210,340	170,966
Amortisation of coal mining rights (Note 16(ii))	i • ® $ Æ Å V€ • W 16(ii) •	12,480	43,407
Amortisation of lease prepayments (Note 17)	a # k ù * › Å V€ • W 17 •	140	140
Auditor's remuneration	è p ª G –		
– audit services	Ñ 2 è	2,108	2,000
– non-audit services	Ñ ¢ 2 è	1,116	950
Employee benefit expenses (excluding directors' and chief executive's remuneration) (Note 11)	‡ p E ; š Õ€ " < è + ¿ ð ÷ A [p G –€ • W 11 •		
Wages, salaries and other benefits	ˆ e Z – ¿ I ü E ;	257,316	

8 LOSS BEFORE TAXATION (CONTINUED)

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(i) Cost of inventories includes RMB378,772,000 (2014: RMB376,269,000) relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

(i) Å ¬ Ó I < ~ p ˆ Ö I e ± ¿ Å V š Õ ´ ë Y [O Æ 378,772,000 ©€Zg S , Ë j [O Æ 376,269,000 © •d Þ ë – X u Š] 1 ¢ š Õ ó 9 õ j Ö ù Þ £ Y ´ ë < – X f

9 INCOME TAX (CREDIT)/EXPENSE

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(a) Income tax (credit)/expense in the consolidated statement of comprehensive income represents:

(a)] ¥ Œ & ×] Œ « Y Ô { ü€ ê 5 •J š Õ 8 j

		2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w © (Restated) € ¾ • •
Continuing operations	5 ƒ ¾ 8		
Current tax expense	C , ü ° š Õ		
– PRC Corporate Income Tax	Ñ • 7 † 8 Ô { ü	2	29,170
– Over-provision of PRC Corporate Income Tax in prior years	Ñ @ » Ë • 7 † 8 Ô { ü t X a ê	(9,189)	(86,990)
Deferred tax (Note 19)	Ë · ü °€ • W 19 •	(1,096,338)	172,237
		(1,105,525)	114,417

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

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(ii) No provision for Hong Kong Profits Tax has been made for the subsidiaries located in Hong Kong as these subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax during the year (2014: Nil).

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9 INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

(a) Income tax (credit)/expense in the consolidated statement of comprehensive income represents: (continued)

(iii) No provision for income tax has been made for the subsidiary located in Macau as the subsidiary did not have assessable profits subject to income tax in Macau during the year (2014: Nil). The Group disposed of its entire interest in the subsidiary located in Macau during the year (Note 32).

(iv) The provision for the PRC Corporate Income Tax was based on the statutory rate of 25% (2014: 25%) of the assessable profits of subsidiaries which carried on businesses in the PRC.

(v) Pursuant to the Corporate Income Tax Law of the PRC, 10% (2014: 10%) withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profits earned after 1 January 2008. As at 31 December 2015, there are no temporary differences relating to the undistributed profits of PRC subsidiaries (2014: RMB30,000). Deferred tax liabilities have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits as the Company determined that it is probable that undistributed profits of these PRC subsidiaries will not be distributed in the foreseeable future.

9 INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

(b) Reconciliation between income tax (credit)/expense and loss before taxation at applicable tax rates:

	2015 RMB'000	2014 RMB'000 (Restated)
Continuing operations		
Loss before taxation	(8,033,305)	(1,176,823)
Notional tax on loss before taxation, calculated at the applicable tax rates	(1,922,910)	(189,621)
Tax effect of unused tax losses not recognised (Note 19(a))	662,300	218,179
Tax effect of non-deductible expenses	164,274	30,680
Reversal of tax loss recognised (Note 19(a))	–	142,169
Over-provision of PRC Corporate Income Tax in prior years	(9,189)	(86,990)
Income tax (credit)/expense	(1,105,525)	114,417

10 DISCONTINUED OPERATION

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

10 DISCONTINUED OPERATION (CONTINUED)

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

The results for the period from 1 January 2015 and up to the date of disposal and for the year ended 31 December 2014 were as follows:

	2015 RMB'000	2014 RMB'000
Revenue	37,317	38,833
Cost of sales	(67,557)	(25,959)
Gross (loss)/profit	(30,240)	12,874
Other income, gains and losses	2,012	–
Administrative expenses	(2,318)	(5,029)
Results from operating activities	(30,546)	7,845
Finance income	18	291
Finance costs	(44,703)	(8,969)
Net finance costs	(44,685)	(8,678)
Loss before taxation	(75,231)	(833)
Income tax expense	–	(240)
Loss after taxation	(75,231)	(1,073)
Gain on disposal of a subsidiary	70,834	–
Loss for the year from discontinued operation	(4,397)	(1,073)
Profit/(loss) for the year from discontinued operation attributable to:		
Equity shareholders of the Company	25,695	(644)
Non-controlling interests	(30,092)	(429)
Loss for the year from discontinued operation	(4,397)	(1,073)

10 DISCONTINUED OPERATION (CONTINUED)

The net cash flows of the discontinued operation for the period from 1 January 2015 and up to the date of disposal and for the year ended 31 December 2014 were as follows:

		2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w ©
Net cash used in operating activities	¾ z Ô \ $ – X	(10,243)	(190,503)
Net cash (used in)/generated from investing activities	³ z € Ô \ Ð Ô { $ – X	(1,094)	1,083
Net cash (used in)/generated from financing activities	D z € Ô \ Ð Ô { $ – X	(300)	162,606
Net cash used in discontinued operation	Š ^ ß ¾ 8 Ô \ $ – X	(11,637)	(26,814)

11 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Details of directors' remuneration are as follows:

11 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

Name of directors	è + ' ¤	Directors' fee è + š – RMB'000 [O Æ w ©	Salaries, allowances and benefits in kind Z – e u h ¿ ¼ J E ; RMB'000 [O Æ w ©	Contributions to retirement benefit schemes × ~ E ; Œ 6 › RMB'000 [O Æ w ©	Sub-total ƒ RMB'000 [O Æ w ©	Share-based payment ø p … ‰ ? þ ˜ ù › RMB'000 [O Æ w ©	2014 Total Z g S , Ë < RMB'000 [O Æ w ©
Executive directors	B è +						
Mr. Xu	± ‹ [	670	1,001	9	1,680	–	1,680
Ms. Wang Jianfei (Note (i))	î - ~ {€ • W (i) •	670	635	2	1,307	–	1,307
Ms. Liu Xiaomei (Note (iii))	È à ~ {€ • W (iii) •	231	114	2	347	–	347
Mr. Weng Li (Note (ii))	} m ‹ [€ • W (ii) •	516	463	3	982	–	982
Mr. Ma Baofeng (Note (iv))	õ - ¤ ‹ [€ • W (iv) •	104	245	–	349	40	389
Mr. Xu Da (Note (iv))	± : ‹ [€ • W (iv) •	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

12 EMPLOYEES' AND SENIOR MANAGEMENT'S EMOLUMENTS

Employees' emoluments

The five highest paid individuals of the Group during the year include two (2014: two) directors of the Company, whose remuneration are reflected in the analysis presented above. Details of remuneration paid to the remaining three (2014: three) highest paid individuals of the Group are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	2,422	4,743
Contributions to retirement benefit schemes	19	3
Discretionary bonuses	–	420
Share-based payment	4,006	–
	6,447	5,166

The emoluments of the remaining three (2014: three) individuals with the highest emoluments are within the following bands:

HKD	2015 Number of individuals	2014 Number of individuals
1,500,001 – 2,000,000	1	1
2,000,001 – 2,500,000	–	2
2,500,001 – 3,000,000	1	–
3,500,001 – 4,000,000	1	–

There were no amounts paid during the year (2014: Nil) to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join.

12 EMPLOYEES' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

Senior management's emoluments

Of the senior management of the Group, eight (2014: nine) were the directors of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining three (2014: three) for the year ended 31st December, 2015 were within the following bands:

HKD	2015 Number of individuals	2014 Number of individuals
1 – 500,000	1	2
500,001 – 1,000,000	–	1
2,500,001 – 3,000,000	1	–
3,500,001 – 4,000,000	1	–

13 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income:

	2015 Before-tax amount RMB'000	2015 Tax (expense)/ benefit RMB'000	2015 Net-of-tax amount RMB'000	2014 Before-tax amount RMB'000	2014 Tax (expense)/ benefit RMB'000	2014 Net-of-tax amount RMB'000
Foreign currency translation differences for foreign operations	30,799	–	30,799	263	–	263
Foreign currency translation differences reclassified to profit or loss upon disposal of subsidiaries	(4,438)	–	(4,438)	–	–	–
Other comprehensive income	26,361	–	26,361	263	–	263

14 (LOSS)/EARNINGS PER SHARE

Basic and diluted (loss)/earnings per share

The calculations of basic (loss)/earnings per share is based on the

14 (LOSS)/EARNINGS PER SHARE (CONTINUED)

Basic and diluted (loss)/earnings per share (continued)

As the Company's outstanding share options and perpetual subordinated convertible securities had an anti-dilutive effect to the diluted (loss)/earnings per share calculation for the years ended 31 December 2015 and 2014, the conversion of the above potential dilutive shares is not assumed in the computation of diluted (loss)/earnings per share.

The basic and diluted (loss)/earnings per share for the year ended 31 December 2014 has been adjusted to reflect the placing of shares during the year.

(i) From continuing and discontinued operations

The calculations of basic and diluted loss per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2015 and 2014 are based on the following data:

	2015 RMB'000	2014 RMB'000 (Restated)
Loss for the year attributable to equity shareholders of the Company	(6,011,184)	(1,183,426)
Less: Distribution relating to perpetual subordinated convertible securities classified as equity (Note 30(c))	(4,728)	(4,628)
Loss for the year attributable to ordinary equity shareholders of the Company	(6,015,912)	(1,188,054)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,127,243,347	2,118,294,542

14 (LOSS)/EARNINGS PER SHARE (CONTINUED)

Basic and diluted (loss)/earnings per share (continued)

(ii) From continuing operations

The calculations of basic and diluted loss per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2015 and 2014 are based on the following data:

	2015 RMB'000	2014 RMB'000 (Restated)
Loss for the year from continuing operations attributable to equity shareholders of the Company	(6,036,879)	(1,182,782)
Less: Distribution relating to perpetual subordinated convertible securities classified as equity (Note 30(c))	(4,728)	(4,628)
Loss for the year attributable to ordinary equity shareholders of the Company	(6,041,607)	(1,187,410)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,127,243,347	2,118,294,542

(iii) From discontinued operation

The calculations of basic and diluted earnings/(loss) per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2015 and 2014 are based on the following data:

	2015 RMB'000	2014 RMB'000 (Restated)
Profit/(loss) for the year from discontinued operation attributable to ordinary equity shareholders of the Company	25,695	(644)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	2,127,243,347	2,118,294,542

15 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings RMB'000	Machinery RMB'000	Electronic and other equipment RMB'000	Motor vehicles RMB'000	Vessels RMB'000	Mining structures RMB'000	Port RMB'000	Assets under construction RMB'000	Total RMB'000
Cost									
At 1 January 2014	588,460	617,384	39,165	142,003	1,250,910	1,284,133	–	2,769,988	6,692,043
Additions	1,050	93,686	1,529	5,321	5,126	–	–	1,328,299	1,435,011
Transferred from assets under construction	456,470	720,082	4,848	20,700	–	619,816	1,333,384	(3,155,300)	–
Disposal of a subsidiary (Note 32)	(5,496)	(10,720)	(303)	(883)	–	(253,019)	–	(71,805)	(342,226)
Written-off	–	–	(230)	–	–	–	–	–	(230)
Exchange differences	–	–	–	6	2,948	–	–	–	2,954
At 31 December 2014 and 1 January 2015	1,040,484	1,420,432	45,009	167,147	1,258,984	1,650,930	1,333,384	871,182	7,787,552
Additions	2,177	1,164	1,341	10,594	34,119	52,262	1,076	350,031	452,764
Disposal of a subsidiary (Note 32)	(1,278)	(446,593)	(990)	(2,845)	–	–	(1,334,460)	–	(1,786,166)
Disposals	(15,257)	–	(10)	(1,860)	–	–	–	–	(17,127)
Written-off	–	–	–	–	(191)	–	–	(141)	(332)
Exchange differences	28	–	–	78	37,889	–	–	–	37,995
At 31 December 2015	1,026,154	975,003	45,350	173,114	1,330,801	1,703,192	–	1,221,072	6,474,686
Accumulated depreciation and impairment losses									
At 1 January 2014	(42,913)	(116,991)	(11,049)	(47,195)	(336,736)	(28,483)	–	–	(583,367)
Charge for the year	(15,884)	(60,251)	(2,662)	(22,454)	(55,339)	(16,309)	(3,704)	–	(176,603)
Impairment losses	(10,161)	(853)	(7,660)	–	–	–	–	–	(18,674)
Disposal of a subsidiary (Note 32)	317	6,827	300	878	–	11,113	–	–	19,435
Written-off	–	–	182	–	–	–	–	–	182
Exchange differences	–	–	–	–	(361)	–	–	–	(361)
At 31 December 2014 and 1 January 2015	(68,641)	(171,268)	(20,889)	(68,771)	(392,436)	(33,679)	(3,704)	–	(759,388)
Charge for the year	(32,604)	(98,897)	(4,512)	(20,741)	(70,281)	(8,961)	(25,944)	–	(261,940)
Impairment losses	(536,940)	(450,686)	(16,611)	(49,604)	(218,665)	(999,173)	–	(795,826)	(3,067,505)
Disposal of a subsidiary (Note 32)	229	26,513	470	2,152	–	–	29,648	–	59,012
Disposals	–	–	9	1,755	–	–	–	–	1,764
Written-off	–	–	–	–	128	–	–	–	128
Exchange differences	(20)	–	–	(51)	(8,695)	–	–	–	(8,766)
At 31 December 2015	(637,976)	(694,338)	(41,533)	(135,260)	(689,949)	(1,041,813)	–	(795,826)	(4,036,695)
Carrying amounts									
At 31 December 2014	971,843	1,249,164	24,120	98,376	866,548	1,617,251	1,329,680	871,182	7,028,164
At 31 December 2015	388,178	280,665	3,817	37,854	640,852	661,379	–	425,246	2,437,991

31 December 2019

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15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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The recoverable amount of property, plant and equipment and coal mining rights had been allocated as follows:

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CGU	$ – * [	Pre-tax discount rate of CGU $ – * [Y ü Ã h $	Recoverable amount of CGU $ – * [Y × « – X RMB'000 [O Æ w ©	Recoverable amount allocated to coal mining rights ± ã š i • ® $ Æ Y × « – X RMB'000 [O Æ w © (Note 16(iii)) € • W 16(iii) •	Recoverable amount allocated to property, plant and equipment ± ã š J 8 e @ Ò ¿ £ ê Y × « – X RMB'000 [O Æ w ©
		As at 31 December 2015 õ Z g S ž Ë d Z Ü g d S Ú			
Xingtao Coal Mine	3 × i $	14.0%	1,050,000	745,011	304,989
Fengxi Coal Mine	¹ i $	15.4%	1,298,000	675,000	623,000
Chongsheng Coal Mine	^ º i $	14.3%	914,000	343,827	570,173
Hongyuan Coal Mine	ƒ Ã i $	16.3%	233,000	69,000	164,000
Xinglong Coal Mine	3 ¤ i $	15.8%	219,000	109,870	109,130
			3,714,000	1,942,708	1,771,292

As a result, an impairment loss of RMB2,848,840,000 was recognised in other expenses.

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As at 31 December 2015, the Group's property, plant and equipment with carrying amount of RMB1,003,099,000 (2014: RMB4,395,220,000) were pledged for borrowings (Note 28).

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16 COAL MINING RIGHTS 16 i • ® $ Æ

		RMB'000 [O Æ w ©
Cost	Ó I	
At 1 January 2014	õ Z g S , Ë S Ü S Ú	5,083,546
Disposal of a subsidiary (Note 32)	/ S œ • n ® !€ • W 32 •	(306,674)
At 31 December 2014 and 1 January 2015 and 31 December 2015	õ Z g S , Ë d Z Ü g d S Ú ¿ Z g S ž Ë S Ü S Ú ¿ õ Z g S ž Ë d Z Ü g d S Ú	4,776,872
Accumulated amortisation and impairment losses	] Å V ¿ ¯ = f &	
At 1 January 2014	õ Z g S , Ë S Ü S Ú	(112,146)
Charge for the year (Note (ii))	Ë « Å V€ • W (ii) •	(43,407)
Disposal of a subsidiary (Note 32)	/ S œ • n ® !€ • W 32 •	12,313
At 31 December 2014 and 1 January 2015	õ Z g S , Ë d Z Ü g d S Ú ¿ Z g S ž Ë S Ü S Ú	(143,240)
Charge for the year (Note (ii))	Ë « Å V€ • W (ii) •	(12,480)
Impairment losses	¯ = f &	(2,678,444)
At 31 December 2015	õ Z g S ž Ë d Z Ü g d S Ú	(2,834,164)
Carrying amounts	* & =	
At 31 December 2014	õ Z g S , Ë d Z Ü g d S Ú	4,633,632
At 31 December 2015	õ Z g S ž Ë d Z Ü g d S Ú	1,942,708

16 COAL MINING RIGHTS (CONTINUED)

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

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

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

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

During the year ended 31 December 2014, the Group disposed its entire equity interest in Shanxi Hun Yuan Ruifeng Coal Co., Ltd ("Ruifeng Coal"), including the coal mining rights with carrying amount of RMB294,361,000 (Note 32).

16 COAL MINING RIGHTS (CONTINUED)

(ii) Amortisation of the coal mining rights is based on the units-of-production method, utilising only proved coal reserves in the depletion base. Amortisation expenses of RMB12,480,000 (2014: RMB43,407,000) have been charged in cost of sales.

(iii) As at 31 December 2015, as the result of the continuously unfavourable coal market circumstances and sustained operating loss coal business segment, the Group assessed the recoverable amounts of property, plant and equipmentnd eF5s3e(Dan

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(ii) i • ® $ Æ Ã 4 \ Š ž ü i • · Ž d ø ƒ ™ ? _ ; \ [* , š ø Å V f [O Æ12,480,000 ©€ Z g S , Ë j [O Æ43,407,000 © •˜ Å V š Õ Š] V / Ô I f

(iii) õ Z g S ž Ë d Z Ü g d S Ú d _ õ i • 9 ‹ 1 5 ƒ " ; ¿ i • 8 ± Å 5 ƒ $ ¾ f & d I « Y J 8 e @ Y × « – X€ ½ • W 15 Ô Þ £ •f ª ä d i • ® $ Æ ˜ * & = Û ¯ I × « – X [O Æ 1,942,708,000 © f ¯ = f & [O Æ2,678,444,000 © ½ © ‰ I ü š Õ f

(iv) õ Z g S ž Ë d Z Ü g d S Ú d I « * & = ‰ [O Æ1,942,708,000 ©€Z g S , Ë j [O Æ 4,633,632,000 ©•Y i • ® $ Æ — ê å ø { > r€ • W 28•

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18 INTERESTS IN ASSOCIATES 18 õ L ® ! ˜ Æ B

		2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w ©
Listed investments:	j 9 ³ j		
Listed shares, at cost	j 9 p … d 2 Ó l =	–	52,444
Share of losses	Ð & f &	–	(27,279)
Impairment loss (Note (i))	¯ = f &€ • W (i) •	–	(19,333)
Exchange differences	Ò 3 ¨ X	–	(4,179)
		–	1,653
Unlisted investments:	¢ j 9 ³ j		
Unlisted shares, at cost	¢ j 9 p … d 2 Ó l =	49,000	71,806
Share of (loss)/profit	Ð &€ f & •J P ;	(2,433)	4,089
Impairment loss (Note (ii))	¯ = f &€ • W (ii) •	(46,567)	–
Exchange differences	Ò 3 ¨ X	–	(281)
		–	75,614
		–	77,267

[redacted]

18 INTERESTS IN ASSOCIATES (CONTINUED)

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

(i) (continued)

In April 2015, Tiaro Coal announced to commence a voluntary administration. The directors of the Company determined that the likelihood of recovering the interests in Tiaro Coal and Paragon Coal, a subsidiary of Tiaro Coal, of RMB24,138,000 was remote. Accordingly, a full provision for impairment loss of RMB24,138,000 was made and charged to the consolidated statement of comprehensive income. On 30 December 2015, Bright Rock Holdings Limited ("Bright Rock"), a subsidiary of the Company was disposed of, together with its equity interests in Tiaro Coal and Paragon Coal, for a consideration of Australian Dollars ("AUD")20,000 (equivalent to RMB95,000).

(ii) Tongmei Qinfa suffered losses and management re-assessed the recoverable amount of the Group's interest in Tongmei Qinfa. The recoverable amount of equity interest in Tongmei Qinfa has been determined to be minimum based on its value in use with a pre-tax discount rate of 15.16%. The directors of the Company determined that the likelihood of recovering the interests in Tongmei Qinfa was remote. Accordingly, a full provision for impairment loss of RMB46,567,000 was made and charged to the consolidated statement of comprehensive income.

Summarised financial information of the material associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below. All of these associates are accounted for using the equity method in these consolidated financial statements.

31 December 2015

[redacted]

18 INTERESTS IN ASSOCIATES (CONTINUED)

Paragon Coal

	2014 RMB'000
Non-current assets	63,959
Current assets	18
Current liabilities	(11,506)
Equity	52,471
Revenue	129
Loss for the year	(584)
Total comprehensive loss for the year	(584)
Reconciled to the Group's interest in Paragon Coal	
Net assets of Paragon Coal	52,471
Group's effective interest	33.63%
Group's share of net assets of Paragon Coal	17,646
Goodwill	4,879
Carrying amount of the Group's interest in Paragon Coal	22,525

[redacted]

19 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(a) Deferred tax assets (continued)

	At 1 January 2014 RMB'000	(Charged)/ credited to consolidated statement of comprehensive income RMB'000	At 31 December 2014 RMB'000
Deferred tax assets arising from:			
Tax losses carried forward	147,117	(142,815)	4,302
Deferred tax assets recognised for inventory provision	2,003	6,910	8,913
Deferred tax assets recognised for bad and doubtful debts	1,959	3,361	5,320
Unrealised profit arising from intra-group transactions elimination	330	519	849
	151,409	(132,025)	19,384

The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB2,727,660,000 (2014: RMB2,020,880,000) as it is not probable that future taxable profits against which these losses can be utilised will be available in the relevant tax jurisdiction and entities. The tax loss will expire within five years.

19 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED) 19 È · ü ° * ¿ À € ƒ ·

(b) Deferred tax liabilities (b) È · ü ° À

Deferred tax liabilities recognised and the movements of the deferred tax liabilities during the years ended 31 December 2015 and 2014:

Ü Z g S ž Ë ¿ Z g S , Ë d Z Ü g d S Ú ß Ë d Š ½ © Y È · ü ° À ¿ I j

		At 1 January 2015 õ Z g S ž Ë S Ü S Ú RMB'000 [O Æ w ©	Credited to consolidated statement of comprehensive income]] ¥ Œ & ×] Œ RMB'000 [O Æ w ©	At 31 December 2015 õ Z g S ž Ë d Z Ü g d S Ú RMB'000 [O Æ w ©
Deferred tax liabilities arising from:	* [h • ¢ ° Y È · ü ° À j			
Revaluation surplus arising from business combinations	8 ¥ ; * [Y ® q	1,052,110	(1,036,758)	15,352
Depreciation allowances in excess of the related depreciation and amortisation	t @ ´ ë ± ¿ Å V Y ± a ê	86,364	(78,274)	8,090
		1,138,474	(1,115,032)	23,442

		At 1 January 2014 õ Z g S , Ë S Ü S Ú RMB'000 [O Æ w ©	Charged to consolidated statement of comprehensive income õ] ¥ Œ & ×] Œ Ô ð RMB'000 [O Æ w ©	Disposal of a subsidiary / S œ • n ® ! RMB'000 [O Æ w ©	At 31 December 2014 õ Z g S , Ë d Z Ü g d S Ú RMB'000 [O Æ w ©
Deferred tax liabilities arising from:	* [h • ¢ ° Y È · ü ° À j				
Revaluation surplus arising from business combinations	8 ¥ ; * [Y ® q	1,076,558	16,616	(41,064)	1,052,110
Depreciation allowances in excess of the related depreciation and amortisation	t @ ´ ë ± ¿ Å V Y ± a ê	62,768	23,596	–	86,364
		1,139,326	40,212	(41,064)	1,138,474

20 INVESTMENTS IN SUBSIDIARIES

As at 31 December 2015, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

		Proportion of ownership interest				
Name of company	Place of establishment/ incorporation	Group's effective interest	Held by the Company	Held by subsidiaries	Issued and fully paid-up/ registered capital	Principal activities and place of operation
Qinfa Investment Limited ("Qinfa Investment")	British Virgin Islands	100%	100%	–	United States dollars ("US$") [illegible]	

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of establishment/ incorporation	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Issued and fully paid-up/ registered capital	Principal activities and place of operation
Billion Base Enterprises Limited	British Virgin Islands	100%	–	100%	USD1/ USD50,000	Investment holding in the PRC
Hong Kong Qnfa Trading Limited	Hong Kong	100%	–	100%	HKD30,000,000/ N/A	Sales of coal in the PRC
Hong Kong Qnfa International Trading Limited	Hong Kong	100%	–	100%	HKD689,635,000/ N/A	Sales of coal and Investment holding in the PRC
Lead Far Development Limited	Hong Kong	100%	–	100%	HKD10,000/ N/A	Dormant
World Victory (Asia) Limited	Hong Kong	100%	–	100%	HKD10,000/ N/A	Investment holding in the PRC

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED) 20 õ • n ® ! ˜ ³ € ƒ •

Name of company ® ! ¤ H	Place of establishment/ incorporation Ó m J W Ó m ® Ã	Proportion of ownership interest ¹ Þ Æ Æ B â 7 Group's effective interest l « ¼ ç Æ B	Held by the Company _ l ® ! 5 Þ	Held by subsidiaries _ • n ® ! 5 Þ	Issued and fully paid-up/ registered capital Š ï ¿ ® J W l	Principal activities and place of operation õ 8 ¿ 6 ® Ã
World Success (Asia) Limited 6 € - r •Þ " ® !	Hong Kong 0 ¥	100%	–	100%	HKD10,000/ N/A 10,000 ¥ © J " G \	Investment holding in the PRC ³ › p • 7
Qinhuangdao Development Zone Qinfa Trading Co., Ltd. (i) b ¬ ¥ š ï b ï q ø Þ " ® ! (i)	The PRC • 7	100%	–	100%	RMB68,000,000/ RMB68,000,000 [O Æ68,000,000 © J [O Æ68,000,000 ©	Sales of coal in the PRC V / i • • 7
Datong Xiejiazhuang Jinfa Trading and Transportation Co., Ltd. (i) } • • • Ü ï 6 V Þ " ® ! (i)	The PRC • 7	100%	–	100%	RMB20,000,000/ RMB20,000,000 [O Æ20,000,000 © J [O Æ20,000,000 ©	Sales of coal in the PRC V / i • • 7
Yangyuan Guotong Coal Trading and Transportation Co., Ltd. (i) ("Yangyuan Guotong") ¢ ä 7 · i • 6 V Þ " ® ! (i) € ¢ ä 7 ™	The PRC • 7	100%	–	100%	RMB10,000,000/ RMB10,000,000 [O Æ10,000,000 © J [O Æ10,000,000 ©	Sales of coal in the PRC V / i • • 7
Zhuhai Qinfa Trading Co., Ltd. (i) . b ï q ø Þ " ® ! (i)	The PRC • 7	100%	–	100%	RMB5,000,000/ RMB5,000,000 [O Æ5,000,000 © J [O Æ5,000,000 ©	Sales of coal in the PRC V / i • • 7
Zhuhai Qinfa Logistics Co., Ltd. (ii) ("Zhuhai Logistics") . b ï J t Þ " ® ! (ii) € . J f™	The PRC • 7	100%	–	100%	HKD315,000,000/ HKD315,000,000 315,000,000 ¥ © J 315,000,000 ¥ ©	Sales of coal in the PRC V / i • • 7

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED) 20 õ • n ® ! ˜ ³ € ƒ •

Name of company ® ! ¤ H	Place of establishment/ incorporation Ó m J W Ó m ® Ã	Proportion of ownership interest ¹ Þ Æ Æ B â 7 — Group's effective interest I « ¼ ç Æ B	Held by the Company _ ! ® ! 5 Þ	Held by subsidiaries _ • n ® ! 5 Þ	Issued and fully paid-up/ registered capital Š ï ¿ ® J W I	Principal activities and place of operation ô 8 ¿ 6 ® Ã
Zhuhai Qinfa Resource Development Co., Ltd. (i) . b ï • U ï • Þ " ® ! (i)	The PRC • 7	100%	–	100%	RMB1,000,000/ RMB1,000,000 [O Æ1,000,000 © J [O Æ1,000,000 ©	Dormant r Ì 8
Baotou Danghui Materials Trading Co., Ltd. (i) ˜ 9 c I J q ø Þ " ® ! (i)	The PRC • 7	100%	–	100%	RMB10,000,000/ RMB10,000,000 [O Æ10,000,000 © J [O Æ10,000,000 ©	Sales of coal in the PRC V / i • • 7
Ordos Dongsheng Yifa Materials Co., Ltd. (i) ˆ ' µ v 9 ÷ z ï J Þ " ® ! (i)	The PRC • 7	100%	–	100%	RMB5,000,000/ RMB5,000,000 [O Æ5,000,000 © J [O Æ5,000,000 ©	Investment holding in the PRC ³ › p • 7
Ordos Jinfa Materials Co., Ltd. (i) ˆ ' µ v 9 Ü ï J Þ " ® ! (i)	The PRC • 7	100%	–	100%	RMB10,000,000/ RMB10,000,000 [O Æ10,000,000 © J [O Æ10,000,000 ©	Investment holding in the PRC ³ › p • 7
Shuozhou Guangfa Energy Investment Co., Ltd. (i) ("Shuozhou Guangfa") ä È 9 ? ï • U ³ Þ " ® ! (i) € ä È ? ï™	The PRC • 7	100%	–	100%	RMB10,000,000/ RMB10,000,000 [O Æ10,000,000 © J [O Æ10,000,000 ©	Investment holding in the PRC ³ › p • 7
Shenchi Shenda Energy Investment Co., Ltd. (i) Z ë $ Z : • U ³ Þ " ® ! (i)	The PRC • 7	100%	–	100%	RMB10,000,000/ RMB10,000,000 [O Æ10,000,000 © J [O Æ10,000,000 ©	Investment holding in the PRC ³ › p • 7

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of establishment/ incorporation	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Issued and fully paid-up/ registered capital	Principal activities and place of operation
Shenchi Shenfa Coal Trading and Transportation Co., Ltd. (i)	The PRC	100%	–	100%	RMB30,700,000/ RMB30,700,000	Dormant
Huairen Shunfa Materials Co., Ltd. (i)	The PRC	100%	–	100%	RMB20,000,000/ RMB20,000,000	Dormant
Shanxi Huameiao Energy Group Co., Ltd. (i) ("Huameiao Energy")	The PRC	80%	–	80%	RMB300,000,000/ RMB300,000,000	Investment holding in the PRC
Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Co., Ltd. (i) ("Xingtao Coal")	The PRC	80%	–	80%	RMB129,590,000/ RMB129,590,000	Coal mining and operation in the PRC
Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Co., Ltd. (i) ("Fengxi Coal")	The PRC	80%	–	80%	RMB32,000,000/ RMB32,000,000	Coal mining and operation in the PRC

[redacted]

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED) 20 õ • n ® ! ˜ ³ € ƒ •

Name of company ® ! ¤ H	Place of establishment/ incorporation Ó m J W Ó m ® Ã	Proportion of ownership interest ¹ Þ Æ Æ B â 7 Group's effective interest l « ¼ ç Æ B	 Held by the Company _ l ® ! 5 Þ	 Held by subsidiaries _ • n ® ! 5 Þ	Issued and fully paid-up/ registered capital Š ï ¿ ® J W l	Principal activities and place of operation ô 8 ¿ 6 ® Ã
Zhuhai Hengqin New Zone Hengfa Commercial Service Co., ltd. [(ii)] . Ñ Þ -) ï Þ " ® ! [(ii)]	The PRC • 7	100%	–	100%	RMB10,000,000/ RMB10,000,000 [O Æ10,000,000 © J [O Æ10,000,000 ©	Sales of coal and Investment holding in the PRC V / i • ¿ ³ › p • 7
Zhuhai Hengqin New Zone Lifa Commercial Service Co., ltd. [(ii)] . Ñ Þ - m ï Þ " ® ! [(ii)]	The PRC • 7	100%	–	100%	RMB10,000,000/ RMB10,000,000 [O Æ10,000,000 © J [O Æ10,000,000 ©	Sales of coal and Investment holding in the PRC V / i • ¿ ³ › p • 7
Zhuhai Hengqin Hongyi Industrial Development Co., Ltd. [(ii)] . Ñ Þ ¿ ‡ ¼ 8 ï • Þ " ® ! [(ii)]	The PRC • 7	100%	–	100%	RMB0/ RMB100,000,000 [O Æ0 © J [O Æ100,000,000 ©	Dormant r Ì 8
Super Grace Enterprises Limited ("Super Grace") Super Grace Enterprises Limited ₠ Super Grace™	British Virgin Islands õ n ˆ ~ Ê ¥	100%	–	100%	USD50,000/ USD50,000 50,000 Õ © J 50,000 Õ ©	Goods transport and logistics, and charter hire in worldwide Ü 6 i ¿ J t ø ¿ ¬ u a # Œ "

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED) 20 õ • n ® ! ˜ ³ € ƒ •

Name of company ® ! ¤ H	Place of establishment/ incorporation Ö m J W Ö m ® Ã	Proportion of ownership interest ¹ Þ Æ Æ B â 7: Group's effective interest l « ¼ ç Æ B	Held by the Company _ ! ® ! 5 Þ	Held by subsidiaries _ • n ® ! 5 Þ	Issued and fully paid-up/ registered capital Š ï ¿ ® J W I	Principal activities and place of operation ô 8 ¿ 6 ® Ã
Oriental Wise Group Limited ("Oriental Wise") Oriental Wise Group Limited € Oriental Wise"	British Virgin Islands õ n ˆ ~ É ¥	100%	–	100%	USD1/USD50,000 1 Õ © J 50,000 Õ ©	Goods transport and logistics, and charter hire in worldwide Ü 6 i ¿ J t ø ¿ ¬ u a # Œ "
Qinfa Chartering Limited Qinfa Chartering Limited	British Virgin Islands õ n ˆ ~ É ¥	100%	–	100%	USD1/USD50,000 1 Õ © J 50,000 Õ ©	Goods transport and logistics, and charter hire in the PRC Ü 6 i ¿ J t ø ¿ ¬ u a # • 7
Qinfa Shipping Group Limited Qinfa Shipping Group Limited	British Virgin Islands õ n ˆ ~ É ¥	100%	–	100%	USD1/USD50,000 1 Õ © J 50,000 Õ ©	Goods transport and logistics, and charter hire in worldwide Ü 6 i ¿ J t ø ¿ ¬ u a # Œ "
Hong Kong Qinfa Shipping Limited 0 ¥ b í ˜ 6 Þ " ® !	Hong Kong 0 ¥	100%	–	100%	HKD10,000/ N/A 10,000 ¥ © J " G \	Goods transport and logistics, and charter hire in worldwide Ü 6 i ¿ J t ø ¿ ¬ u a # Œ "

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED) 20 õ • n ® ! ˜ ³ € ƒ •

Name of company ® ! ¤ H	Place of establishment/ incorporation Ó m J W Ó m ® Ã	Proportion of ownership interest ¹ Þ Æ Æ B â 7 Group's effective interest I « ¼ ç Æ B	Held by the Company _ I ® ! 5 Þ	Held by subsidiaries _ • n ® ! 5 Þ	Issued and fully paid-up/ registered capital Š ï ¿ ® J W I	Principal activities and place of operation ô 8 ¿ 6 ® Ã
Liberal City Limited Liberal City Limited	Hong Kong 0 ¥	100%	–	100%	HKD1,000/ N/A 1,000 ¥ © J " G \	Dormant r Ì 8
Perpetual Goodluck Limited Perpetual Goodluck Limited	Hong Kong 0 ¥	100%	–	100%	HKD1,000/ N/A 1,000 ¥ © J " G \	Goods transport and logistics, and charter hire in the PRC Ü 6 i ¿ J t ø ¿ ¬ u a # • 7
Harbour Well Limited Harbour Well Limited	British Virgin Islands õ n ˆ ~ Ê ¥	100%	–	100%	USD1/ USD50,000 1 Õ © J 50,000 Õ ©	Goods transport and logistics, and charter hire in worldwide Ü 6 i ¿ J t ø ¿ ¬ u a # Œ "
Merit Sino International Limited ' 6 7 ç Þ " ® !	British Virgin Islands õ n ˆ ~ Ê ¥	100%	–	100%	USD1/ USD50,000 1 Õ © J 50,000 Õ ©	Goods transport and logistics, and charter hire in worldwide Ü 6 i ¿ J t ø ¿ ¬ u a # Œ "

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of establishment/ incorporation	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Issued and fully paid-up/ registered capital	Principal activities and place of operation
Zhuhai Qinfa Shipping Co., Ltd. (i)	The PRC	100%	–	100%	RMB5,000,000/ RMB5,000,000	Goods transport and logistics, and charter hire in the PRC
Zhuhai Hengqin Coal Exchange Center Co., Ltd. (i)	The PRC	60%	–	60%	RMB0/ RMB50,000,000	Provision of coal market information and training services in the PRC
Shanghai Qinhe Trading Co., Ltd. (i)	The PRC	100%	–	100%	RMB0/ RMB10,000,000	Dormant
Guangzhou Guangyihai Trading Co.,Ltd. (i) Guangzhou Guangyihai Trading Co.,Ltd. (i)	The PRC	100%	–	100%	RMB0/ RMB10,000,000	Dormant

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of establishment/ incorporation	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Issued and fully paid-up/ registered capital	Principal activities and place of operation
Bright Rock (iv)	British Virgin Islands	– (2014: 100%)	–	– (2014: 100%)	USD1/USD50,000	Investment holding in the PRC
Gerrards Agents (Macao Commercial Offshore) Limited (iv) ("Gerrards Agents")	Macau	– (2014: 100%)	–	– (2014: 100%)	MOP100,000/ MOP100,000	Dormant
Zhuhai Port (iii) (iv)	The PRC	– (2014: 60%)	–	– (2014: 60%)	RMB577,333,000/ RMB739,163,600	Provision of port service in the PRC

(i) These entities were established in the PRC as domestic companies.

(ii) These entities were established in the PRC as wholly foreign-owned enterprises.

(iii) This entity was established in the PRC as a sino-foreign equity joint venture enterprise.

(iv) These entities were disposed of during the year ended 31 December 2015.

[redacted]

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED) 20 õ • n ® ! ˜ ³ € ƒ •

Fengxi Coal ¹ i 8

		2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w ©
As at 31 December	õ d Z Ü g d S Ú		
NCI percentage	¢ › p Æ B õ ± â	20%	20%
Non-current assets	¢ t *	1,298,000	2,369,934
Current assets	t *	539,398	669,527
Current liabilities	t À	(1,532,892)	(1,390,191)
Non-current liabilities	¢ t À	(59,287)	(343,978)
Net assets	* =	245,219	1,305,292
Carrying amount of NCI	¢ › p Æ B * & =	49,044	261,059
During the year ended 31 December	Ú d Z Ü g d S Ú ß Ë		
Revenue	× B	16,844	218,829
Loss for the year	Ë « f &	(1,060,073)	(30,511)
Total comprehensive loss	Œ & f & < X	(1,060,073)	(30,511)
Loss allocated to NCI	± ã ¢ › p Æ B Y f &	(212,015)	(6,102)
Cash flows generated from operating activities	¾ z Ô { $ – t	21,405	326,625
Cash flows used in investing activities	³ z Ô \ $ – t	(24,935)	(323,812)

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Chongsheng Coal

	2015 RMB'000	2014 RMB'000
As at 31 December		
NCI percentage	20%	20%
Non-current assets	914,697	2,223,813
Current assets	974,355	1,239,734
Current liabilities	(1,784,439)	(1,760,580)
Non-current liabilities	(45,383)	(330,003)
Net assets	59,230	1,372,964
Carrying amount of NCI	11,846	274,593
During the year ended 31 December		
Revenue	34,572	168,509
Loss for the year	(1,313,734)	(12,623)
Total comprehensive loss	(1,313,734)	(12,623)
Loss allocated to NCI	(262,747)	(2,525)
Cash flows generated from operating activities	156,149	157,424
Cash flows used in investing activities	(56,787)	(257,156)
Cash flows (used in)/generated from financing activities	(100,000)	100,000

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED) 20 õ • n ® ! ˜ ³ € ƒ •

Zhuhai Port (Note (i)) . ¥ € • W(i) •

		2014 Z g S , Ë RMB'000 [O Æ w ©
As at 31 December	õ d Z Ü g d S Ú	
NCI percentage	¢ › p Æ B õ ± â	40%
Non-current assets	¢ t *	1,884,134
Current assets	t *	114,751
Current liabilities	t À	(417,794)
Non-current liabilities	¢ t À	(1,041,185)
Net assets	* =	539,906
Carrying amount of NCI	¢ › p Æ B * & =	215,962
During the year ended 31 December	Ú d Z Ü g d S Ú ß Ë	
Revenue		

(i) õ Z g S ž Ë ^ Ü V Ú d I « ø $ – þ [O Æ 350,000,000 © / I õ . ¥ Y 60% p Æ f / ‹ 1 õ • W 10 f

21 INVENTORIES

		2015 RMB'000	2014 RMB'000
Finished goods		84,482	314,337
Fuel		3,591	12,018
		88,073	326,355

35,542,000 35,650,000

68,329,000 229,756,000 28

22

(a)

34(a)

22 TRADE AND BILL RECEIVABLES (CONTINUED)

22 Ð × q ø * › ¿ Ð × C ½ € ƒ •

(a) Ageing analysis (continued)

(a) * g ± € ƒ •

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

Ì « Y Ð × q ø * › ¿ Ð × C ½€ Ô ð ¯ = f & •* g ± ½ h j

		2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w ©
Within 2 months	G H Ü «	303,534	519,102
Over 2 months but within 6 months	G H Ü ø j (" t @ ¬ H Ü	39,650	271,261
Over 6 months but within 1 year	¬ H Ü ø j (" t @ S Ë	95,688	285,078
Over 1 year but within 2 years	S Ë ø j (" t @ G Ë	143,312	192,386
Over 2 years	t @ G Ë	100	1,165
		582,284	1,268,992

Credit terms granted to customers mainly range from 0 to 60 days (2014: 0 to 60 days) depending on customers' relationship with the Group, their creditworthiness and past settlement record.

ì ½ Ò ~ Ì « Y ë · e Ò Y ¦ \ ¿ @ » ù › ¾ } d Ì « ô ¬ š Ò § ÷ 0 60 Â€ Z g S , Ë j 0 60 Â •Y ¦ r , f

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

* g Ð × q ø * › ¿ Ð × C ½ ½ © … Û Î Q f

(b) Impairment of trade receivables

(b) Ð × q ø * › ¯ =

The movement in provision for impairment of trade receivables during the year is as follows:

Ë « Ð × q ø * › ¯ = a ê ½ h j

		2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w ©
At 1 January	õ S Ü S Ú	43,147	51,947
Reversal of impairment losses	¯ = f & a «	–	(9,011)
Impairment loss recognised	Š ½ © Y ¯ = f &	502,479	–
Bad debts written-off	Û V x *	(134,783)	–
Exchange differences	Ò 3 ¨ X	2,607	211
At 31 December	õ d Z Ü g d S Ú	413,450	43,147

22 TRADE AND BILL RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables (continued)

The above provision for impairment losses of trade receivables represents provision for individually and collectively impaired trade receivables of RMB413,450,000 (2014: RMB43,147,000) with a carrying amount of RMB413,450,000 (2014: RMB43,147,000). The individually impaired receivables mainly relate to customers which did not make any settlement during the years ended 31 December 2015 and 2014.

(c) Trade and bill receivables that are not impaired

The ageing analysis of trade debtors and bill receivables that are neither individually nor collectively considered to be impaired are as follows:

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	304,117	612,214
Less than 1 year past due	135,306	653,562
Over 1 year past due	142,861	3,216
	582,284	1,268,992

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

[redacted]

23 PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

(i) Impairment of prepayments and other receivables

The movement in provision for impairment of prepayments and other receivables during the year is as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	49,974	7,838
Impairment losses recognised	394,855	42,136
Uncollectible amounts written-off	(32,071)	–
At 31 December	412,758	49,974

The above provision for impairment losses of prepayments and other receivables represents provision for individually and collectively impaired prepayments and other receivables of RMB412,758,000 (2014: RMB49,974,000) with a carrying amount of RMB412,758,000 (2014: RMB49,974,000). The individually impaired receivables mainly relate to prepayments and other receivables which the directors of the Company consider that the chances of collection/utilisation of the outstanding amounts are remote.

24 PLEDGED AND RESTRICTED DEPOSITS

Bank deposits of RMB45,468,000 (2014: RMB497,129,000) as at 31 December 2015 were pledged to banks to secure certain of the Group's bill payables (Note 26) and general credit facilities (2014: borrowings (Note 28) and general credit facilities).

Bank deposits of RMB443,000 (2014: Nil) were frozen in relation to the litigation proceedings as disclosed in Note 41(a)(v).

25 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2015 RMB'000	2014 RMB'000
Cash at banks and in hand	20,669	53,864

25 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of loss before taxation to cash generated from operations:

	Notes	2015 RMB'000	2014 RMB'000
Loss before taxation from continuing and discontinued operations		(8,037,702)	(1,177,656)
Adjustments for:			
Depreciation for property, plant and equipment	15	261,940	176,603
Amortisation of coal mining rights	16	12,480	43,407
Amortisation of lease prepayments	17	1,586	140
Provision for inventories	21	35,542	35,650
Finance income		(2,844)	(50,519)
Finance costs		415,506	575,287
(Gain)/loss on disposal of subsidiaries and associates	32	(68,083)	162,585
Gain on disposal of property, plant and equipment	6	(3,174)	–
Impairment losses on property, plant and equipment	8	3,067,505	18,674
Impairment losses on coal mining rights	8	2,678,444	–
Impairment losses on prepayments and other receivables	8	398,316	42,136
Impairment losses/(reversal of impairment) on trade receivables	8	502,479	(9,011)
Impairment losses on interests in associates	18	70,705	19,333
Equity-settled share-based payment expenses		14,789	483
Share of loss of associates		6,522	11,269
Property, plant and equipment written-off	8	204	48

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26 TRADE AND BILL PAYABLES

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

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		2015	2014
		Z g S ž Ë	Z g S , Ë
		RMB'000	RMB'000
		[O Æ w ©	[O Æ w ©
Within 1 year	S Ë «	1,074,216	1,001,631
Over 1 year but within 2 years	S Ë ø j (" t @ G Ë	13,636	46,107
Over 2 years but within 3 years	G Ë ø j (" t @ g Ë	859	393
		1,088,711	1,048,131

27 OTHER PAYABLES

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		2015	2014
		Z g S ž Ë	Z g S , Ë
		RMB'000	RMB'000
		[O Æ w ©	[O Æ w ©
Current	C ,		
Receipts in advance	k × › °	296,448	49,572
Accrued expenses	Ð š Õ	339,312	229,823
Amount due to a related party	Ð ù S ¤ ë ¹ Ù › °	18,969	–
Amounts due to directors	Ð ù è + › °	3,509	230
Amount due to the ultimate holding company	Ð ù ð ^ › p ® ! › °	3,735	2,659
Other payables	I ü Ð ù * ›	1,863,050	1,976,417
		2,525,023	2,258,701
Non-current	¢ C ,		
Other payables	I ü Ð ù * ›	82,195	95,782
		2,607,218	2,354,483

The amounts due to a related party, directors and ultimate holding company are unsecured, interest free and have no fixed term of repayment.

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28 BORROWINGS 28 > r

		Notes • W	2015 Z g S ž Ë Maturity Q , Ë …	2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë Maturity Q , Ë …	2014 Z g S , Ë RMB'000 [O Æ w ©
Current	C ,					
Secured bank loans	Þ ê å Õ r ›	(i)	2016	2,634,845	2015	3,424,188
Unsecured bank loans	Ì ê å Õ r ›	(ii)	2016	576,832	2015	514,872
Current portion of non-current secured bank loans	¢ C , Þ ê å Õ r › Y C , Å ±	(iii)	2016	73,100	2015	713,325
Current portion of non-current unsecured bank loans	¢ C , Ì ê å Õ r › Y C , Å ±	(iii)	N/A " G \	–	2015	81,720
Other borrowings	I ü > r	(iv)	2016	18,220	N/A " G \	–
				3,302,997		4,734,105
Non-current	¢ C ,					
Secured bank loans	Þ ê å Õ r ›	(iii)	2017-2019	2,602,325	2016-2026	2,677,796

(i) õ Z g S ž Ë d Z Ü g d S Ú d C , Þ ê å Õ r › 2 § ÷ 4.35% 7.28% € Z g S , Ë j 5.10% 9.00% •Y Ë ; ¹ f

(ii) õ Z g S ž Ë d Z Ü g d S Ú d C , Ì ê å Õ r › 2 § ÷ 5.66% 8.40% € Z g S , Ë j 2.09% 8.50% •Y Ë ; ¹ f

28 BORROWINGS (CONTINUED)

(iii) Non-current borrowings (including current portion of non-current borrowings) as at 31 December 2015 bear the following interest rates:

	2015 RMB'000	2014 RMB'000
(1) 30% premium on the per annum interest rate quoted by the People's Bank of China in respect of five-year borrowings ("5-year interest rate of PBOC")	–	340,000
(2) 20% premium on the 5-year interest rate of PBOC	–	635,000
(3) 5% premium on the per annum interest rate quoted by the People's Bank of China with terms longer than five years	–	1,083,510
(4) 38% premium on the per annum interest rate quoted by the People's Bank of China in respect of three-year borrowings ("3-year interest rate of PBOC")	–	585,000
(5) 13.82% premium on the 3-year interest rate of PBOC	–	285,000
(6) 4.13% per annum over Raiffeisen Bank International AG's cost of fund	–	36,720
(7) 5% premium on the 3-year interest rate of PBOC	–	159,700
(8) 3-year interest rate of PBOC	–	587,911
(9) Fixed rate: 5.50%	584,500	–
(10) Fixed rate: 7.01%	975,000	–
(11) 5-year interest rate of PBOC	1,048,935	–
(12) 10% premium on the 5-year interest rate of PBOC	66,990	–
	2,675,425	3,712,841

(iv) Other borrowings bear interest at rates ranging from 10.00% to 12.96% per annum as at 31 December 2015.

(v) Overdue borrowings

As 31 December 2015, secured bank loan of RMB148,882,000, unsecured bank loan of RMB30,000,000 and other borrowings of RMB18,220,000 were overdue and carried interest at rates ranging from 6.72% to 12.96% per annum and additional penalty interest at rates ranging from 3.36% to 6.48% per annum. As 31 December 2015, these borrowings are secured by coal mining rights with a carrying amount of RMB178,870,000 or personal guaranteed by Mr. Xu. In addition, bank deposits of RM B443,000 were frozen as a result of the overdue bank borrowings (Note 24).

Subsequent to 31 December 2015 and up to the date of this report, the Group is in the process of negotiating with the banks and the creditors to renew or roll over these borrowings.

31 December 2015

[redacted]

[redacted]

30 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share capital (continued)

(iii) Pursuant to a written resolution of the sole shareholder passed on 12 June 2009, the authorised share capital of the Company was increased from HKD380,000 to HKD2,000,000,000 by the creation of an additional 19,996,200,000 shares of HKD0.10 each.

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

(iv) On 3 July 2009, 250,000,000 ordinary shares of HKD0.10 each were issued at a price of HKD2.52 per share under the Initial Public Offering and the International Placing. The proceeds of HKD25,000,000 (equivalent to RMB22,042,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD605,000,000 (equivalent to RMB533,429,000), before the issuing expenses, were credited to the share premium account.

(v) On 22 July 2009, the underwriters of the International Placing exercised the over-allotment option for the issuance of 37,500,000 ordinary shares of HKD0.10 each at HKD2.52 per share. The proceeds of HKD3,750,000 (equivalent to RMB3,305,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD90,750,000 (equivalent to RMB79,987,000), before the issuing expenses, were credited to the share premium account.

(vi) On 8 April 2011, 60,000 share options under the Pre-IPO Option were exercised for the same number of shares at an exercise price of HKD2.52 per share (Note 31(a)). All issued shares have been fully paid. The proceeds of HKD6,000 (equivalent to RMB5,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD145,000 (equivalent to RMB122,000) were credited to the share premium account.

(vii) The extraordinary general meeting held on 30 September 2011 approved the bonus issue of one share for every one existing share held by the shareholders whose names are on the register of members on 10 October 2011. As a result, the issued share capital of the Company increased from HKD103,756,000 (equivalent to RMB91,479,000) to HKD207,512,000 (equivalent to RMB176,266,000) through capitalisation of share premium of HKD103,756,000 (equivalent to RMB84,787,000).

(viii) On 19 July 2013, the Company issued and allotted 3,293,985 shares at an issue price of HKD0.77 per share in respect of the final dividend for the year ended 31 December 2012.

As a result, during the year ended 31 December 2013, the Company's share capital and share premium were in aggregate increased by approximately HKD329,000 (equivalent to RMB265,000) and HKD2,207,000 (equivalent to RMB1,757,000), respectively.

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(v) õ Z g g X Ë V Ü Z d Z Ú d 7 ç ã / Y V 4 t X ã p Æ d ø Ê p 2.52 ¥ © Y ø ï 37,500,000 p Ê p & =0.10 ¥ © ˜ w … f

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(viii) õ Z g S g Ë V Ü d X Ü d I ® ! 1 Ú Z g S Z Ê d Z Ù g d S Ú ß Ë ˜ K , p ¹ 2 ï Ê p 0.77 ¥ © ï ¿ ã ï 3,293,985 p p … f

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30 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share capital (continued)

(ix) On 21 December 2015, 200,000,000 ordinary shares of HKD0.10 each were issued at a price of HKD0.249 per share to not less than six independent placees for a total consideration (before issuing expenses) of HKD49,800,000 (equivalent to RMB41,693,000). The proceeds of HKD20,000,000 (equivalent to RMB16,744,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD27,917,000 (equivalent to RMB23,372,000), after the issuing expenses of HKD1,883,000 (equivalent to RMB1,577,000), were credited to the share premium account.

(c) Perpetual subordinated convertible securities

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

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

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

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

The Group had not elected to defer distribution payments for the year ended 31 December 2015 of HKD5,841,000 (equivalent to RMB4,728,000) (2014: HKD5,841,000 (equivalent to RMB4,628,000)).

30 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Quasi-capital

On 25 December 2015, the Group consolidated certain interest payable due from its subsidiaries to a financial institution of RMB141,533,000 (the "Payables") and novated the Payables from the subsidiaries of the Company to the Company as the principal debtor. The financial institution, on the same date, transferred the Loan to an independent third party (the " Creditor").

Pursuant to an agreement between the Company and the Creditor dated 25 December 2015, the Creditor has conditionally agreed to subscribe for 215,000,000 ordinary shares (the "Shares to be Issued") each at a subscription price of approximately HKD0.272 per share by capitalisation of part of the Payables in the amount of RMB48,822,000 (equivalent to approximately HKD58,480,000). Accordingly, the Group has no contractual obligation to deliver cash to settle such amount and such amount will be settled by a fixed number of shares. In the opinion of the directors of the Company, the fair value of the Shares to be Issued of RMB45,771,000 is considered as quasi-capital to the Company. The difference between capitalisation of part of the Payables of RMB48,822,000 and the fair value of the Shares to be Issued was recognised as fair value gain on capitalisation of payables in other income, gains and losses (Note 6).

(e) (Deficit)/reserves

(i) Share premium

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

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

30 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) (Deficit)/reserves (continued)

(i) Share premium (continued)

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

On 8 April 2011, 60,000 shares of HKD0.10 each in the Company were issued at HKD2.52 per share as a result of the exercise of vested options arising from the Pre-IPO Option (Note 31(a)). The excess of the proceeds totalling HKD145,000 (equivalent to RMB122,000) was credited to the share premium of the Company. HKD48,000 (equivalent to RMB40,000) has been transferred from the share-based compensation reserve to the share premium account in accordance with the accounting policy set out in Note 2(l)(iii).

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

At a meeting held on 22 March 2013, the Board of Directors proposed a final dividend of HK3 cents which could be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to equity holders to elect to receive such final dividend (or part thereof) in cash in lieu of such allotment. On 19 July 2013, the Company settled the final dividend for the year ended 31 December 2012 by cash payment of HKD59,717,000 (equivalent to RMB47,544,000) and issuance 3,293,985 new ordinary shares at an issue price of HKD0.77 per share (equivalent to RMB2,022,000) (Note 30(b)(viii)). The excess of the proceeds totalling HKD2,207,000 (equivalent to RMB1,757,000) was credited to the share premium of the Company.

30 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) (Deficit)/reserves (continued)

(i) Share premium (continued)

Pursuant to a written resolution of the directors' meeting passed on 29 August 2013, the Company declared a special interim dividend of HKD20,784,000 (equivalent to RMB16,439,000). The amount was out of the share premium account.

On 21 December 2015, 200,000,000 ordinary shares of HKD0.10 each were issued at a price of HKD0.249 per share to independent third party placees. The excess of the proceeds totalling HKD27,917,000 (equivalent to RMB23,372,000) over the nominal value of the total number of ordinary shares issued was credited to the share premium account, after deducting the issuing expenses.

(ii) Merger reserve

Merger reserve represents the difference between the aggregate amount of paid-in capital of the subsidiaries of the Company and the amount of share capital of the Company transferred and issued to Fortune Pearl in exchange for the entire equity interests in all members of the Group as part of the Reorganisation.

(iii) Reserves

Statutory reserve fund

In accordance with the relevant PRC regulations applicable to wholly-foreign-owned companies, certain entities within the Group are required to allocate certain portion (not less than 10%), as determined by their Board of Directors, of their profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of the registered capital.

The SRF is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as issued capital.

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30 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(e) (Deficit)/reserves (continued)

(iii) Reserves (continued)

Specific reserve – maintenance and production funds

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

	RMB'000
Balance at 1 January 2014	274,742
Provision for the year	103,661
Utilisation for the year	(70,157)
Release of reserve upon disposal of a subsidiary	(59,778)
Balance at 31 December 2014 and 1 January 2015	248,468
Provision for the year	42,228
Utilisation for the year	(74,699)
Balance at 31 December 2015	215,997

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 2(d).

(v) Share-based compensation reserve

Share-based compensation reserve represents the value of employee services in respect of share options granted under the Pre-IPO Option and Share Option as set out in Note 31.

[redacted]

[redacted]

31 EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)

(a) Pre-IPO Share Option Scheme (continued)

(ii) The number and weighted average exercise prices of Pre-IPO Share Options are as follows:

For the year ended 31 December 2015

Type of grantee	Date of grant	Exercisable period	Exercise price HKD	Number of options: Balance at 1 January 2015 '000	Number of options: Granted during the year '000	Number of options: Balance at 31 December 2015 '000
Executive director						
Mr. Ma Baofeng	12 June 2009	12 June 2009 to 11 June 2019	1.26	1,200	–	1,200
Employees						
In aggregate	12 June 2009	12 June 2009 to 11 June 2019	1.26	10,800	–	10,800
				12,000	–	12,000

31 EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)

(a) Pre-IPO Share Option Scheme (continued)

(ii) The number and weighted

31 EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)

(a) Pre-IPO Share Option Scheme (continued)

(iii) Fair value of Pre-IPO Share Options and assumptions

The fair value of service received in return for Pre-IPO Share Options granted is measured by reference to the fair value of Pre-IPO Share Options granted. The estimate of the fair value of the Pre-IPO Share Options granted is measured based on the Binomial Model. The contractual life of the Pre-IPO Share Options is used as an input into this model. Expectations of early exercise are incorporated into the Binomial Model.

	Granted on 12 June 2009
Fair value at grant date	HKD7,650,000
Share price before bonus issue	HKD2.52
Exercise price before bonus issue	HKD2.52
Expected volatility	56%
Expected option life	10 years
Expected dividend yield rate	1.50%
Risk-free interest rate	3.029%

The expected volatility and expected dividend yield rate are based on the average volatilities and dividend yield rates in the similar industry. Changes in the subjective input assumptions could materially affect the fair value estimate.

[redacted]

31 EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)

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(b) Share Option Scheme (continued)

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(i) The terms and conditions of the grants are as follows:

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	Number of options … p Æ p f	Vesting conditions å n â •	Contractual life of options … p Æ Y ¥ Ò , "
Options granted to a director and employees – on 17 January 2012 ¬ š S ¤ è + ¿ ‡ p Y … p Æ Ñ õ Z g S Z Ë S Ü d V Û	20,751,196	40% on the grant date, 30% on both of the first and second anniversary of the grant date õ ¬ Ú , ‰ 40% d õ ¬ Ú , K S ¿ K Z „ Ë i ‰ 30%	10 years 10 Ë
Options granted to directors and employees – on 30 April 2015 ¬ š è + ¿ ‡ p Y … p Æ Ñ õ Z g S ž Ë , Ü g d Û	157,500,000	40% on the grant date, 30% on both of the first and second anniversary of the grant date õ ¬ Ú , ‰ 40% d õ ¬ Ú , K S ¿ K Z „ Ë i ‰ 30%	10 years 10 Ë

31 EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)

(b) Share Option Scheme (continued)

(ii) The number and weighted average exercise prices of Share Options Scheme are as follows:

For the year ended 31 December 2015

Type of grantee	Date of grant	Exercisable period	Exercise price HKD	Outstanding number of options: Balance at 1 January 2015 '000	Granted during the year '000	Lapsed during the year '000	Balance at 31 December 2015 '000
Executive director							
Mr. Ma Baofeng	17 January 2012	17 January 2012 to 16 January 2022	1.50	2,964	–	–	2,964
Independent non-executive directors							
Mr. Huang Guosheng	30 April 2015	30 April 2015 to 29 April 2025	0.485	–	500	–	500
Mr. Lau Sikyuen	30 April 2015	30 April 2015 to 29 April 2025	0.485	–	500	–	500
Mr. Xing Zhiying	30 April 2015	30 April 2015 to 29 April 2025	0.485	–	500	–	500
				2,964	1,500	–	4,464
Employees							
In aggregate	17 January 2012	17 January 2012 to 16 January 2022	1.50	5,929	–	–	5,929
In aggregate	30 April 2015	30 April 2015 to 29 April 2025	0.485	–	156,000	(24,000)	132,000
				5,929	156,000	(24,000)	137,929
				8,893	157,500	(24,000)	142,393

31 EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)

(b) Share Option Scheme (continued)

(ii) The number and weighted average exercise prices of Share Options Scheme are as follows: (continued)

For the year ended 31 December 2014

				Outstanding number of options			
Type of grantee	Date of grant	Exercisable period	Exercise price	Balance at 1 January 2014	Effect for appointment of director	Lapsed during the Lapsed during the year	Balance at 31 December Balance at 31 December 2014
			HKD	'000	'000	'000	'000
Executive director							
Mr. Ma Baofeng*	17 January 2012	17 January 2012 to 16 January 2022	1.50	–	2,964	–	2,964
Employees							
In aggregate	17 January 2012	17 January 2012 to 16 January 2022	1.50	14,822	(2,964)	(5,929)	5,929
				14,822	–	(5,929)	8,893

* Mr. Ma Baofeng was appointed as an executive director of the Company on 9 October 2014.

At 31 December 2015, the number of the exercisable shares under the Share Option Scheme was 62,293,000 (2014: 8,893,000) shares.

During the year ended 31 December 2015, 157,500,000 share options under the Share Option Scheme were granted (2014: Nil). During the years ended 31 December 2015 and 2014, no share option under the Share Option Scheme was exercised.

The share options outstanding at 31 December 2015 had a weighted average remaining contractual life of 9.1 years (31 December 2014: 7.0 years). The weighted average exercise price for the outstanding share options as at 31 December 2015 was HKD0.55 (2014: HKD1.50) per share.

31 EQUITY-SETTLED SHARE-BASED PAYMENTS (CONTINUED)

(b) Share Option Scheme (continued)

(iii) Fair value of share options and assumptions

The fair value of service received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Binomial Lattice Model. The contractual life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Binomial Lattice Model.

	Granted on 17 January 2012	Granted on 30 April 2015
Fair value at grant date	HKD11,642,000	HKD29,443,141
Share price	HKD1.50	HKD0.485
Exercise price	HKD1.50	HKD0.485
Expected volatility	55.309%	53.89%
Expected option life	10 years	10 years
Expected dividend yield rate	2.11%	0%
Risk-free interest rate	1.507%	1.638%

The expected volatility is based on the historical volatility of three comparable companies. The expected dividend yield rate is based on the average dividend of three comparable companies. Changes in the subjective input assumptions could materially affect the fair value estimate.

32 DISPOSAL OF SUBSIDIARIES

In addition to the disposal of Zhuhai Port as disclosed in Note 10, the Group disposed two subsidiaries, together with two associates, during the year.

On 10 April 2015, the Group agreed to sell its entire equity interest in Gerrards Agents, an indirectly owned subsidiary of the Company, at an aggregate consideration of HKD1,995,000 (approximately equivalent to RMB1,662,000) to an independent third party. The completion date of the disposal was on 22 July 2015. Gerrards Agents was dormant.

On 30 December 2015, the Group has agreed to sell its entire equity interest in Bright Rock, an indirectly owned subsidiary of the Company, together with two associates, Tiaro Coal and Paragon Coal, at an aggregate consideration of AUD20,000 (approximately equivalent to RMB95,000) to another independent third party. The

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32 DISPOSAL OF SUBSIDIARIES (CONTINUED)

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The carrying amounts of assets/(liabilities) of Zhuhai Port, Gerrards Agents and Bright Rock as at the respective disposal completion date are as follows:

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		Notes • W	Zhuhai Port . ¥ RMB'000 [O Æ w ©	Gerrards Agents Gerrards Agents RMB'000 [O Æ w ©	Bright Rock Bright Rock RMB'000 [O Æ w ©	Total < RMB'000 [O Æ w ©
Property, plant and equipment	J 8 e @ Ò ¿ £ ê	15	1,727,154	–	–	1,727,154
Lease prepayments	a # k ù * ›	17	106,122	–	–	106,122
Interests in associates	õ L ® ! Y Æ B	18	–	–	–	–
Inventories	À ¬		277	–	–	277
Trade receivables	Ð × q ø * ›		6,743	–	–	6,743
Prepayments and other receivables	k ù * › ¿ l ü Ð × * ›		76,065	100	–	76,165
Cash and cash equivalents	$ – ¿ $ – = J		4,683	2	–	4,685
Trade payables	Ð ù q ø * ›		(2,942)	–	–	(2,942)
Other payables	l ü Ð ù * ›		(370,216)	(32)	–	(370,248)
Borrowings	> r		(1,083,210)	–	–	(1,083,210)
Net assets	* X		464,676	70	–	464,746
Non-controlling interest	¢ › p Æ B		(185,870)	–	–	(185,870)
Cumulative exchange differences recognised in respect of the net assets of the disposed subsidiary reclassified from equity to profit or loss	1 Š / • n ® ! Y * = ½ © Y] Ò 3 ¨ X _ Æ B - ± ó & B		–	(16)	4,454	4,438
Gain/(loss) on disposal of subsidiaries	/ • n ® ! ˜ × B Œ f & •		70,834	1,608	(4,359)	68,083
Direct expenses in relation to the disposal	Þ ë / + ° Y \ Ÿ š Õ		360	–	–	360
Total cash consideration	$ – þ < X		350,000	1,662	95	351,757
Net cash inflow arising on disposals	/ * [Y $ – t] – X					
Cash consideration	$ – þ		350,000	1,662	95	351,757
Direct expenses paid	Š ù \ Ÿ š Õ		(360)	–	–	(360)
Cash and cash equivalents disposed of	/ ˜ $ – ¿ $ – = J		(4,683)	(2)	–	(4,685)
Net cash inflow arising on disposal	/ * [Y $ – t] – X		344,957	1,660	95	346,712

[redacted]

33 FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2015, the Company has executed corporate guarantee to certain banks with respect to general banking facilities granted to certain subsidiaries of the Company of approximately RMB5,934,404,000 (2014: RMB8,000,352,000). In addition, as at 31 December 2015, the Company and certain subsidiaries of the Company have executed corporate guarantee to certain banks with respect to general banking facilities granted to an associate of approximately RMB635,690,000 (2014: Nil) as disclosed in Note 37(c).

The Company has not recognised any deferred income in respect of the guarantees as its fair value cannot be reliably measured and its transaction price was nil (2014: nil).

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit risk, liquidity risk, interest risk and currency risk arises in the normal course of the Group's businesses. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and bill receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customer operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the reporting date, 87.7% (2014: 49.7%) of the net trade and bill receivables was due from the five largest customers within the coal business segment. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Except for the financial guarantees given by the Group as set out in Note 33, the Group does not provide any other guarantee which would expose the Group to credit risk as at 31 December 2015.

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, but the borrowings are subject to approval by the parent company's management. The Group's policy is to regularly monitor its liquidity requirements and its compliance with any lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the reporting date of the Group's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

	As at 31 December 2015				
	Carrying amount	Total undiscounted cash flow	Within one year or on demand	More than one year and less than five years	More than five years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current					
Trade and bill payables	1,088,711	1,088,711	1,088,711	–	–
Financial liabilities included in other payables	2,228,575	2,228,575	2,228,575	–	–
Borrowings	3,302,997	3,544,655	3,544,655	–	–
	6,620,283	6,861,941	6,861,941	–	–
Non-current					
Financial liabilities included in other payables	82,195	101,000	–	80,800	20,200
Borrowings	2,602,325	2,777,251	–	2,777,251	–
	2,684,520	2,878,251	–	2,858,051	20,200
	9,304,803	9,740,192	6,861,941	2,858,051	20,200
Maximum exposure of financial guarantee contracts (Note 33)	635,690	667,411	332,748	334,663	–

[redacted]

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

As 31 December 2015, the Group had net current liabilities of approximately RMB6,228,989,000 (2014: RMB5,278,281,000). As disclosed in Note 28, certain borrowings amounted to RMB197,102,000 were overdue and carried interest at 6.72% to 12.96% per annum and additional penalty interest at 3.36% to 6.48% per annum. In addition, subsequent to 31 December 2015 and up to the date of approval of these consolidated financial statements, further borrowings of RMB297,540,000 were overdue. The liquidity of the Group is dependent on its ability to implement the measures to improve the Group's immediate liquidity and cash flows as described in Note 1.2(c).

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by

34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk (continued)

(ii) Sensitivity analysis

It is estimated that a general increase/decrease of 100 basis points in the interest rates of variable rate borrowings prevailing at the reporting date, with all other variables held constant, would increase/decrease the Group's loss after tax by approximately RMB31,448,000 (2014: RMB35,139,000) and increase/decrease the Group's accumulated losses by approximately RM B31,448,000 (2014: RMB35,139,000) for the year ended 31 December 2015.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax and consolidated equity that would arise assuming that the change in interest rates had occurred at the reporting date and had been applied to re-measure those floating rate non-derivative instruments held by the Group which expose the Group to cash flow interest rate risk at the reporting date. The impact on the Group's loss after tax and consolidated equity is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis for 2014.

(d) Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand. The Group is exposed to foreign currency risk primarily through purchases giving rise to cash balances that are denominated in USD, while all the other operations of the G roup are mainly transacted in RM B. Changes in exchange rate affect the RMB value of purchase costs of commodities that are denominated in foreign currencies.

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35 CAPITAL COMMITMENTS

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

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36 OPERATING LEASES (CONTINUED)

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(b) Leases as lessor

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The future minimum lease payments receivable under non-cancellable operating leases are as follows:

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		2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w ©
Within 1 year	S Ë «	9,169	40,252
Over 1 year but within 5 years	S Ë (ž Ë «	–	7,136
		9,169	47,388

The Group leases vessels under various agreements which terminate between one to three months. The agreements do not include an extension option.

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37 RELATED PARTY TRANSACTIONS (CONTINUED)

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(b) Guarantees provided by related parties

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		2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w © (Restated) € ¾ • •
Guarantees of bill payables and borrowings provided by Mr. Xu and his close family members	± ‹ [¿ I \ û K n d 6 Y Ð ù C ½ ¿ > r Ä -	7,279,380	5,852,000
Guarantees of borrowings provided by Mr. Xu Da and his close family members	± : ‹ [¿ I \ û K n d 6 Y > r Ä -	7,046,160	4,852,000
Guarantees of borrowings provided by Mr. Ma Baofeng	õ - ¤ ‹ [d 6 Y > r Ä -	370,000	200,000
Guarantees of borrowings provided by Qinfa Industry	b ï ¼ 8 d 6 Y > r Ä -	1,372,000	–
Guarantees of borrowings provided by Yuanfan Technology	Ã É Å ¦ d 6 Y > r Ä -	152,000	–

(c) Guarantees provided to a related party

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		2015 Z g S ž Ë RMB'000 [O Æ w ©	2014 Z g S , Ë RMB'000 [O Æ w ©
Guarantees given by the Group for banking facilities obtained by Tongmei Qinfa	I « 1 • i b ï { Y Õ D d 6 Y Ä -	635,690	–

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management personnel remuneration

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

	2015 RMB'000	2014 RMB'000
Directors' fee	3,316	3,153
Salaries, allowances and benefits in kind	6,721	12,675
Contributions to retirement benefit schemes	77	57
Discretionary bonuses	–	420
Share-based payments	4,433	161
	14,547	16,466

38 NEW AND REVISED IFRSs NOT YET ADOPTED

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

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		Effective for accounting periods beginning on or after õ h • Ú , Ð ˜ š • Y 6 , œ [Ö
IAS 1 Amendments 7 ç 6 _ Æ K 1 î€ L I •	Disclosure Initiatives Þ £ Œ	1 January 2016 Z g S ¬ Ë S Ü S Ú
IAS 16 and IAS 38 Amendments 7 ç 6 _ Æ K 16 î ¿ 7 ç 6 _ Æ K38 î€ L I •	Clarification of Acceptable Methods of Depreciation and Amortisation Á Ÿ a Y ± ¿ Å V Ù , Y ± ó	1 January 2016 Z g S ¬ Ë S Ü S Ú
IAS 16 and IAS 41 Amendments 7 ç 6 _ Æ K 16 î ¿ 7 ç 6 _ Æ K41 î€ L I •	Agriculture: Bearer Plants 5 8 j [* Ì " J	1 January 2016 Z g S ¬ Ë S Ü S Ú
IAS 27 Amendments 7 ç 6 _ Æ K 27 î€ L I •	Equity Method in Separate Financial Statements ù m Ì Œ Y Æ B ,	1 January 2016 Z g S ¬ Ë S Ü S Ú
IFRS 10 and IAS 28 Amendments 7 ç Ì S _ Æ K 10 î ¿ 7 ç 6 _ Æ K 28 î€ L I •	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ k ¿ I L ® ! Ð ¥ † 8 œ Y * / Ð !]	To be determined* › *
IFRS 10, IFRS 12 and IAS 28 Amendments 7 ç Ì S _ Æ K 10 î e 7 ç Ì S _ Æ K 12 î ¿ 7 ç 6 _ Æ K 28 î€ L I •	Investment Entities: Applying the Consolidation Exception ³ ¼ j Ð \ ] ¥] * 7 . k	1 January 2016

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31 December 2015

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38 NEW AND REVISED IFRSs NOT YET ADOPTED (CONTINUED)

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38 NEW AND REVISED IFRSs NOT YET ADOPTED (CONTINUED)

IFRS 16 Leases (continued)

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.

39 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The directors of the Company consider the immediate and ultimate controlling party of the Group to be Fortune Pearl, which is incorporated in the British Virgin Islands.

40 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

Reclassification for the consolidated statement of comprehensive income for the year ended 31 December 2014:

(a) For the purpose of presenting the discontinued operation, the comparative consolidated statement of comprehensive income and the related notes have been restated as if the Port Business had been discontinued at the beginning of the comparative period.

(b) Reversal of impairment on trade receivables of RMB9,011,000 were reclassified from administrative expenses to other expenses in the consolidated statement of comprehensive income for the year ended 31 December 2014.

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31 December 2019

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41 CONTINGENT LIABILITIES (CONTINUED)

(a) Outstanding litigations (continued)

(ii) Litigation claims relating to damage of properties with local villagers

During the year ended 31 December 2015, there were several litigation claims initiated by the local villagers against the Group relating to compensation for properties damage of RMB9,210,000. Up to the date of this report, the litigations are still in progress. As a result of the foregoing, the Group recognised the provision for litigation of RMB9,210,000 in the consolidated financial statements for the year ended 31 December 2015.

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

Up to the date of this report, there were several litigation claims initiated by the suppliers against the Group to demand immediate repayment of overdue trading debts 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. Up to the date of this report, the litigations are still in progress. An aggregate amount of RMB132,206,000 has already been recognised as payables to these suppliers included in other payables in the consolidated statement of financial position as at 31 December 2015. As a result of the foregoing, the Group further recognised the late penalty charges and interest charges of RMB6,605,000 and corresponding legal costs of RMB108,000 in the consolidated financial statements for the year ended 31 December 2015.

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41 CONTINGENT LIABILITIES (CONTINUED)

(a) Outstanding litigations (continued)

(iv) Litigation claims related to unsettled considerations

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41 CONTINGENT LIABILITIES (CONTINUED)

(a) Outstanding litigations (continued)

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

The Group was in default of its repayment on certain bank borrowings with principal and accrued interest amounting to RMB148,882,000 and RMB328,000 respectively (the "Defaulted Bank Borrowings"). On 15 December 2015, a bank filed a lawsuit in Zhuhai Municipal Intermediate People's Court against the Group to demand immediate repayment of the Defaulted Bank Borrowings. Up to the date of this report, the litigation is still in progress and the Group is currently in the process of negotiating with the bank to renew or roll over the Defaulted Bank Borrowings. The principal of RMB148,882,000 and interest charges of RMB328,000 have already been recognised as borrowings and accrued expenses included in other payables respectively in the consolidated statement of financial position as at 31 December 2015.

As at the reporting date, the directors of the Company are of the opinion that the provision for the above litigation is sufficient in the consolidated statements of financial position as at 31 December 2015.

Other than the disclosure of above, as at the end of the reporting period, 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 2015, the Group was the defendant of certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the management of the Group believes that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

(b) Financial guarantees issued

As at the end of the reporting period, the Group has issued the guarantees to certain banks in respect of borrowings made by 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 2015, the directors of the Company do not consider it is probable that a claim will be made against the Group under any of the guarantees. The maximum liability of the Group at 31 December 2015 under the guarantees issued is a portion of the outstanding amount of the borrowings of Tongmei Qinfa amounting to RMB635,690,000 (2014: Nil).

42 EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in Note 1.2(c)(v) in relation to proposed disposal of HK Qinfa International Group, the following is the significant event after the reporting period.

Subsequent to year end, the condition of the agreement between the Company and the Creditor dated 25 December 2015 detailed in Note 30(d) has been fulfilled and completion of the Agreement took place on 6 January 2016, whereby a total of 215,000,000 new Shares were allotted and issued to the Creditor at the subscription price of approximately HKD0.272 per Share.

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43 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 RMB'000	2014 RMB'000
Non-current assets		
Investments in subsidiaries	–	658,807
Current assets		
Other receivables	4	–
Amounts due from subsidiaries	141,533	534,049
Cash and cash equivalents	16	1
	141,553	534,050
Current liabilities		
Other payables	(99,861)	(5,212)
Net current assets	41,692	528,838
Net assets	41,692	1,187,645
Capital and reserves		
Share capital	193,275	176,531
Perpetual subordinated convertible securities	156,931	156,931
Quasi-capital	45,771	–
(Deficit)/reserves	(354,285)	854,183
Total equity	41,692	1,187,645

Approved and authorised for issue by the Board of Directors of China Qnfa Group Limited on 29 April 2016.

Xu Jihua
Director

Wang Jianfei
Director

31 December 2019

[redacted]

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