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)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors refer to the profit warning announcement of the Company dated 7 March 2014 and set forth below the final results of the Group for the year ended 31 December 2013:

- Turnover was RMB10,830.1 million in 2013, representing an decrease of 2.3% from RMB11,085.3 million in 2012.
- Coal handling and trading volume was 24,034,000 tonnes in 2013, representing an increase of 8.8 % from 22,093,000 tonnes in 2012.
- Gross profit margin in 2013 decreased to 9.8%, as compared with 13.7% in 2012 mainly because of continuous decreases of more than 10% in the average selling prices for thermal coal in China in 2013.
- Loss for the year was RMB136.1 million in 2013, as compared with profit of RMB333.2 million in 2012. The loss was principally due to the one-off and predominately non-cash loss arising from the termination of two shipbuilding agreements during the year in total amount of RMB116.0 million, and impairment losses on trade and bill receivable, other receivables and property, plant and equipment in total amount of RMB144.3 million.
- Basic and diluted loss per share for the year ended 31 December 2013 were RMB0.12, as compared with earnings per share RMB0.12 in 2012.
- The Board does not recommend the payment of any dividend.
- The auditors of the Company have set forth certain matters that result in them not being able to obtain sufficient appropriate audit evidence to provide a basis for their audit opinion. Accordingly, the auditors of the Company do not express an opinion on the consolidated financial statements of the Group as to whether the financial statements give a true and fair view of the state of affairs of the Group as of 31 December 2013 and of the Group's loss and cash flows for the year ended 31 December 2013. The independent non-executive Directors, being members of the Audit Committee, have reviewed the auditors' report and have decided to retain an independent firm of practising accountants in Hong Kong to review the issues and report to the Audit Committee direct the factual findings and if applicable, the recommendations for the improvement measures to the internal control systems of the Group. The independent non-executive Directors would determine the scope of the review and the appointment of the firm of the independent accountants within 10 days from the date of this announcement.

The board (the "**Board**") of directors (the "**Directors**") of China Qinfa Group Limited (the "**Company**") is pleased to announce the annual consolidated results and financial position of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2013 with comparative figures for the year ended 31 December 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Turnover	*4*	**10,830,133**	11,085,285
Cost of sales		**(9,767,117)**	(9,571,906)
Gross profit		**1,063,016**	1,513,379
Other income	*5*	**152,874**	35,793
Distribution expenses		**(152,115)**	(158,212)
Administrative expenses		**(340,619)**	(348,857)
Other expenses		**(217,361)**	(110,742)
Profit from operations		**505,795**	931,361
Finance income		**56,455**	34,535
Finance costs		**(573,762)**	(511,471)
Net finance costs	*6(a)*	**(517,307)**	(476,936)
Share of loss of associates		**(3,093)**	(2,157)
(Loss)/profit before taxation	*6*	**(14,605)**	452,268
Income tax expense	*7*	**(121,475)**	(119,118)
(Loss)/profit for the year		**(136,080)**	333,150
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(15,561)**	(565)
Other comprehensive income for the year (after tax and reclassification adjustment)		**(15,561)**	(565)
Total comprehensive income for the year		**(151,641)**	332,585
(Loss)/profit attributable to:			
Equity shareholders of the Company		**(247,765)**	257,748
Non-controlling interests		**111,685**	75,402
(Loss)/profit for the year		**(136,080)**	333,150

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

		Year ended 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Total comprehensive income attributable to:			
Equity shareholders of the Company		**(263,326)**	257,183
Non-controlling interests		**111,685**	75,402
Total comprehensive income for the year		**(151,641)**	332,585
(Loss)/earnings per share			
Basic (loss)/earnings per share	*8(a)*	**(RMB0.12)**	RMB0.12
Diluted (loss)/earnings per share	*8(b)*	**(RMB0.12)**	RMB0.12

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment		**6,108,676**	4,662,712
Coal mining rights		**4,971,400**	4,479,614
Lease prepayments		**129,448**	129,588
Interests in associates		**92,267**	57,485
Deferred tax assets		**151,409**	56,373
		11,453,200	9,385,772
Current assets			
Inventories		**400,430**	506,119
Trade and bill receivables	*9*	**2,699,343**	3,703,237
Prepayments and other receivables		**1,526,390**	1,759,774
Pledged deposits		**1,983,604**	1,641,244
Cash and cash equivalents		**483,310**	1,190,541
		7,093,077	8,800,915
Current liabilities			
Loans and borrowings	*10*	**(6,483,197)**	(5,103,416)
Trade and bill payables	*11*	**(1,589,768)**	(3,353,794)
Other payables		**(2,386,687)**	(1,971,384)
Current taxation		**(468,337)**	(310,872)
		(10,927,989)	(10,739,466)
Net current liabilities		**(3,834,912)**	(1,938,551)
Total assets less current liabilities		**7,618,288**	7,447,221
Non-current liabilities			
Deferred tax liabilities		**(1,139,326)**	(1,158,344)
Other payables		**(131,549)**	(153,516)
Loans and borrowings	*10*	**(2,574,906)**	(2,169,967)
Accrued reclamation obligations		**(81,869)**	(76,728)
		(3,927,650)	(3,558,555)
Net assets		**3,690,638**	3,888,666

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		At 31 December	
		2013	2012
	Note	***RMB'000***	*RMB'000*
Capital and reserves			
Share capital		**176,531**	176,266
Perpetual subordinated convertible securities		**156,931**	156,931
Reserves		**1,968,900**	2,298,878
Total equity attributable to equity shareholders of the Company		**2,302,362**	2,632,075
Non-controlling interests		**1,388,276**	1,256,591
Total equity		**3,690,638**	3,888,666

NOTES TO THE FINANCIAL STATEMENTS

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 principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are coal mining, purchase and sales, filtering, storage, blending of coal, shipping transportation and port business.

1.2 Basis of preparation

(a) Statement of compliance

These 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 disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of measurement

These financial statements are presented in Renminbi ("**RMB**"), which is rounded to the nearest thousand, except when otherwise indicated.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

(c) Going concern

During the year ended 31 December 2013, the Group had net operating cash outflow and net investing cash outflow of RMB1,064,728,000 and of RMB1,061,041,000 respectively.

In addition, as at 31 December 2013, the Group had current assets of RMB7,093,077,000, out of which cash and cash equivalents and pledged deposits amounted to RMB483,310,000 and RMB1,983,604,000 respectively. As at that date, the Group had current liabilities, excluding receipts in advance, of RMB10,612,352,000 (out of which short-term bank loans amounted to RMB6,483,197,000), which were due for repayment and renewal within the next twelve months. 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 Group has maintained its strong business relationship with its bankers to gain their continuing support and is actively discussing with its bankers for renewal of banking facilities due in 2014. As at 31 December 2013, the Group had unutilized banking facilities of RMB2,181,000,000. In addition, the Group also plans to apply for new banking facility in the next twelve months. Based on the Group's business plan and cash flow forecast, and with the ongoing support from its bankers and its Controlling Shareholder, the Group expects to have sufficient financial resources to cover its operating costs and to meet its financing commitments. Therefore the Directors are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the twelve months from 31 December 2013. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

(d) Use of judgements and estimates

The preparation of 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.

2 CHANGES IN ACCOUNTING POLICIES

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 and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income
- IFRS 10, Consolidated financial statements
- IFRS 12, Disclosure of interests in other entities
- IFRS 13, Fair value measurement
- Revised IAS 19, Employee benefits
- IAS 27, Separate financial statements
- IAS 28, Investment in associates and joint ventures
- Annual Improvement to IFRSs 2009-2011 Cycle
- Amendments to IFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

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

3 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

Up to the date of issue of these financial statements, the IASB has issued a few of new amendments and new standards which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IFRS 10, IFRS 12 and IAS 27 Investment entities	1 January 2014
Amendments to IAS 32, "Financial instruments: Presentation-Offsetting financial assets and financial liabilities"	1 January 2014
Amendments to IAS 36, "Recoverable amount disclosures for non-financial assets"	1 January 2014
IFRIC 21 "Levies"	1 January 2014
Amendments to IAS 19, "Employee benefits: Defined benefit plans: Employee contributions"	1 July 2014
Annual improvements to IFRSs 2010-2012 cycle	1 July 2014
Annual improvements to IFRSs 2011-2013 cycle	1 July 2014
IFRS 9, "Financial instruments (2010)"	1 January 2015
IFRS 9, "Financial instruments (2009)"	1 January 2015

The Group has not early adopted the above amendments, new standards and interpretations. The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

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. 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 bases:

The measure used for reporting segment profit is adjusted profit before net finance costs and taxes. 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 and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade and bills payable and other payables attributable to activities of the individual segments and loans and borrowings managed directly by the segments.

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

	Coal business		Shipping transportation		Port business		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover from external customers	**10,698,908**	10,918,570	**131,225**	166,715	**–**	–	**10,830,133**	11,085,285
Inter-segment turnover	**–**	–	**123,699**	263,344	**–**	–	**123,699**	263,344
Reportable segment turnover	**10,698,908**	10,918,570	**254,924**	430,059	**–**	–	**10,953,832**	11,348,629
Reportable segment profit/(loss) before taxation	**746,995**	980,538	**(236,228)**	(31,058)	**–**	–	**510,767**	949,480
Loss on disposal of vessels under construction	**–**	–	**116,014**	–	**–**	–	**116,014**	–
Depreciation and amortisation for the year	**161,900**	155,637	**75,723**	83,470	**–**	–	**237,623**	239,107
Impairment losses on property, plant and equipment	**–**	–	**84,500**	–	**–**	–	**84,500**	–
Reportable segment assets	**16,542,694**	16,277,268	**1,140,770**	1,503,358	**1,687,059**	931,867	**19,370,523**	18,712,493
(including investments in associates)	**92,267**	57,485	**–**	–	**–**	–	**92,267**	57,485
Reportable segment liabilities	**(12,463,809)**	(12,148,577)	**(1,185,296)**	(1,311,527)	**(1,118,059)**	(587,548)	**(14,767,164)**	(14,047,652)

(b) Reconciliations of reportable segment turnover, profit or loss, assets and liabilities

Turnover

	2013	2012
	RMB'000	*RMB'000*
Reportable segment turnover	**10,953,832**	11,348,629
Elimination of inter-segment turnover	**(123,699)**	(263,344)
Consolidated turnover	**10,830,133**	11,085,285

Profit

	2013	2012
	RMB'000	*RMB'000*
Reportable segment profit before taxation	**510,767**	949,480
Elimination of inter-segment profit	**4,104**	(2,774)
Unallocated head office and corporate expenses	**(12,169)**	(17,502)
Net finance costs	**(517,307)**	(476,936)
Consolidated (loss)/profit before taxation	**(14,605)**	452,268

Assets

	2013	2012
	RMB'000	*RMB'000*
Reportable segment assets	**19,370,523**	18,712,493
Elimination of inter-segment receivables and inventories	**(215,434)**	(202,943)
Elimination of receivables from head office	**(760,924)**	(456,443)
Deferred tax assets	**151,409**	56,373
Unallocated assets	**703**	77,207
Consolidated total assets	**18,546,277**	18,186,687

Liabilities

	2013	2012
	RMB'000	*RMB'000*
Reportable segment liabilities	**14,767,164**	14,047,652
Elimination of inter-segment payables	**(215,200)**	(202,709)
Elimination of payables to head office	**(1,304,077)**	(1,016,162)
Current tax liabilities	**468,337**	310,872
Deferred tax liabilities	**1,139,326**	1,158,344
Unallocated liabilities	**89**	24
Consolidated total liabilities	**14,855,639**	14,298,021

(c) Geographic information

The Group's total assets are primarily dominated by assets handling its coal business and shipping transportation. The coal are sold primarily to the PRC domestic customers and investments in most of the coal mines are 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 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 turnover, which is based on the geographical location of customers.

Turnover from external customers

	2013	2012
	RMB'000	*RMB'000*
Mainland China	**10,700,050**	10,802,216
Outside Mainland China	**130,083**	283,069
Total	**10,830,133**	11,085,285

5 OTHER INCOME

		2013	2012
	Note	***RMB'000***	*RMB'000*
Leasing income	*(i)*	**137,500**	–
Government grants	*(ii)*	**12,019**	28,882
Gain on derivatives		**–**	2,093
Others		**3,355**	4,818
		152,874	35,793

(i) The Group leased out part of the Ruifeng coal mine area to two companies for fixed lease income on an annual basis.

(ii) The Group received unconditional grants from local government during the year as recognition of the Group's contribution to the development of local economy.

6 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2013 *RMB'000*	2012 *RMB'000*
Interest income	**(37,348)**	(34,535)
Net foreign exchange gain	**(19,107)**	–
Finance income	**(56,455)**	(34,535)
Interest on borrowings	**621,583**	524,510
Less: interest capitalised into property, plant and equipment*	**(123,859)**	(69,750)
	497,724	454,760
Bank charges	**76,038**	49,836
Net foreign exchange loss	**–**	6,875
Finance costs	**573,762**	511,471
Net finance costs	**517,307**	476,936

* The borrowing costs have been capitalised at a rate of 6.98%-9.15% per annum (2012: 6.53%-7.36%).

(b) Other items

	2013 *RMB'000*	2012 *RMB'000*
Cost of inventories (see Note (i))	**9,502,388**	9,159,297
Operating lease charges		
– properties	**6,155**	6,538
– vessels	**120,394**	181,116
Depreciation for the property, plant and equipment	**178,231**	187,120
Amortisation of lease prepayments	**140**	140
Amortisation of coal mining rights	**59,252**	51,847
Auditors' remuneration		
– audit services	**3,547**	3,681
– non-audit services	**477**	719
Impairment losses on trade and bill receivable	**51,947**	–
Other expenses		
– compensation on termination of contracts (see Note (ii))	**–**	77,836
– loss on disposal of property, plant and equipment	**116,059**	21,562
– impairment losses on property, plant and equipment	**84,500**	–
– impairment losses on other receivables	**7,838**	–

(i) Cost of inventories includes RMB224,913,000 (2012: RMB265,889,000) 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.

(ii) The Group paid compensation of RMB77,836,000 during the year of 2012 to coal suppliers as a result of early termination of the relevant purchase contracts.

7 INCOME TAX EXPENSE

(a) Income tax expense in the consolidated statement of profit or loss and other comprehensive income represents:

	2013	2012
	RMB'000	*RMB'000*
Current tax expense		
– PRC Corporate Income Tax	**296,096**	221,746
– Overprovision of PRC Corporate Income Tax in prior years (see Note (vi))	**(60,567)**	(57,603)
Deferred tax		
– Origination and reversal of temporary differences	**(114,054)**	(45,025)
	121,475	119,118

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

(ii) No provision for Hong Kong Profits Tax has been made for the subsidiaries located in Hong Kong as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the year (2012: Nil).

(iii) No provision for income tax has been made for the subsidiary located in Macau as the subsidiary did not have assessable profits subject to income tax in Macau during the year (2012: Nil).

(iv) The provision for the PRC corporate income tax was based on the statutory rate of 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, 5% 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 2013, temporary withholding tax differences relating to the undistributed profits of PRC subsidiaries amounted to approximately RMB762,476,000 (2012: RMB1,036,814,000). Deferred tax liabilities of RMB38,124,000 (2012: RMB51,841,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these PRC subsidiaries and it has been determined that it is probable that undistributed profits of these PRC subsidiaries will not be distributed in the foreseeable future.

(vi) A subsidiary of the Group made provisions for PRC corporate income tax of RMB60,567,000 in previous years. The Group started to implement a business plan to enhance the subsidiary's operations and the directors believed that the likelihood of utilization of this PRC corporate income tax provision had become remote and therefore had decided to release it to profit or loss.

8 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB247,765,000 (2012: profit of RMB257,748,000) and the weighted average number of 2,076,609,000 (2012: 2,075,120,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2013	2012
	Number of shares	*Number of shares*
Ordinary shares issued at 1 January	**2,075,120,000**	2,075,120,000
Weighted average number of ordinary shares issued in respect of scrip dividends	**1,489,000**	–
Weighted average number of ordinary shares at 31 December	**2,076,609,000**	2,075,120,000

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB247,765,000 (2012: profit of RMB257,748,000) and the weighted average number of 2,052,733,000 (2012: 2,075,709,000) ordinary shares (diluted).

Weighted average number of ordinary shares (diluted) for the year ended 31 December 2013 is calculated as follows:

	2013	2012
	Number of shares	*Number of shares*
Weighted average number of ordinary shares at 31 December	**2,076,609,000**	2,075,120,000
Effect of convertible securities	**–**	323,000
Effect of deemed issue of Pre-IPO share options	**(8,578,000)**	266,000
Effect of deemed issue of Share Option Scheme	**(15,298,000)**	–
Weighted average number of ordinary shares at 31 December (diluted)	**2,052,733,000**	2,075,709,000

9 TRADE AND BILL RECEIVABLES

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

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

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Within 2 months	**1,529,483**	3,577,099
Over 2 months but within 6 months	**642,999**	29,500
Over 6 months but within 1 year	**55,946**	96,638
Over 1 year but within 2 years	**470,915**	–
	2,699,343	3,703,237

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

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

10 LOANS AND BORROWINGS

The Group

	2013	2012
	RMB'000	*RMB'000*
Current		
Secured bank loans and bank advances	**5,471,329**	3,874,893
Unsecured bank loans and bank advances	**236,936**	380,512
Current portion of non-current secured bank loans	**727,211**	513,221
Current portion of non-current unsecured bank loans	**47,721**	334,790
	6,483,197	5,103,416
Non-current		
Secured bank loans	**2,253,325**	2,161,634
Unsecured bank loans	**321,581**	8,333
	2,574,906	2,169,967
	9,058,103	7,273,383

11 TRADE AND BILL PAYABLES

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

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Within 1 year	**1,478,057**	3,344,241
Over 1 year but within 2 years	**111,711**	9,553
	1,589,768	3,353,794

12 DIVIDENDS

Dividends paid to equity shareholders attributable to the year

	2013	2012
	RMB'000	*RMB'000*
Interim dividend declared and paid in respect of the current year of HKD1 cents per ordinary share (2012: HKD2 cents per share)	**16,439**	33,748
Final dividend declared and paid in respect of the previous year of HKD3 cents per ordinary share (2012: Nil)	**49,566**	–
Final dividend proposed after the reporting date (2012: HKD3 cents per ordinary share)	**–**	50,288
	66,005	84,036

According to the written resolution of the directors' meeting passed on 23 August 2012, the Company declared a special interim dividend of HKD41,502,400 (equivalent to RMB33,748,000) to its then equity shareholder. Such dividend was fully paid on 19 October 2012.

At a meeting held on 22 March 2013, the Board of Directors proposed a final dividend of HKD3 cents which will 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 Group settled the final scrip dividend declared in respect of the previous financial year by cash payment of HKD59,717,200 (equivalent to RMB47,544,000) and issuance of 3,293,985 new ordinary shares at HKD0.77 (equivalent to RMB2,022,000).

13 CAPITAL COMMITMENTS

Capital commitments outstanding at the year end not provided for in the consolidated financial statements are as follows:

	2013	2012
	RMB'000	*RMB'000*
Property, plant and equipment	**374,588**	1,445,681

MANAGEMENT DISCUSSION AND ANALYSIS

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, shipping transportation and port business. During the year ended 31 December 2013, the Group continued to focus on these business activities and expanded its integrated coal supply chain through upward vertical integration.

BUSINESS REVIEW

Maintained Stability in the Operating Results

In 2013, the GDP of China grew by 7.7% and the economy was stable as a whole. In spite of the downward pressure on coal prices in China and the continuously sluggish demand for shipping transportation, the Group continued to be benefited from its integrated coal supply chain, which made it possible to advance and react smoothly in market downturn. The Group continued to expand its customer base and secured new large power plants (such as China Resources Power Holdings Co., Ltd. Henan Branch, China Resources Power Holdings Co., Ltd. Jiangsu Branch, Fujian Huadian Kemen Power Generation Co., Ltd. and Huaneng Jinggangshan Power Plant) and Stated-owned coal suppliers (such as China Coal Energy Limited and Datong Coal Mine Group Co., Ltd.), as the Group's customers. This will enhance the strategic cooperation in the area of coal procurement.

In 2013, the Group achieved growth in the coal handling and trading volume as compared with the same in 2012. The coal handling and trading volume of the Group was 24,034,000 tonnes, representing an increase of 8.8% as compared with 2012. The monthly average selling prices of coal during the year ended 31 December 2013 were in the range between RMB406 per tonne and RMB489 per tonne, which were lower than the average selling prices between RMB451 per tonne and RMB635 per tonne in 2012. Loss attributable to the equity shareholders of the Company was RMB247.8 million, representing a decrease of 196.1% from the profit attributable to the equity shareholders of RMB257.7 million in 2012.

Enhancing Upstream and Further Improvement in the Coal Supply Chain

The Directors consider that maintaining a stable coal supply with cost advantage through upstream investment is part of the Group's core strategy to achieve long-term growth and enhance the profitability of the Group.

Since November 2010, the Group gradually acquired the equity interest in Huameiao Energy up to 80%. Huameiao Energy has become a non-wholly owned subsidiary of the Group and its financial results are consolidated into the financial statements of the Group. Huameiao Energy has three wholly-owned subsidiaries and each subsidiary holds the mining right of a coal mine in Shuozhou, Shanxi Province, China. Moreover, during the first half year of 2013, the Group completed the establishment of two companies, Xinglong Coal and Hongyuan Coal, both wholly-owned by Shenchi Shenda Energy Investment Co., Ltd. ("**Shenda Energy**"). These coal mines have strengthened the Group's operating conditions and result in satisfactory results in the operational growth.

As of 31 December 2013, the Group owned and operated six coal mines in the PRC and has equity interest in one company listed in Australia engaging in the coal mining business. The table sets forth certain information about these coal mines.

	Note	**Location**	**Ownership**	**Site area** *(sq. km)*	**Operation status**
Huameiao Energy – Xingtao Coal	1	Shuozhou Shanxi	80%	4.3	Under operation
Huameiao Energy – Fengxi Coal	1	Shuozhou Shanxi	80%	2.4	Under operation
Huameiao Energy – Chongsheng Coal	1	Shuozhou Shanxi	80%	2.9	Under operation
Ruifeng Coal	2	Datong Shanxi	87.88%	2.7	Under operation
Xinglong Coal	3	Xinzhou Shanxi	100%	4.0	Under development
Hongyuan Coal	3	Xinzhou Shanxi	100%	4.1	Under operation
Tiaro Coal		Australia	19.88%	n.a.	Under exploration

Notes-

(1) The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources as of 30 September 2011 in accordance with the JORC Code. For the period from 1 October 2011 to 31 December 2013, there was no material change in total coal reserves and resources. The total coal reserves and resources as of 31 December 2013 were derived from the estimated figures after deducting the raw coal production for the period from 1 October 2011 to 31 December 2013.

(2) As of 31 December 2013, the total estimated raw coal resources of Ruifeng Coal under PRC standard amounted to approximately 66.65 million tonnes (representing the estimated raw coal reserves reported by a PRC mineral industry consultant as of 30 September 2011 and after deduction of the raw coal production volume for the period from 1 January 2013 to 31 December 2013).

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

The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources as at 31 May 2013 in accordance with the JORC Code.

Pursuant to the estimation, the coal reserves and resources of two coal mines were 67.01 million tonnes and 96.68 million tonnes as of 31 December 2013 (after deduction of the raw coal production volume for the period from 1 June 2013 to 31 December 2013) respectively.

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	Ruifeng Coal	Hongyuan Coal
Seam	4^{-1}	4	4	2-3	2
Moisture (%)	2.47-2.68%	2.23-2.70%	2.87-3.81%	3.12-5.26%	6.71-6.80%
Ash (%)	18.27-21.02%	27.20-30.31%	20.32-22.20%	20.90-26.00%	21.66-22.09%
Sulfur (%)	0.90-1.00%	0.51-0.88%	0.43-0.59%	0.50-0.95%	0.80-1.34%
Volatile Matter (%)	27.97-28.33%	23.97-25.11%	27.64-28.73%	21.30-27.40%	24.33-24.49%
Energy Content (MJ/kg)	20.97-21.38	17.78-18.80	20.77-21.21	20.62-22.00	21.50-22.10

OPERATING DATA

Reserves and Resources

	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal	Ruifeng Coal	Xinglong Coal	Hongyuan Coal	Total
Reserves							
Reserves as of 31 December 2012/31 May 2013 (Mt)							
– Proven reserves	65.86	21.29	30.61	n.a.*	**22.49****	19.93**	160.18
– Probable reserves	13.86	27.26	18.22	n.a.*	**9.53****	16.46**	85.33
Total reserves as of 31 December 2012 (Mt)	79.72	48.55	48.83	n.a.	**32.02**	36.39	245.51
Less: Total raw coal production during 2013 (Mt)	(2.13)	(1.87)	(1.71)	n.a.	**n.a.**	(1.40)	(7.11)
Reserves as of 31 December 2013 (Mt)	**77.59**	**46.68**	**47.12**	n.a.	32.02	**34.99**	**238.40**
Resources							
Resources as of 31 December 2012/31 May 2013 (Mt)	118.06	75.84	78.58	67.74*	**45.96****	52.12**	438.30
Less: Total raw coal production during 2013 (Mt)	(2.13)	(1.87)	(1.71)	(1.09)	**n.a.**	(1.40)	(8.20)
Resources as of 31 December 2013 (Mt)	**115.93**	**73.97**	**76.87**	**66.65**	45.96	**50.72**	**430.10**

*: It represented the estimated raw coal reserves reported by a PRC mineral industry consultant as of 30 September 2011 under PRC standard. No raw coal was deducted from reserves for the period from 1 October 2011 to 31 December 2012 as only development coal was developed.

**: The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources as at 31 May 2013 in accordance with the JORC Code.

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

Raw coal production volume	Year ended 31 December **2013** ***('000 tonnes)***	 2012 *('000 tonnes)*
Huameiao Energy – Xingtao Coal	**2,134**	2,075
Huameiao Energy – Fengxi Coal	**1,871**	1,851
Huameiao Energy – Chongsheng Coal	**1,708**	1,726
Ruifeng Coal	**1,091**	1,052#
Hongyuan Coal	**1,404**	–
Total	**8,208**	6,704

Commercial coal production volume	Year ended 31 December **2013** ***('000 tonnes)***	 2012 *('000 tonnes)*
Huameiao Energy – Xingtao Coal	**1,387+**	1,349+
Huameiao Energy – Fengxi Coal	**1,216+**	1,203+
Huameiao Energy – Chongsheng Coal	**1,110+**	1,122+
Ruifeng Coal	**1,091^**	1,052#
Hongyuan Coal	**1,109+**	–
Total	**5,913**	4,726

: These represented development coal produced from construction of the coal mines.

^ : 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.

Exploration, Mining and Development Expenses

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

	Year ended 31 December **2013** ***RMB'000***	 2012 *RMB'000*
Materials and consumables	**40,037**	76,170
Staff cost	**40,232**	67,864
Other direct cost	**152,692**	102,990
Overhead and others	**156,944**	185,609
Evaluation fee	**10,468**	488
Total	**400,373**	433,121

FINANCIAL REVIEW

Revenue and Handling and Trading Volume

Revenue	Year ended 31 December **2013** ***RMB'000***	2012 *RMB'000*
Coal business	**10,698,908**	10,918,570
Shipping transportation	**131,225**	166,715

Handling and Trading volume	Year ended 31 December **2013** ***'000 tonnes***	2012 *'000 tonnes*
Coal Handling and Trading	**24,034**	22,093

During the year ended 31 December 2013, the Group's coal production capacity increased steadily. The increase was principally due to the commencement of production of the coal mine operated by Hongyuan Coal and the increased efficiency in the other four coal mines operated by Huameiao Energy and Ruifeng Coal and of the entire coal supply chain operated by the Group. Hence, the Group achieved a stable growth in the coal handling and trading volume during the year ended 31 December 2013, as compared with 2012. The total coal handling and trading volume of the Group in 2013 was 24,034,000 tonnes, representing an increase of 1,941,000 tonnes or 8.8% as compared with 2012.

However, the monthly average coal selling prices during the year ended 31 December 2013 were in range between RMB406 per tonne and RMB489 per tonne, which were lower than the average selling prices between RMB451 per tonne and RMB635 per tonne in 2012. The decrease was principally because of the slow down in the growth of the overall demand for coal in China during 2013, which was a result of the uncertainties in the global economic development and the slow growth in the manufacturing sector in the PRC.

The average coal selling price and the coal handling and trading volume for each of the three years ended 31 December 2013 are set forth in the table below:

	Year ended 31 December **2013**	2012	2011
Average selling price *(RMB per tonne)*	**445**	494	618
Average monthly handling and trading volume *('000 tonnes)*	**2,003**	1,841	1,327

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 2013 and 2012:

	Year ended 31 December			
	2013		2012	
	Net sales	**Percentage of Net sales**	Net sales	Percentage of Net sales
	RMB'000	***% of total***	*RMB'000*	*% of total*
Power plants	**2,928,056**	**27.4**	3,106,142	28.5
Coal traders	**2,592,693**	**24.2**	3,858,550	35.3
Cement plants and others*	**5,178,159**	**48.4**	3,953,878	36.2
Total	**10,698,908**	**100.0**	10,918,570	100.0

* Others mainly represented large State-owned coal suppliers.

The segment turnover for shipping transportation from external customers for the year ended 31 December 2013 was RMB131.2 million, representing a decrease of RMB35.5 million or 21.3% from RMB166.7 million for the same period in 2012. The decrease in turnover was primarily brought by the decrease in freight rates during the year due to the over-supply of shipping transportation capacity.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by RMB450.4 million during the year ended 31 December 2013 to RMB1,063.0 million from RMB1,513.4 million during the same period in 2012, principally because of the continuous decreases of more than 10% in the average selling prices for thermal coal in China in 2013, as compared with the average price levels in 2012.

The Group's gross profit margin has decreased from 13.7% to 9.8%, as compared to the same period in 2012. The decrease in gross profit margin was mainly due to the decrease in the average selling prices for thermal coal in China in during the year. The low price levels adversely affected the profitability of the coal trading business of the Group. Hence, the overall gross profit margin of the Group in 2013 was lower than that of 2012.

Other Income

During the year ended 31 December 2013, the Group's other income amounted to RMB152.9 million, representing an increase of RMB117.1 million or 327.1% as compared with RMB35.8 million in the same period in 2012. The increase in other income was mainly due to the Group lease out part of the Ruifeng coal mine area for fixed lease income on annual basis.

Cost of sales

Cost of sales of the Group in 2013 amounted to RMB9,767.1 million, representing an increase of 2.0% compared with RMB9,571.9 million in 2012. The increase was due to the increase in coal trading and handling volume which was partially offset by the cost saving measures implemented by the Group.

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

	Year ended 31 December	
	2013	2012
	Cost	Cost
	RMB million	*RMB million*
Cost of coal purchased	**8,634.2**	7,755.6
Cost of coal transportation*	**647.2**	945.6
Cost of self-produced coal	**330.2**	672.2
Materials, fuel, power	**143.3**	122.9
Staff costs	**37.4**	89.4
Transportation	**8.9**	18.1
Depreciation and amortisation	**110.6**	92.4
Others	**30.0**	349.4
Other costs	**18.6**	30.4
Total cost of sales of coal trading segment	**9,630.2**	9,403.8

* Cost of coal transportation refers to the transportation cost before elimination on consolidation.

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 2013 and 2012:

	Year ended 31 December			
	2013		2012	
Origins of coal	**Sales volume**	**Net sales**	Sales volume	Net sales
	'000 tonnes	***RMB'000***	*'000 tonnes*	*RMB'000*
China	**21,223**	**9,370,345**	17,074	7,987,764
Indonesia	**1,185**	**533,828**	2,941	1,523,943
South Africa	**654**	**306,947**	537	309,450
Australia	**566**	**273,979**	604	400,064
Canada	**135**	**79,212**	553	445,237
Vietnam	**17**	**9,127**	196	112,016
Others	**254**	**125,470**	188	140,086
Total	**24,034**	**10,698,908**	22,093	10,918,570

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

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 three years. The Group has also been undergoing upstream expansion through acquisition of companies holding coal mines. This enables the Group to obtain a reliable supply of quality coal.

Administrative Expenses

During the year ended 31 December 2013, the Group's administrative expenses amounted to RMB340.6 million, representing a decrease of 2.4% compared by the RMB348.9 million in the same period in 2012. The Group has launched a series of cost saving controls during the year to lower the administrative costs.

Distribution Expenses

Distribution expenses decreased slightly by 3.9% to RMB152.1 million for the year ended 31 December 2013.

Net Finance Costs

Net finance costs of the Group in 2013 amounted to RMB517.3 million, representing an increase of RMB40.4 million or 8.5% from RMB476.9 million in 2012. This was mainly due to the increase in the trade finance and working capital to support the 8.8% increase in the coal handling and trading volume during 2013.

Income Tax Expense

The Group's income tax expense in 2013 was RMB121.5 million, representing a slight increase of 2.0% from RMB119.1 million in 2012. The Group's effective income tax rate was 97.8% in 2013 and 22.5% in 2012, after excluding the effect of the one-off and predominately non-cash loss arising from the termination of two shipbuilding agreements of in 2013, impairment losses on trade and bill receivable, property, plant and equipment and other receivable in 2013, and the non-recurring compensation paid to coal suppliers because of early termination of the relevant supply contracts item in 2012, which were non-deductible. The increase in effective tax rate was mainly due to the effect of unused tax loss not recognized in certain subsidiaries of the Group.

Loss Attributable to Equity Shareholders

Loss attributable to equity shareholders of the Company during the year ended 31 December 2013 was RMB247.8 million, representing a decrease of 196.1% from the profit attributable to equity shareholders of RMB257.7 million for the same period in 2012. The decrease was principally due to the one-off and predominately non-cash loss arising from the termination of two shipbuilding agreements during the year in total amount of RMB116.0 million and, impairment losses on trade and bill receivable, property, plant and equipment and other receivable in 2013. The decrease during the year ended 31 December 2013 was also attributable to the continuous decreases in the average selling prices for thermal coal in China and the increase in the Group's net finance cost in 2013.

Trade and Bills Receivable

As of 31 December 2013, trade and bills receivable of the group were RMB2,699.3 million (as of 31 December 2012: RMB3,703.2 million). The decrease was mainly due to the decrease in the sales in the 4th quarter as compared to the same period in 2012.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group adopts stringent financial management policies and maintains a healthy financial condition. The Group funds its business operations and general working capital by internally generated financial resources and bank borrowings.

As of 31 December 2013, the Group recorded net current liabilities of RMB3,834.9 million which were mainly due to the addition of coal mining rights and the reclassification of prepayments to property, plant and equipment related to the newly established Xinglong Coal and Hongyuan Coal, and the addition of current bank loans in 2013.

The Group has taken initiative to enhance the financial flexibility by diversifying the funding bases and obtain medium term loads to replace short term loans. The Group has also engaged in active discussions with several banks as to the raise of medium-term loan, which were indicated in previous announcement dated 22 May 2013.

As of 31 December 2013, the cash and bank balances of the Group amounted to RMB483.3 million (as at 31 December 2012: RMB1,190.5 million), representing a decrease of 59.4%. The decrease in cash and bank balances was mainly due to the increase in domestic purchase which more bank deposits are pledged to the banks. The cash level as of 31 December 2013 was in line with the Group's policy.

As of 31 December 2013, the total bank and other borrowings of the Group were RMB9,058.1 million (as at 31 December 2012: RMB7,273.4 million), RMB6,483.2 million of which were repayable within one year and carried interest at market rates ranging from 1.30% to 9.50% (31 December 2012: 1.21% to 8.00%) per annum.

Non-current bank loans as at 31 December 2013 and 31 December 2012 carried at variable interest rates.

As of 31 December 2013, the Group had total banking facilities of RMB9,951.4 million (as of 31 December 2012: RMB13,497.5 million), of which RMB7,770.9 million (as at 31 December 2012: RMB8,461.3 million) were utilised.

As of 31 December 2013, the Group's cash and cash equivalents, except amounts of RMB0.6 million and RMB16.5 million held in Hong Kong dollars ("**HKD**") and United States dollars ("**USD**"), respectively, were held in RMB. The Group's interest-bearing borrowings made in RMB, USD and HKD were RMB8,657.9 million, RMB385.6 million and RMB14.6 million, respectively.

The gearing ratio (calculated as interest-bearing borrowings netted off sum of cash and cash equivalents and pledged deposits divided by total assets) of the Group as at 31 December 2013 was 35.5% (as of 31 December 2012: 24.4%). The increase in gearing ratio was principally brought by the increase in the trade finance and working capital in 2013, which was in line with the increase in coal handling and trading volume during the year.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's cash and cash equivalents are held predominately in RMB, HKD 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.

PLEDGE OF ASSETS OF THE GROUP AND GUARANTEE

As at 31 December 2013, the Group's assets in an aggregate amount of RMB9,053.2 million (as at 31 December 2012: RMB7,416.2 million) in forms of property, plant and equipment, coal mining rights, inventories, trade and bill receivables and bank deposits were pledged to banks for credit facilities granted to the Group.

As at 31 December 2013, Mr. XU Jihua, the chairman of the Board and an executive Director, provided guarantees to banks for granting banking facilities of an amount equivalent to RMB4,278.3 million (as at 31 December 2012: RMB3,870.8 million) to the Group.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any material contingent liabilities.

FINAL DIVIDEND FOR THE YEAR ENDED 31 DECEMBER 2013

In light of the anticipated capital expenditure and investments of the Group, the Directors consider that it would be more appropriate to deploy the financial resources of the Group to further strengthen the business development of the Group. On this basis, the Directors have decided not to declare any final dividend for the year ended 31 December 2013. Hence, there will not be any resolution for the final dividend for the year ended 31 December 2013 to be tabled at the forthcoming annual general meeting of the Company (the "**Annual General Meeting**"). The Directors are committed to the proposed dividend policy set forth in the Prospectus and will consider the declaration and payment of such dividend in accordance with such policy in the forthcoming financial years.

EMPLOYEES AND REMUNERATION

As of 31 December 2013, the Group employed 1,807 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 was adopted in June 2009 to retain staff members who have made contribution to the success of the Group. As at 31 December 2013, there were outstanding share options to subscribe for a total of 13,600,000 Shares granted under the Pre-IPO Share Option Scheme to an executive Director and 21 employees of the Group. On 17 January 2012, the Company has further granted share options to subscribe for a total of 20,751,196 Shares to 15 employees under the Share Option Scheme adopted on 12 June 2009. As at the date of this announcement, the total number of share options outstanding is 28,422,283. 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

Despite the slowdown in the PRC economic growth in 2013, the Directors are confident on the continuous development of the coal industry in the PRC because of the following reasons:

- The PRC economy is entering into a new structural change period during which the high-growth economic development in the previous decades will be slow down with modest economic growth. The gross domestic product ("**GDP**") of the PRC grew by 7.7% in 2013, which was higher than most of the other countries in the world. Hence, the domestic demand for coal in China is expected to maintain a positive growth.

- The infrastructure projects which were approved in 2012 have started their construction in 2013 and will continue to increase the demand for coal, especially thermal coal, in the next few years.

- Rail transport in the PRC is still in the development bottleneck and the logistics advantages are crucial to the coal trading business.

- Cancellation of the policy for key coal-fired power generation contracts by the National Development and Reform Commission is beneficial to the development of open market for coal in the PRC.

- The various supportive measures introduced by the government of Shanxi Province will help protect the sales of coal companies in the province, lower their costs and expenses and improve their cash flows.

- New energy development has yet to be fully implemented and coal will continue to be the most economical source of energy in China.

- Prices of thermal coal in the coastal markets will gain strength on favourable seasonal factors and the demand for coal will become steady in 2014.

- The measure to restrict the import of foreign low-grade coal will lead to an increase in the demand for domestic coal from producers.

The Group is a coal operator arising from the regional differences and the transportation bottleneck in China. The Group has six quality coal mines in Shanxi Province. The Xingtao coal mine operated by Huameiao Energy was a Grade 1 Safety Demonstration Mine appraised by China National Coal Association. Huameiao Energy also has the required operational scale in Shanxi Province, which will be an advantage to the Group's plans for further expansion of upstream resources and acquisition of high-quality coal mines. The businesses of the Group include coal mining, procurement, filtering, blending, storage, transportation, sales, shipping and port integration. Its integrated coal supply chain service has provided the Group with high-quality and low-cost competitive advantages to capture market opportunities.

Given that the demand for coal is seen to be stable, the Group will continue to improve its business model through the following plans:

Integrate Huameiao Energy to ensure stable coal supply

Upon successful acquisition of Huameiao Energy, the Group is benefited from the stable coal supply, higher gross profit margin and strong cash flow. With the growing coal production from Huameiao Energy, the Group can provide sufficient coal to meet the demand from customers. The Group also operates an integrated logistic network which allows ample absorption and realisation of the coal produced. The Directors expect that the gross profit margin of the Group will continue to improve with the increased proportion of self-produced coal. The strong cash flow of the Group also enables it to improve its working capital position. This vertical integration strategy enhances the Group's competitiveness and further strengthens the relationship between the Group and its customers.

Develop new sales model and customer base

In addition to maintaining the existing well-established business relationship, the Group has proactively taken the initiative to increase the coal sales to new and existing customers. Despite many of the Group's customers are large scale State-owned enterprises in China operating power plants in China, the Group's supply to them still accounts for only a small portion for their total demand. Thus, the Group will continue to promote the sales of coal to these existing customers. Moreover, the Group uses Taizhou port, Rugao port and Zhenhai port in Eastern China, Huangpu port, Nansha port and Zhuhai port in South China as the transit base and further expand the customer base of "sea to river" (from coastal areas to the river banks of Yangtze River and Pearl River).

The newly-established Hengqin Coal Exchange Center aims to build a new platform that combines finance and logistics together for the joint promotion of new developments in the industry. At the same time, it is dedicated to facilitate effective allocation of resources, efficient and effective cash management and logistics as well as efficient and effective use of information along the coal industry chain of the Group. It can also enjoy the preferential policies and abundant investment opportunities in Hengqin in Zhuhai, such as the exemption of VAT and excise duty in goods transactions.

In 2013, the Group vigorously enhanced the joint and strategic cooperation with large upstream and downstream customers and achieved breakthroughs, as a result of which the Group has become a long-term customer of several large energy enterprises. Benefit from the cancellation of the price intervention of power coal by the National Development and Reform Commission and the emerging opportunity of completing open marketisation of coal trading in the PRC, the Group will fully utilise the opportunity to maintain a rapid and quality growth. The Directors are confident that with their joint efforts, they could definitely bring the Group's operation in 2014 to a new level.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company was in full compliance with the applicable code provisions in the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the financial year ended 31 December 2013.

AUDIT COMMITTEE OF THE BOARD

An audit committee was established by the Board on 12 June 2009 with written terms of reference in compliance with the Code. The primary duties of the audit committee are to review and supervise the Group's financial reporting process and internal controls. The members of the audit committee of the Board are the three independent non-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 audit committee has reviewed the financial statements of the Group for the financial year ended 31 December 2013.

The independent non-executive Directors, being members of the Audit Committee, have reviewed the auditors' report and have decided to retain an independent firm of practising accountants in Hong Kong to review the issues and report to the Audit Committee direct the factual findings and if applicable, the recommendations for the improvement measures to the internal control systems of the Group. The independent non-executive Directors would determine the scope of the review and the appointment of the firm of the independent accountants within 10 days from the date of this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The independent auditor of the Company will issue a disclaimer of opinion on the consolidated financial statements of the Group. The below section set out an extract of independent auditor's report regarding the consolidated financial statements of the Group for the year ended 31 December 2013:

Basis for disclaimer of opinion

Included in the trade receivable balances as at 31 December 2013 was an aggregate amount of RMB568,333,000 due from several customers, which was arrived at after offsetting aggregate receipts of RMB502,647,000 transferred from a personal bank account of an employee of the Group and receipts of RMB101,190,000 from cash deposited into the Group's bank account during the year ended 31 December 2013. These bank receipts were purported to be settlement of trade receivables from these customers as recorded in the Group's accounting records. However, we were unable to obtain sufficient information to verify the actual originating source or the payees of these bank receipts, and hence we were unable to ascertain the nature of, and appropriate accounting for, these bank receipts, and therefore the accuracy and recoverability of the outstanding trade receivable balances due from these customers as at 31 December 2013.

As disclosed in Note 7 on the consolidated financial statements, the Group leased out an area within Ruifeng coal mine to two companies and recognised leasing income of RMB137,500,000 in accordance with the relevant lease agreements. However, we were provided with inconsistent information regarding the actual location of the coal mine area subject to the leases. We also noted that bank receipt of RMB68,750,000 was transferred from a personal bank account of an employee of the Group, which was purported to be settlement of the receivables arising from these lease transactions. Accordingly, we were unable to obtain sufficient appropriate audit evidence to ascertain the validity of the leasing income of RMB137,500,000 for the year ended 31 December 2013 and the related outstanding trade receivable balance of RMB68,750,000 reported in the consolidated financial statements as at 31 December 2013.

As disclosed in Note 22 on the consolidated financial statements, the Group had trade receivable balances of RMB470,915,000 as at 31 December 2013 with ageing over 1 year but within two years. Subsequent to the year-end date, aggregate receipts of RMB168,186,000 and RMB295,633,000 were transferred from a personal bank account of an employee of the Group and bank accounts of third parties, respectively, which were purported to be settlements from three customers. However, we were unable to obtain sufficient information to verify whether these bank receipts of RMB463,819,000 in total were related to settlements of these trade receivable balances and in view of the long ageing of these balances, we were unable to ascertain the recoverability of the outstanding trade receivable balances due from these customers as at 31 December 2013.

As disclosed in Note 23 on the consolidated financial statements, the Group had outstanding receivable balance of RMB622,327,000 due from non-controlling shareholders as at 31 December 2013. The directors of the Company had informed us that no impairment provision was required and this represents their assessment of the recoverability of the receivable balance based on a repayment schedule agreed by the debtors. However, apart from settling part of the amounts due to the Group by transferring certain property, plant and equipment with a valuation amount of RMB339,800,000 (see significant non-cash transaction disclosed in the notes to the consolidated statement of cash flows), these debtors have not made any cash settlement of the debts they owed to the Group in the past two years. In the absence of further reliable information on the debtors' ability to repay this outstanding balance, we were unable to obtain sufficient information to evaluate the appropriateness of the directors' assessment and basis of judgment on the recoverability of this receivable balance. Any over-estimate of the recoverability of this receivable balance due from the non-controlling shareholders would affect the net assets of the Group as at 31 December 2013 and the Group's net loss for the year then ended, and the related disclosures in the consolidated financial statements.

As disclosed in Note 23 on the consolidated financial statements, the Group recorded other deposits and prepayments of RMB711,993,000 as at 31 December 2013. The balance includes an amount of RMB161,460,000 which was purported to be prepayments to five suppliers for purchase of goods. In relation to these prepayments, there were either no purchase contracts signed between the Group and the suppliers, or the purchase amounts stated in contracts with suppliers cannot be reconciled to the corresponding prepayment amounts. Subsequent to the year-end date, goods were purported to be received from certain suppliers in relation to prepayments of RMB63,793,000. However, there are insufficient records to indicate the delivery of such goods from the related suppliers. In addition, there have been no goods received from suppliers in relation to the remaining prepayments of RMB97,667,000. In the absence of sufficient evidence available to us to ascertain the nature and recoverability of the above balance of RMB161,460,000 as at 31 December 2013, we are therefore unable to satisfy ourselves that these amounts were properly accounted for and disclosed in the consolidated financial statements.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and as to whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter relating to going concern

We draw attention to Note 1.2(c) to the consolidated financial statements concerning the adoption of the going concern basis on which the consolidated financial statements have been prepared. As explained in Note 1.2(c) to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the ongoing support from the Group's bankers and its Controlling Shareholder, the ability to obtain additional debt financing by the Group, and the Group's ability to generate sufficient cash flows from operations to cover the Group's operating costs and to meet its financing commitments. No adjustments have been made to the consolidated financial statements that would result if the going concern basis is no longer appropriate. Details of the circumstances relating to this material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern are described in Note 1.2(c) to the consolidated financial statements.

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

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the financial year ended 31 December 2013 containing all the information required by Appendix 16 to the Listing Rules and any other applicable laws and regulations will be dispatched to the Shareholders and published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.qinfagroup.com) in due course.

ANNUAL GENERAL MEETING

The Company will inform the Shareholders the date of holding the annual general meeting to approve the results of the Group for the year ended 31 December 2013.

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

Guangzhou, 31 March 2014

As of the date of this announcement, the Board comprises Mr. XU Jihua, Ms. WANG Jianfei, Ms. LIU Xiaomei and Mr. WENG Li as the executive Directors, and Mr. HUANG Guosheng, Mr. LAU Sik Yuen and Mr. XING Zhiying, as the independent non-executive Directors.