中國秦發集團有限公司

CHINA QINFA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00866)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

The Directors refer to the profit warning announcement of the Company dated 13 August 2018. The financial highlights of the Group for the six months ended 30 June 2018 are set out as follows:

- Revenue for the six months ended 30 June 2018 was RMB1,853.4 million, representing an increase of 35.3% as compared to the corresponding period in 2017.
- Coal handling and trading volume for the six months ended 30 June 2018 was 4.41 million tonnes, representing an increase of 35.7% as compared to the corresponding period in 2017.
- Gross profit margin for the six months ended 30 June 2018 was 17.96% as compared with gross profit margin 33.19% to the corresponding period in 2017.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2018 was RMB96.8 million, as compared with profit of RMB151.4 million for the corresponding period in 2017.
- Basic earnings per share of the Company was RMB3.78 cents in 2018, representing a decrease of RMB2.19 cents as compared with basic earnings per share of RMB5.97 cents in 2017.
- Diluted earnings per share of the Company was RMB3.71 cents in 2018, representing a decrease of RMB2.09 cents as compared with diluted earnings per share of RMB5.8 cents in 2017.

The board (the "**Board**") of directors (the "**Directors**") of China Qinfa Group Limited (the "**Company**") refers to the profit warning announcement of the Company dated 13 August 2018. The Board hereby announces the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 with comparative figures for the six months ended 30 June 2017.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**1,853,400**	1,370,008
Cost of sales		**(1,520,559)**	(915,328)
Gross profit		**332,841**	454,680
Other income, gains and losses	*6*	**30,964**	(1,069)
Distribution expenses		**(32,323)**	(31,164)
Administrative expenses		**(122,418)**	(116,550)
Reversal of impairment, net	*8(b)*	**10,817**	67,898
Other expenses		**(5,320)**	(37,104)
Results from operating activities		**214,561**	336,691
Finance income		**16**	195
Finance costs		**(180,849)**	(187,024)
Net finance costs	*7*	**(180,833)**	(186,829)
Profit before taxation	*8(a)*	**33,728**	149,862
Income tax credit	*9*	**79,083**	7,111
Profit for the period		**112,811**	156,973
Other comprehensive income/(loss)			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**3,146**	(4,700)
Other comprehensive income/(loss) for the period, net of tax		**3,146**	(4,700)
Total comprehensive income for the period		**115,957**	152,273

	Notes	Six months ended 30 June **2018** ***RMB'000*** **(Unaudited)**	 2017 *RMB'000* (Unaudited)
Profit for the period attributable to:			
Equity shareholders of the Company		**96,774**	151,417
Non-controlling interests		**16,037**	5,556
Profit for the period		**112,811**	156,973
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		**99,920**	146,717
Non-controlling interests		**16,037**	5,556
Total comprehensive income for the period		**115,957**	152,273
Earnings per share attributable to the equity shareholders of the Company during the period	*10*		
Basic earnings per share		**RMB3.78 cents**	RMB5.97 cents
Diluted earnings per share		**RMB3.71 cents**	RMB5.80 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**4,659,339**	4,683,766
Coal mining rights	11	**4,330,242**	4,417,366
Lease prepayments		**4,863**	4,933
Interest in an associate		**–**	–
		8,994,444	9,106,065
Current assets			
Inventories		**272,550**	99,155
Trade and bills receivables	12	**590,972**	782,884
Prepayments and other receivables	13	**475,696**	229,495
Pledged and restricted deposits		**390**	294
Cash and cash equivalents		**134,115**	80,349
		1,473,723	1,192,177
Current liabilities			
Trade and bill payables	14	**(931,319)**	(949,950)
Other payables and contract liabilities	15	**(3,084,938)**	(2,765,989)
Borrowings	16	**(5,965,747)**	(6,045,885)
Tax payable		**(243,131)**	(282,638)
		(10,225,135)	(10,044,462)
Net current liabilities		**(8,751,412)**	(8,852,285)
Total assets less current liabilities		**243,032**	253,780
Non-current liabilities			
Other payables	15	**(92,837)**	(174,603)
Accrued reclamation obligations		**(109,873)**	(105,280)
Deferred tax liabilities		**(1,135,134)**	(1,178,514)
		(1,337,844)	(1,458,397)
Net liabilities		**(1,094,812)**	(1,204,617)

	Notes	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Capital and reserves			
Share capital		**211,224**	211,224
Perpetual subordinated convertible securities		**156,931**	156,931
Deficit		**(2,208,363)**	(2,302,131)
Total deficit attributable to equity shareholders of the Company		**(1,840,208)**	(1,933,976)
Non-controlling interests		**745,396**	729,359
Total deficit		**(1,094,812)**	(1,204,617)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2018

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, the 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.

1.2 Basis of preparation

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

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2017, except that the Group has applied, for the first time, certain new International Financial Reporting Standards ("**IFRSs**") issued by the IASB that are effective for the current period, as disclosed in Note 2.

The condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory information. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2017. The condensed consolidated financial statements and information thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

The condensed consolidated financial statements are unaudited.

Going concern basis

As at 30 June 2018, the Group's current liabilities exceed its current assets by approximately RMB8,751,412,000 (31 December 2017: RMB8,852,285,000) and capital deficiency of RMB1,094,812,000 (31 December 2017: RMB1,204,617,000). As at 30 June 2018, borrowings and accrued interest amounting to an aggregate amount of RMB3,763,275,000 and RMB786,794,461 respectively (31 December 2017: RMB2,805,712,000 and RMB435,551,000 respectively) were not renewed or rolled over upon maturity. The non-payment of loan principal and interest in accordance with the scheduled repayment dates caused the banks having the rights to call for immediate repayment of all borrowings and their respective interest. In this connection, certain borrowings with scheduled repayment terms over one year totaling RMB269,360,000 (31 December 2017: RMB1,499,842,000) have been classified as current liabilities.

As at the date of this announcement, the Group has not obtained waivers from the relevant banks on these cross default clauses, but these banks have not taken any action against the Group to demand immediate repayment except for as disclosed in Note 18(a)(i).

In addition, as at 30 June 2018, there were several pending litigations mainly requesting repayment of long outstanding payables with interest against the Group, as set out in Note 18(a).

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.

The condensed consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 30 June 2018 and subsequently thereto up to the date of this announcement. In order to improve the Group's financial position, 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 this announcement which include, but not limited to, the followings:

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

(ii) The Group is maximising its sales effort including seeking long term orders from power plants and coal trading companies in the PRC with a view to improving operating cash flows. Considering the stability of coal market and steady coal prices, the Group is expected to generate operating cash inflows in the coming years from its existing production facilities continuously;

(iii) In relation to those bank loans that were not renewed or rolled over upon maturity or those bank loans that became immediately repayable under the cross default clauses, the Group is in the process of negotiating with the relevant banks to extend the repayment and renew the loans and to obtain waivers from the lenders for the due payment pursuant to the relevant cross default clauses;

(iv) For borrowings which will be mature before 30 June 2018, 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 Group has not experienced any significant difficulties in renewing most of its short-term borrowings upon their maturities and there is no indication that the banks will not renew the existing short-term borrowings upon the Group's request. 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; and

(v) The Group is actively negotiating with the plaintiffs for settlement of the court cases. During the six months ended 30 June 2018, the Group has successfully reached an agreement with certain plaintiffs at a PRC court on a settlement plan over 40 cases with an aggregated amount of RMB188,321,000 that will be repaid by monthly installment. The aggregated amount to be settled before 30 June 2018 amounted to RMB77,024,000. The directors of the Company are of the view that the Group will be able to resolve these matters without significant impact on the Group's cash flow in the next twelve months.

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 30 June 2018. Accordingly, the condensed consolidated financial statements of the Group have been prepared on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their estimated recoverable amounts, to 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 condensed consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES

(a) Overview

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

IFRS 9	Financial instruments
IFRS 15	Revenue from contracts with customers

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

The Group has been impacted by IFRS 9 and IFRS 15 in relation to (a) measurement of expected credit losses of the Group's receivables (mainly the Group's trade receivables) and (b) presentation of contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for IFRS 9 and note 2(c) for IFRS 15.

Based on the specific transitional provision set out in IFRS 9 and IFRS 15, the management of the Group had decided not to restate the comparative figures. Instead, the Group has recognised the cumulative effect of the initial application of IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the condensed consolidated statement of financial position that has been impacted by IFRS 9 and IFRS 15:

	At 31 December 2017	**Impact of application of IFRS 9**	**Impact of application of IFRS 15**	**At 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		Note 2(b)	*Note 2(c)*	
Trade and bills receivables	782,884	(6,152)	–	776,732
Current assets	**1,192,177**	**(6,152)**	**–**	**1,186,025**
Other payables and contract liabilities				
– Receipts in advance	29,559	–	(12,298)	17,261
– Contract liabilities	–	–	12,298	12,298
Current liabilities	**(10,044,462)**	**–**	**–**	**(10,044,462)**
Net current liabilities	**(8,852,285)**	**(6,152)**	**–**	**(8,858,437)**
Total assets less current liabilities	**253,780**	**(6,152)**	**–**	**247,628**
Net liabilities	**(1,204,617)**	**(6,152)**	**–**	**(1,210,769)**
Deficit	(2,302,131)	(6,152)	–	(2,308,283)
Total deficit attributable to equity shareholders of the Company	**(1,933,976)**	**(6,152)**	**–**	**(1,940,128)**
Total deficit	**(1,204,617)**	**(6,152)**	**–**	**(1,210,769)**

Further details of these changes are set out in sub-sections (b) and (c) of this note.

(b) IFRS 9 "Financial instruments"

IFRS 9 replaced IAS 39 "Financial instruments: Recognition and Measurement". IFRS 9 sets out the requirements for recognising and measuring financial assets and financial liabilities.

The Group has applied IFRS 9 retrospectively to items that existed at 1 January 2018. As mentioned above, the management of the Group had decided not to restate the comparative figures based on the specific transitional provision set out in IFRS 9. The Group recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under IAS 39.

The following table summarises the impact of transition to IFRS 9 on accumulated losses at 1 January 2018.

Accumulated losses	*RMB'000*
Recognition of expected credit losses on trade receivables	(6,152)
Net increase in accumulated losses at 1 January 2018	(6,152)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets

IFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("**FVTOCI**") and at fair value through profit or loss ("**FVTPL**"). These supersede IAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL.

Currently the Group does not have any financial assets classified as FVTOCI and FVTPL. There is no material impact on the classification of financial assets of the Group.

(ii) Credit losses

IFRS 9 replaced the "incurred loss" model in IAS 39 with the "expected credit loss" ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in IAS 39.

The Group applies the new ECL model to the financial assets measured at amortised cost (including trade and bills receivables, other receivables, pledged and restricted deposits and cash and cash equivalents).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive).

The expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof for the financial assets of the Group where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to RMB6,152,000, which increased accumulated losses by RMB6,152,000 at 1 January 2018.

The following table reconciles the closing loss allowance determined in accordance with IAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2018.

	RMB'000
As at 31 December 2017 under IAS 39	251,347
Additional credit loss recognised at 1 January 2018 on trade receivables	(6,152)
As at 1 January 2018 under IFRS 9	245,195

(iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under IAS 39 and thus may not be comparable with the current period.

(c) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. IFRS 15 replaces IAS 18 "Revenue", which covered revenue arising from sale of goods and rendering of services, and IAS 11 "Construction Contracts", which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 18. As allowed by IFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The directors of the Company reviewed and assessed the Group's sales contracts which has not been completed as at 1 January 2018 based on the facts and circumstances that existed at that date. The application of IFRS 15 has had no material impact on the Group's accumulated losses as at 1 January 2018.

(i) Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

As a result of the adoption of IFRS 15 as at 1 January 2018, "receipts in advance" amounting to RMB12,298,000 which were previously included in "other payables" are now included under "contract liabilities" under "other payables and contract liabilities".

3. ESTIMATES

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

In preparing the condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017, except for new significant judgements and keys sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9.

4. SEGMENT REPORTING

(a) Segment results, assets and liabilities

The Group has two reportable segments – coal business and shipping transportation – which are the Group's strategic business units. These strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chief Executive Officer (the "**CEO**") reviews internal management reports on a monthly basis.

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

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

- Segment assets include all tangible assets, coal mining rights, lease prepayments, interest in an associate and current assets with the exception of unallocated 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.

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

	Coal business Six months ended		Shipping transportation Six months ended		Total Six months ended	
	30 June 2018	30 June 2017	**30 June 2018**	30 June 2017	**30 June 2018**	30 June 2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue from external customers	**1,760,793**	1,303,113	**92,607**	66,895	**1,853,400**	1,370,008
Reportable segment profit before taxation	**179,798**	338,485	**42,359**	3,868	**222,157**	342,353
Reversal of impairment losses on trade receivables	**(11,061)**	(50,324)	**(116)**	–	**(11,177)**	(50,324)
Impairment losses/(reversal of impairment losses) on prepayments and other receivables	**360**	(17,574)	**–**	–	**360**	(17,574)

	At 30 June 2018	At 31 December 2017	**At 30 June 2018**	At 31 December 2017	**At 30 June 2018**	At 31 December 2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Reportable segment assets (including interest in an associate)	**10,583,853**	10,413,230	**358,577**	434.901	**10,942,430**	10,848,131
Reportable segment liabilities	**(10,433,062)**	(10,417,611)	**(820,637)**	(927,113)	**(11,253,699)**	(11,344,724)

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

Revenue

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reportable segment revenue and consolidated revenue	**1,853,400**	1,370,008

Profit before taxation

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reportable segment profit before taxation	**222,157**	342,353
Unallocated head office and corporate expenses	**(7,596)**	(5,662)
Net finance costs	**(180,833)**	(186,829)
Consolidated profit before taxation	**33,728**	149,862

Assets

	At 30 June	At 31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Reportable segment assets	**10,942,430**	10,848,131
Elimination of inter-segment receivables	**(521,443)**	(611,511)
Unallocated corporate assets	**47,180**	61,622
Consolidated total assets	**10,468,167**	10,298,242

Liabilities

	At 30 June	At 31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Reportable segment liabilities	**11,253,699**	11,344,724
Elimination of inter-segment payables	**(1,077,076)**	(1,308,551)
Tax payable	**243,131**	282,638
Deferred tax liabilities	**1,135,134**	1,178,514
Unallocated corporate liabilities	**8,091**	5,534
Consolidated total liabilities	**11,562,979**	11,502,859

5. REVENUE

Disaggregation of revenue from contracts with customers by service lines, which are recognised at a point in time, is as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of coal	**1,760,793**	1,303,113
Charter hire income	**92,607**	66,895
	1,853,400	1,370,008

6. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Foreign exchange gain/(loss), net	**2,007**	(3,454)
Net gain on disposal of property, plant and equipment	**13,977**	650
Recovery of other receivable previously written off	**12,523**	–
Recovery of prepayments previously written off	**–**	287
Others	**2,457**	1,448
	30,964	(1,069)

7. NET FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**(16)**	(195)
Interest on borrowings	**198,177**	196,075
Interest charge on unwinding of discounts	**1,415**	7,526
Less: interest capitalised into property, plant and equipment *(Note)*	**(18,743)**	(16,577)
Finance costs	**180,849**	187,024
Net finance costs	**180,833**	186,829

Note: The borrowing costs have been capitalised at a rate of 6.63% (six months ended 30 June 2017: 5.25%) per annum.

8. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation for property, plant and equipment	**143,245**	80,195
Amortisation of coal mining rights	**87,154**	43,185
Amortisation of lease prepayments	**70**	70
Property, plant and equipment written-off	**5,437**	–

(b) Reversal of impairment, net:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reversal of impairment losses on trade receivables	**(11,177)**	(50,324)
Impairment losses/(reversal of impairment losses) on prepayments and other receivables	**360**	(17,574)
	(10,817)	(67,898)

9. INCOME TAX CREDIT

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
– PRC Corporate Income Tax	**7,971**	–
– (Over)/underprovision of PRC Corporate Income tax in prior years *(note (iv))*	**(43,674)**	670
	(35,703)	670
Deferred tax credit	**(43,380)**	(7,781)
Income tax credit	**(79,083)**	(7,111)

Note:

(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 (six months ended 30 June 2017: Nil).

(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 period (six months ended 30 June 2017: Nil).

(iii) Provision for the PRC Corporate Income Tax was based on the statutory rate of 25% (six months ended 30 June 2017: 25%) of the assessable profits of subsidiaries which carried on businesses in the PRC.

(iv) A subsidiary of the Group made provisions for the PRC Corporate Income Tax of RMB48,980,000 in previous years. The Group engaged on independent third party to review the tax position of the subsidiary and the directors believed the likelihood of utilisation of such PRC Corporate Income Tax provision had became remote and therefore had decided to release it to profit and loss.

10. EARNINGS PER SHARE

Basic earnings per share

The calculations of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue during the period.

The calculations of basic earnings per share attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2018 and 2017 are based on the following data:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to equity shareholders of the Company	**96,774**	151,417
Less: Distribution relating to perpetual subordinated convertible securities classified as equity	**(2,402)**	(2,563)
Profit for the period attributable to ordinary equity shareholders of the Company	**94,372**	148,854
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,493,413,985**	2,493,413,985

Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company. The adjusted weighted average number of ordinary shares is the number of ordinary shares in issue during the period and assumed conversion of all dilutive potential ordinary shares.

The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

The perpetual subordinated convertible securities were assumed to have been converted into ordinary shares, and the profit for the period attributable to ordinary equity shareholders of the Company is adjusted to eliminate the distribution relating to perpetual subordinated convertible securities.

As the Company's outstanding share options had an anti-dilutive effect to the diluted earnings per share calculation for the six months ended 30 June 2018 and 2017, the conversion of the potential dilutive shares is not assumed in the computation of diluted earnings per share for the six months ended 30 June 2018 and 2017.

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to ordinary equity shareholders of the Company	**94,372**	148,854
Add: Distribution relating to perpetual subordinated convertible securities classified as equity	**2,402**	2,563
Profit for the period used to determine diluted earnings per share	**96,774**	151,417
Weighted average number of ordinary shares	**2,493,413,985**	2,493,413,985
Adjustment for:		
– Assumed conversion of perpetual subordinated convertible securities	**118,000,000**	118,000,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,611,413,985**	2,611,413,985

11. COAL MINING RIGHTS

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 November 2019
Hongyuan Coal Mine	12 October 2017

Up to the date of this announcement, coal mining right certificate of Hongyuan Coal Mine was 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 right certificate.

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.

As at 30 June 2018, the Group's coal mining rights with carrying amount of RMB4,330,242,000 (31 December 2017: RMB4,417,366,000) were pledged for borrowings *(Note 16)*.

12. TRADE AND BILL RECEIVABLES

	At 30 June 2018 *RMB'000* **(Unaudited)**	At 31 December 2017 *RMB'000* (Audited)
Trade and bill receivables	**837,963**	1,034,231
Less: Impairment loss allowance	**(246,991)**	(251,347)
	590,972	782,884

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

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

	At 30 June 2018 *RMB'000* **(Unaudited)**	At 31 December 2017 *RMB'000* (Audited)
Within 2 months	**204,047**	339,148
Over 2 months but within 6 months	**16,225**	350,501
Over 6 months but within 1 year	**281,219**	1,610
Over 1 year but within 2 years	**76**	3,509
Over 2 years *(Note)*	**89,405**	88,116
	590,972	782,884

Note: As at 30 June 2018, trade receivables aged over 2 years amounting to RMB88,911,000 (31 December 2017: RMB87,664,000) were due from certain customers which the Group has trade and other payable balances with. The management believes that no impairment loss allowance is necessary in respect of these balances.

Credit terms granted to customers mainly range from 0 to 60 days (31 December 2017: 0 to 60 days) depending on the customers' relationship with the Group, their creditworthiness and past settlement record.

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

During the current interim period, the Group provided impairment loss allowance on trade receivables amounting to RMB1,076,000 based on the provisional matrix.

13. PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2018 *RMB'000* **(Unaudited)**	At 31 December 2017 *RMB'000* (Audited)
Other deposits and prepayments *(Note (i))*	**471,383**	235,869
Amounts due from non-controlling shareholders *(Note (ii))*	**322,703**	322,307
Other non-trade receivables	**79,691**	68,986
	873,777	627,162
Less: Impairment *(Note (iii))*	**(398,081)**	(397,667)
	475,696	229,495

Notes:

(i) Prepayments for purchase of coal and transportation fee amounting to RMB357,936,000 (31 December 2017: RMB130,940,000) and RMB25,605,000 (31 December 2017: RMB23,915,000) respectively was included in other deposits and prepayments.

(ii) Amounts due from non-controlling shareholders are unsecured, interest free and have no fixed term of repayment. As at 30 June 2018, the carrying amount of RMB322,703,000 (31 December 2017: RMB322,307,000) were fully impaired.

(iii) Provision for impairment of prepayments and other receivables are as follows:

	At 30 June 2018 *RMB'000* **(Unaudited)**	At 31 December 2017 *RMB'000* (Audited)
Other deposits and prepayments	**35,930**	36,062
Amounts due from non-controlling shareholders	**322,703**	322,307
Other non-trade receivables	**39,448**	39,298
	398,081	397,667

14. TRADE AND BILL PAYABLES

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

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**25,177**	295,919
Over 1 year but within 2 years	**496,064**	345,694
Over 2 years	**410,078**	308,337
	931,319	949,950

15. OTHER PAYABLES AND CONTRACT LIABILITIES

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current		
Accrued expenses	**1,075,713**	929,302
Amount due to ultimate holding company	**2,241**	2,196
Amount due to ultimate controlling shareholder	**–**	221
Amount due to an associate	**61,984**	57,984
Amounts due to directors	**1,896**	1,446
Receipts in advance	**19,774**	29,559
Contract liabilities	**254,085**	–
Other payables *(Note)*	**1,669,245**	1,745,281
	3,084,938	2,765,989
Non-current		
Other payables *(Note)*	**92,837**	174,603
	3,177,775	2,940,592

Note: Construction payables of approximately RMB1,109,139,000 (31 December 2017: RMB1,122,937,000) and payables relating to mineral exploration and mining rights of approximately RMB376,601,000 (31 December 2017: RMB480,763,000) respectively are included in other payables.

The amounts due to ultimate holding company, ultimate controlling shareholder, an associate and directors are unsecured, interest-free and are repayable on demand.

16. BORROWINGS

	At 30 June 2018 RMB'000 (Unaudited)	At 31 December 2017 RMB'000 (Audited)
Bank loans		
– Secured *(Note (i))*	**788,826**	788,825
– Unsecured *(Note (ii))*	**1,027,521**	1,017,222
	1,816,347	1,806,047
Other borrowings *(Note (iii))*	**4,149,400**	4,239,838
	5,965,747	6,045,885

Notes:

(i) Secured bank loans bear interest at rates ranging from 4.86% to 7.28% (31 December 2017: 4.35% to 7.28%) per annum as at 30 June 2018.

(ii) Unsecured bank loans bear interest at rates ranging from 4.75% to 7.20% (31 December 2017: 4.35% to 7.20%) per annum as at 30 June 2018.

(iii) Other borrowings bear interest at rates ranging from 4.75% to 7.01% (31 December 2017: 4.75% to 7.01%) per annum as at 30 June 2018.

Interest payables on the borrowings are included in other payables.

As at 30 June 2018, secured bank loan of RMB641,326,000 (31 December 2017: RMB641,326,000) and other borrowings of RMB3,121,949,000 (31 December 2017: RMB2,164,386,000) were not renewed or rolled over upon maturity and carried interest at rates ranging from 4.75% to 7.28% (31 December 2017: 4.75% to 6.83%) per annum. These borrowings are secured by property, plant and equipment with a carrying amount of approximately RMB1,108,627,000 (31 December 2017: RMB1,270,542,000), coal mining rights with a net carrying amount of approximately RMB4,330,242,000 (31 December 2017: RMB2,193,437,000) and inventories with a carrying amount of approximately RMB228,858,000 (31 December 2017: RMB2,896,000). These borrowings are also secured by Fortune Pearl International Limited's ("**Fortune Pearl**", the ultimate holding company of the Company) equity interest in the Company and the Group's equity interest in Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Co., Ltd. ("**Chongsheng Coal**"), Shanxi Xinzhou Shenshi Xinglong Coal Co. Ltd. ("**Xinglong Coal**"), Shanxi Xinzhou Shenchi Hongyuan Coal Co., Ltd. ("**Hongyuan Coal**"), Super Grace Enterprise Ltd. ("**Super Grace**") and Oriental Wise Group Ltd. ("**Oriental Wise**") and guaranteed by the Company, certain subsidiaries of the Company, related parties and Xu Jihua ("**Mr. Xu**"), the controlling shareholder. In addition, bank deposits of approximately RMB379,000 (31 December 2017: RMB171,000) was restricted for use as a result of the bank borrowings were not renewed or rolled over upon maturity.

Bank loans and other borrowings amounting to approximately RMB269,360,000 (31 December 2017: RMB1,499,842,000) in aggregate due for repayment after one year which contain a cross default clause that demands immediate repayment when there is default in any bank loans repayment had become repayable on demand and hence are classified as current liabilities.

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

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**1,208,012**	1,373.638
Coal mining rights	**4,330,242**	4,417,366
Inventories	**228,858**	2,896
Bank deposit	**11**	123

As at 30 June 2018 and 31 December 2017, the Group's total borrowings are also secured by other receivables of a related company of which Mr. Xu is the shareholder, a property held by Mr. Xu, Fortune Pearls' equity interest in the Company and the Group's equity interest in Huameiao Energy, Xingtao Coal, Fengxi Coal, Chongsheng Coal, Xinglong Coal, Hongyuan Coal, Super Grace and Oriental Wise. As at 30 June 2018, total borrowings of approximately RMB5,965,747,000 (31 December 2017: RMB6,045,885,000) were guaranteed by the Company, certain subsidiaries of the Company, related parties and/or Mr. Xu.

17. CAPITAL COMMITMENTS

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

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**43,170**	114,228

18. CONTINGENT LIABILITIES

(a) Outstanding litigation

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

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

In 2015, a bank filed a lawsuit in Zhuhai Municipal Intermediate People's Court against the Group to demand immediate repayment of the defaulted bank borrowings of approximately RMB148,882,000 and interest charges of approximately RMB328,000 respectively. The principal of approximately RMB148,882,000 and respective interest charges of approximately RMB328,000 had 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.

In 2016, another bank filed lawsuits in Shanxi Province High People's Court against the Group to demand immediate repayment of the defaulted bank borrowings of approximately RMB492,444,000 and interest charges of approximately RMB13,068,000 respectively. The principal of approximately RMB492,444,000 and respective interest charges of approximately RMB13,068,000 had already been recognised as borrowings and accrued expenses included in other payables respectively in the consolidated statement of financial position as at 31 December 2016. Pursuant to the judgements, several bank accounts of the Group were frozen for one year from the date of the judgements and the coal mining rights of the Group and two properties of the Group's related companies were frozen for three years from the date of judgement. In addition, the Group was ordered to make immediate repayment of the aforesaid balances.

In 2017, two banks filed lawsuits in Zhuhai Municipal Intermediate People's Court against the Group to demand immediate repayment of the bank borrowings of approximately RMB210,771,000 and interest charges of approximately RMB11,110,000 respectively. The principal of approximately RMB210,771,000 and respective interest charges of approximately RMB11,110,000 had already been recognised as borrowings and accrued expenses included in other payables respectively in the consolidated statement of financial position as at 31 December 2017. Pursuant to the judgement issued by Zhuhai Municipal Intermediate People's Court dated 5 July 2018, one of the banks withdrew the lawsuit. Accordingly, such litigation claim was release.

Up to the date of this announcement, the remaining litigation claims are still in progress. The Group is still in the progress of negotiating with the four banks to renew its loans outstanding.

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

During the year ended 31 December 2016, there was a litigation claim initiated by Yu Lin Zhong Kuang against the Group to demand immediate repayment of overdue payable in relation to construction of coal mining infrastructure. The amount of approximately RMB101,323,000 had already been recognised as payable to this supplier included in other payables in the consolidated statement of financial position as at 31 December 2016.

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

On 22 February 2017, the Group appealed to Shanxi Provincial High People's Court. Pursuant to the judgement dated 21 July 2017, Shanxi Provincial High People's Court concluded that in the absence of reliable evidence on the valuation of construction work performed by the plaintiff, the original judgement was overturned and a retrial was ordered. Up to the date of this announcement, the retrial has yet been arranged. In the opinion of the directors of the Company, no further provision for these litigation claims was required to be made in the condensed consolidated financial statements for the six months ended 30 June 2018.

(iii) Litigation claim relating to the performance of the contract execution Beijing Zhongkuang Wantong Technology Development Company Limited ("Beijing Zhongkuang") and Huameiao Energy and Hongyuan Coal

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

Pursuant to the judgement of the Shenchi County People's Court dated 20 December 2017, the Group was ordered to make immediate repayment of payable to Beijing Zhongkuang, with additional late penalty charges of approximately RMB2,084,000. As a result of the foregoing, the Group further recognised the late penalty charges of approximately RMB2,084,000 in the consolidated financial statements for the year ended 31 December 2017. Subsequently, the Group appealed to Shanxi Provincial High People's Court.

Pursuant to the judgement of the Shanxi Provincial Xinzhou Municipal Intermediate People's Court date 16 April 2018, the Group was ordered to make immediate repayment of payable to Beijing Zhongkuang, with additional corresponding legal costs. As a result of the foregoing, the Group further recognised the corresponding legal costs of approximately RMB149,000 in the condensed consolidated financial statements for the period ended 30 June 2018.

(iv) Litigation claims relating to repayment to non-controlling shareholders

During the six months ended 30 June 2018, there were litigation claims initiated by the non-controlling shareholders of Xingtao Coal Mine, Fengxi Coal Mine and Chongsheng Coal Mine against the Group to demand immediate repayment of funds provided to the Group in 2011 with an aggregate amount of approximately RMB134,414,000 before the acquisition of these coal mines by the Group. The amount of approximately RMB134,414,000 had already been recognised and offset with the amounts due from respective non-controlling shareholders in the condensed consolidated statement of financial position as at 30 June 2018. Up to the date of this announcement, these litigation claims are still in progress.

As at 30 June 2018, the directors of the Company are of the opinion that the provision for the above litigation is sufficient in the condensed consolidated statement of financial position as at 30 June 2018.

Other than the disclosure above, as at 30 June 2018, 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 30 June 2018, 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 30 June 2018, the Group issued corporate financial guarantees to certain banks in respect of borrowings made by Tongmei Qinfa, an associate of the Group. Under the guarantees, the Group that is a party to the guarantees is jointly and severally liable for any of the borrowings of Tongmei Qinfa from those banks.

As at 30 June 2018, the directors of the Company consider that it was not probable that a claim will be made against the Group under any of the guarantees. The maximum liability of the Group at 30 June 2018 under the guarantees issued is a portion of the outstanding amount of the borrowings of Tongmei Qinfa amounting to RMB658,832,000 (31 December 2017: RMB658,832,000).

19. EVENT AFTER THE REPORTING PERIOD

On 9 August 2018, the Group reached a loan restructuring proposal with a domestic state-owned asset management company for the repayment of certain other borrowings of the Group. The management of the Group is in the progress of assessing the financial impact of the debt restructuring. Details of the debt restructuring are set out in the Company's announcement dated 9 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a non-state owned thermal coal supplier in China, and it operates an integrated coal supply chain, including coal mining, purchase and sales, filtering, storage, blending and shipping transportation. During the six months ended 30 June 2018, the Group continued to focus on these business activities. The following sets forth detailed analysis of the principal components of the operating results of the Group:–

Revenue from coal business and coal handling and trading volume

	Six months ended 30 June	
	2018	2017
Revenue from coal business *(RMB'000)*	**1,760,793**	1,303,113
Coal handling and trading volume *('000 tonnes)*	**4,412**	3,252

During the six months ended 30 June 2018, the volume of the Group's coal handling and trading increased as compared to the corresponding period in 2017. The coal selling prices during the six months ended 30 June 2018 were in range between RMB224 per tonne and RMB697 per tonne, which were more fluctuated than the selling prices between RMB239 per tonne and RMB564 per tonne during the same period in 2017. While average coal selling price remained relatively stable, the increase in coal handling and trading volume was principally because of the Group's expansion in coal market in China.

The average coal selling prices and the average monthly coal handling and trading volume for each of the three years ended 31 December 2017 and the six months ended 30 June 2018 and 2017 are set forth in the table below:–

	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
Average coal selling price *(RMB per tonne)*	**399**	401	405	287	309
Average monthly coal handling and trading volume *('000 tonnes)*	**735**	542	589	177	329

Revenue from shipping transportation

The revenue for the shipping transportation segment for the six months ended 30 June 2018 was RMB92.6 million, representing an increase of RMB25.7 million or 38.4% from RMB66.9 million for the corresponding period in 2017. The increase in revenue was primarily due to growth of the freight shipping rates.

Gross profit and gross profit margin

The Group's gross profit was RMB332.8 million during the six months ended 30 June 2018 as compared with gross profit of RMB454.7 million during the same period in 2017. Under the circumstances of stable mining volume and average selling prices of thermal coal, gross profit margin for the six months ended 30 June 2018 was 17.96% as compared with gross profit margin 33.19% to the corresponding period in 2017. The decrease in profit attributable to equity shareholders of the Company was mainly attributable to the increase in depreciation of fixed assets and amortisation of coal mining rights after the reversal of impairment losses in 2017.

Net finance costs

Net finance costs of the Group during the six months ended 30 June 2018 amounted to RMB180.8 million, representing a decrease of RMB6.0 million or 3.2% from RMB186.8 million during the corresponding period in 2017. The net finance cost remained constant.

Profit attributable to the equity shareholders of the Company

Profit attributable to the equity shareholders of the Company for the six months ended 30 June 2018 was RMB96.8 million, as compared with profit attributable to the equity shareholders of the Company of RMB151.4 million for the corresponding period in 2017. The decrease in profit attributable to equity shareholders of the Company was mainly attributable to the increase in depreciation of fixed assets and amortisation of coal mining rights after the reversal of impairment losses in 2017.

BUSINESS REVIEW

Over the years, the coal market had been in trouble and struggled with depression. It was not until 2017 that the Group recorded a relative good profit in recent years, mainly attributable to the reversal of impairment losses of property, plant and equipment and coal mining rights as well as the improvement on the operating results. After years of operating hardship, the Group will take this opportunity to make proper resource allocation, utilize established mechanisms to maximize its existing advantages and always be cautious of and prevent risks it may be faced. The Group will conduct regular reviews on its internal operation, establish and promote an effective and integrated management system and make appropriate adjustment to such system in a proactive manner to maintain its flexibility in operation. In connection with factors beyond its control in the market, the Group will make a series of crisis prevention programs, optimize industry structure and minimize potential damage and loss to the lowest level.

Integrated Operation of "Production, Transportation, Sales and Trade"

In the first half of 2018, the Group focused on the integrated operation of "production, transportation, sales and trade".

In terms of production process, the Group introduced new experts and adopted advanced coal mining techniques, which enabled the Group to improve the effectiveness of its equipment and overall control, enhance standard production model and reduce accidents and unnecessary waste.

In relation to supply chain, the Group promoted an integrated management mechanism, including centralized allocation materials sharing within operation chain, in order to maximize the resource effect and efficiency. It also adopted effective delivery and inventory system to avoid repeated procuments on resources and reduce unnecessary operating costs.

The Group is fully aware of the close relationship between sales and trade. In this connection, the Group put more efforts in the communication and cooperation of the two segments during the year. Relying on close interaction and communication of the two segments, the Group was able to made decisions in a timely manner and value every opportunity for the development of the Group.

Given the support from the above, the Group has seen initial results after only six months' efforts in utilizing resource appropriately and intensifying cooperation throughout the Group. It is expected that an integrated management and operation will enable the Group to improve quality while seeking for stable development and innovation during the course of business of the Group, and improve the quality of operation, service and products.

Disposal of a Vessel

As set out in the announcement dated 4 June 2018, Oriental Wise Group Limited (the "**Vendor**"), an indirect wholly-owned subsidiary of the Group, entered into a memorandum of agreement with Kassian Maritime Navigation Agency Limited (the "**Purchaser**"), under which the Vendor agreed to sell and the Purchaser agreed to buy a vessel named MV "Oriental Wise" (the "**Vessel**") at a total consideration of USD17,450,000 (equivalent to approximately RMB112,017,000). Upon the satisfaction of all conditions of the memorandum of agreement, the completion of the disposal took place on 19 June 2018 in accordance with the terms and conditions of the memorandum of agreement. Following the completion, the Vessel ceased to be held by the Company as an asset of the Group.

Completion of the transaction is expected to decrease the volatility of cash flows and improve financial position of the Group. Net proceeds from the disposal will be utilized to repay certain bank borrowings of the Group. It may reduce the interest expense of daily debts in addition to liabilities of the Group to achieve financial balance.

Debt Restructuring

As set out in the announcement date 9 August 2018, the Group and a current creditor reached a loan restructuring proposal for the repayment of the original debt. According to the proposal, the current creditor agreed to reduce the original debt by approximately RMB1,320,790,000 and the Group shall repay the debt in 15 tranches on a quarterly basis from 20 September 2018. It is expected to reduce interest expense of debts, improve the financial position of the Group and enable the Group to make proper capital planning and allocate fund to programs favourable to the development of the Group.

As of 30 June 2018, the Group owned and operated five coal mines in China. The table sets forth certain information about these coal mines.

	Location	Ownership	Site area *(sq. km)*	Production capacity *(million tonnes)*	Operation status
Huameiao Energy – Xingtao Coal	Shuozhou Shanxi	80%	4.3	1.5	Under operation
Huameiao Energy – Fengxi Coal	Shuozhou Shanxi	80%	2.4	0.9	Under operation
Huameiao Energy – Chongsheng Coal	Shuozhou Shanxi	80%	2.9	0.9	Under operation
Xinglong Coal	Xinzhou Shanxi	100%	4.0	0.9	Under development (Temporarily suspended)
Hongyuan Coal	Xinzhou Shanxi	100%	4.1	0.9	Under operation (Temporarily suspended)

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

COAL CHARACTERISTICS

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

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

OPERATING DATA

Reserves and Resources

	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal	Xinglong Coal	Hongyuan Coal	Total
Reserves						
Reserves as at 1 January 2018 (Mt)						
– Proven reserves	59.94	14.53	27.20	22.49	30.16	154.32
– Probable reserves	12.26	27.43	19.51	9.53	1.17	69.90
Total reserves as at 1 January 2018 (Mt)	72.20	41.96	46.71	32.02	31.33	224.22
Less: Total raw coal production for the period from 1 January 2018 to 30 June 2018 (Mt)	(1.37)	(1.46)	(0.87)	n.a.	n.a.	(3.70)
Reserves as at 30 June 2018 (Mt)	**70.83**	**40.50**	**45.84**	**32.02**	**31.33**	**220.52**
Resources						
Resources as at 1 January 2018 (Mt)	108.58	66.09	70.41	45.96	41.78	332.82
Less: Total raw coal production for the period from 1 January 2018 to 30 June 2018 (Mt)	(1.37)	(1.46)	(0.87)	n.a.	n.a.	(3.70)
Resources as at 30 June 2018 (Mt)	**107.21**	**64.63**	**69.54**	**45.96**	**41.78**	**329.12**

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

Raw coal production volume	Six months ended 30 June **2018** *('000 tonnes)*	 2017 *('000 tonnes)*
Huameiao Energy – Xingtao Coal	**1,371**	1,551+
Huameiao Energy – Fengxi Coal	**1,459**	948+
Huameiao Energy – Chongsheng Coal	**868**	1,167+
Total	**3,698**	3,666

Commercial coal production volume	Six months ended 30 June **2018** *('000 tonnes)*	 2017 *('000 tonnes)*
Huameiao Energy – Xingtao Coal	**891**	1,008+
Huameiao Energy – Fengxi Coal	**948**	617+
Huameiao Energy – Chongsheng Coal	**564**	758+
Total	**2,403**	2,383

+: Per the competent person's report issued on 25 July 2016, the volume of commercial coal produced by Huameiao Energy is calculated by a yield rate of 65% of raw coal.

Exploration, Mining and Development Expenses

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

	Six months ended 30 June **2018** ***RMB'000***	 2017 *RMB'000*
Materials and consumables	**29,355**	30,198
Staff cost	**116,672**	108,492
Other direct cost	**21,884**	26,302
Overhead and others	**291,229**	142,273
Evaluation fee	**785**	2,708
Total	**459,925**	309,973

Liquidity, Financial Resources and Capital Structure

The Group adopts stringent financial management policies and strives to maintain a healthy financial condition. The Group funds its business operations and general working capital by internally generated financial resources and bank and other borrowings. As at 30 June 2018, the Group recorded net current liabilities of RMB8,751.4 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 negotiate with financial institutions to renew and extend bank borrowings and consider ways to improve the Group's working capital. As at 30 June 2018, cash and cash equivalents of the Group amounted to RMB134.1 million (as at 31 December 2017: RMB80.3 million), representing an increase of 67%.

As at 30 June 2018, the total bank and other borrowings of the Group were RMB5,965.7 million (at of 31 December 2017: RMB6,045.9 million), which were classified as current liabilities. As a result of the non-payment of loan principal and interests of RMB3,763.3 million and RMB786.8 million respectively (as at 31 December 2017: RMB2,805.7 million and RMB435.6 million), borrowings amounting to RMB269.4 million (as at 31 December 2017: RMB1,499.8 million) due for repayment after one year which contain a cross default clause that demands immediate repayment when there is default in any bank loans repayment are classified as current liabilities. The bank and other borrowings carried interest at rates ranging from 4.35% to 7.28% (as at 31 December 2017: 4.35% to 7.28%) per annum.

As at 30 June 2018, the Group had total banking facilities of RMB1,816.4 million (as at 31 December 2017: RMB1,806.0 million), of which RMB1,816.3 million (as at 31 December 2017: RMB1,806.0 million) were utilised.

As at 30 June 2018, the Group's cash and cash equivalents, except amounts of RMB0.28 million and RMB83.5 million which were held in Hong Kong dollars ("**HKD**") and United States dollars ("**USD**"), respectively, were held in RMB. All the Group's bank and other borrowings were made in RMB.

The gearing ratio (calculated as bank and other borrowings netted off sum of cash and cash equivalents and pledged and restricted deposits divided by total assets) of the Group as of 30 June 2018 was 55.7% (as at 31 December 2017: 57.9%). The improvement in gearing ratio was mainly due to repayment on borrowings.

Exposure to Fluctuations in Exchange Rates

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

Pledge of Assets of the Group and Guarantee

As at 30 June 2018, the Group's assets in an aggregate amount of RMB5,767.1 million (as of 31 December 2017: RMB5,794.0 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.

CONTINGENT LIABILITIES

Except for certain matters disclosed in the Note 18 to the interim financial statements, the Group did not have any material contingent liabilities as at 30 June 2018.

BUSINESS OUTLOOK

In view of signs of global economic recovery and stable coal price, an overall favourable market for the whole coal industry is expected in the second half of the year. Further, the government's increase in infrastructure investment will drive the demand for coal from the steel industry and cement industry. The coal demand is expected to continue in the second half of the year, which will continue to boost operation and improve profit of the Group.

Production in the second half of the year is expected to increase continuously, attributable to the change of mining equipment, adoption of high-efficiency mining scheme and human resource proposal, optimization of dig deep devices and fortification of production management by the mines owned by the Group in the first half of the year. Meanwhile, balance of supply and demand in the coal industry may also facilitate coal trading in the second half of the year. Looking forward, trading volume and profit of the Company is expected to increase in the second half of the year.

Besides, the Group has also proactively explored other opportunities for cooperation to expand its business. Supported by favourable government policies, the Group entered into a strategic cooperation agreement with the government of Shinan District, Qingdao in the second quarter, pursuant to which, the Group is entitled to local tax benefits, in addition to business cooperation in respect of mining equipment, transportation, logistics and warehouses and coal trading, symbolizing a good start of its new industry layout.

In the second half of the year, sticking to its target of "higher volume and revenue as well as improved quality and efficiency", the Group will be determined to forge ahead by strengthening controls over production, sales, trading and management for a long-term quality and effective development.

AUDIT COMMITTEE

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. The primary duties of the audit committee are to review and approve the Group's financial reporting process and internal control system.

An Audit Committee meeting was held on 23 August 2018 to review the unaudited interim financial statements for the six months ended 30 June 2018 with the management.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2018.

EMPLOYEES AND REMUNERATION

As at 30 June 2018, the Group employed 2,212 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.

Subsidiaries of the Company established in the PRC are also subject to social insurance contribution plans organised by the PRC government. In accordance with the relevant national and local labor and social welfare laws and regulations, subsidiaries of the Company 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. Subsidiaries of the Company incorporated in Hong Kong have participated in mandatory provident fund scheme, if applicable, in accordance with the applicable Hong Kong laws and regulations.

Moreover, as disclosed in the prospectus of the Company dated 19 June 2009, the Company adopted a pre-IPO share option scheme and a post-IPO share option scheme (the "2009 Share Option Scheme") in June 2009 to incentivise and retain staff members who have made contribution to the success of the Group. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices. The Company has terminated the 2009 Share Option Scheme and adopted a new Share Option Scheme pursuant to a resolution passed by the Shareholders at the annual general meeting on 27 June 2018.

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.qinfagroup.com) and the Stock Exchange (www.hkex.com.hk). The interim report for the six months ended 30 June 2018 containing all the information required by the Listing Rules will be dispatched to the Shareholders and be available on the above websites in due course.

By Order of the Board
China Qinfa Group Limited
Mr. XU Da
Chairman

Guangzhou, 23 August 2018

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