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 2015

The Directors refer to the profit warning announcement of the Company dated 26 February 2016 and set forth below the final results of the Group for the year ended 31 December 2015:

- Turnover was RMB1,377.2 million in 2015, representing a decrease of 78.6% from RMB6,449.4 million in 2014.
- Gross loss margin in 2015 was 49.1%. As compared with gross loss margin 3.2% in 2014, the gross loss was mainly due to continuous decreases in the average selling prices for thermal coal in China in 2015.
- Loss attributable to equity shareholders of the Company for the year increased to RMB6,011.2 million in 2015, as compared with RMB1,183.4 million in 2014. The significant increase in loss was due to significant impairment losses of assets, including coal mining rights and property, plant and equipment amounting to RMB2,678.4 million and RMB3,067.5 million respectively.

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 2015 with comparative figures for the year ended 31 December 2014 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015** *RMB'000*	2014 *RMB'000* *(Restated)*
Revenue	*5*	**1,377,207**	6,449,446
Cost of sales		**(2,053,885)**	(6,652,720)
Gross loss		**(676,678)**	(203,274)
Other income, gains and losses	*6*	**17,381**	(46,798)
Distribution expenses		**(30,831)**	(88,350)
Administrative expenses		**(208,260)**	(233,380)
Other expenses	*7(b)*	**(6,760,418)**	(77,662)
Results from operating activities		**(7,658,806)**	(649,464)
Finance income		**2,826**	50,228
Finance costs		**(370,803)**	(566,318)
Net finance costs		**(367,977)**	(516,090)
Share of loss of associates		**(6,522)**	(11,269)
Loss before taxation	*7(a)*	**(8,033,305)**	(1,176,823)
Income tax credit/(expense)	*8*	**1,105,525**	(114,417)
Loss for the year from continuing operations		**(6,927,780)**	(1,291,240)
Discontinued operation			
Loss for the year from discontinued operation	*9*	**(4,397)**	(1,073)
Loss for the year		**(6,932,177)**	(1,292,313)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**30,799**	263
Item that was reclassified to profit or loss:			
Foreign currency translation differences reclassified to profit or loss upon disposal of subsidiaries		**(4,438)**	–
Other comprehensive income for the year, net of tax		**26,361**	263
Total comprehensive loss for the year		**(6,905,816)**	(1,292,050)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000 (Restated)
Loss for the year attributable to:			
Equity shareholders of the Company		**(6,011,184)**	(1,183,426)
Non-controlling interests		**(920,993)**	(108,887)
Loss for the year		**(6,932,177)**	(1,292,313)
Total comprehensive loss for the year attributable to:			
Equity shareholders of the Company		**(5,984,823)**	(1,183,163)
Non-controlling interests		**(920,993)**	(108,887)
Total comprehensive loss for the year		**(6,905,816)**	(1,292,050)
(Loss)/earnings per share from continuing and discontinued operations attributable to the equity shareholders of the Company during the year	*10*		
Basic and diluted (loss)/earnings per share			
From continuing operations		**(RMB284 cents)**	(RMB56 cents)
From discontinued operation		**RMB1 cent**	(RMB0 cents)
From continuing and discontinued operations		**(RMB283 cents)**	(RMB56 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment		**2,437,991**	7,028,164
Coal mining rights		**1,942,708**	4,633,632
Lease prepayments		**5,213**	112,921
Interests in associates		**–**	77,267
Deferred tax assets		**690**	19,384
		4,386,602	11,871,368
Current assets			
Inventories		**88,073**	326,355
Trade and bill receivables	*12*	**582,284**	1,268,992
Prepayments and other receivables		**187,243**	863,461
Pledged and restricted deposits		**45,911**	497,129
Cash and cash equivalents		**20,669**	53,864
		924,180	3,009,801
Current liabilities			
Trade and bill payables	*13*	**(1,088,711)**	(1,048,131)
Other payables		**(2,525,023)**	(2,258,701)
Borrowings	*14*	**(3,302,997)**	(4,734,105)
Tax payable		**(236,438)**	(247,145)
		(7,153,169)	(8,288,082)
Net current liabilities		**(6,228,989)**	(5,278,281)
Total assets less current liabilities		**(1,842,387)**	6,593,087
Non-current liabilities			
Other payables		**(82,195)**	(95,782)
Borrowings	*14*	**(2,602,325)**	(2,917,796)
Accrued reclamation obligations		**(79,047)**	(74,693)
Deferred tax liabilities		**(23,442)**	(1,138,474)
		(2,787,009)	(4,226,745)
Net (liabilities)/assets		**(4,629,396)**	2,366,342

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 December 2015

	Notes	**2015** *RMB'000*	2014 *RMB'000*
Capital and reserves			
Share capital		**193,275**	176,531
Perpetual subordinated convertible securities		**156,931**	156,931
Quasi-capital		**45,771**	–
(Deficit)/reserves		**(5,169,798)**	781,592
Total (deficit)/equity attributable to equity shareholders of the Company		**(4,773,821)**	1,115,054
Non-controlling interests		**144,425**	1,251,288
Total (deficit)/equity		**(4,629,396)**	2,366,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2015

1. COMPANY BACKGROUND AND BASIS OF PREPARATION

1.1 General information

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

The principal activities of the Company and its subsidiaries (together, the "**Group**") are coal mining, purchase and sales, filtering, storage, blending of coal in the PRC and shipping transportation. The Group was also engaged in the provision of port services, which the Group has discontinued during the year as a result of the disposal of a subsidiary, as disclosed in Note 9.

1.2 Basis of preparation

(a) Statement of compliance

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

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 consolidated financial statements.

(b) Basis of measurement

These consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand, except when otherwise indicated.

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

(c) Going concern

In preparing the consolidated financial statements of the Group, the directors of the Company have given consideration to the future liquidity of the Group in light of the fact that the Group incurred a consolidated net loss of RMB6,932,177,000 during the year ended 31 December 2015 and, as of that date, the Group's current liabilities exceed its current assets by approximately RMB6,228,989,000 and capital deficiency of RMB4,629,396,000, of which the outstanding borrowings of RMB3,302,997,000 are due on demand or within one year. As at 31 December 2015, there were several pending litigation mainly requesting repayment of long outstanding payables with interest against the Group.

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

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

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

The consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 31 December 2015 and subsequently thereto up to the date of approval of the consolidated financial statements. In order to improve the Group's financial positions, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted several measures together with other measures in progress at the date of approval of the consolidated financial statements which include, but not limited to, the followings:

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

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

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

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

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

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

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

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

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

(d) Use of judgements and estimates

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

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

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

(i) Impairment losses for trade and bill receivables

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

(ii) Depreciation

Other than the mining structures, property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual values. The management periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates. Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expenses in future periods. At 31 December 2015, the carrying amount of the Group's property, plant and equipment, other than the mining structures, was RMB1,776,612,000 (2014: RMB5,410,913,000).

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. It could change significantly as a result of competitor's actions in response to severe industry cycles or other changes in market condition. Management assesses the estimations at each reporting date. At 31 December 2015, the carrying amount of the Group's inventories was RMB88,073,000 (2014: RMB326,355,000).

(iv) Coal reserves

Engineering estimates of the Group's coal reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated coal reserves can be designated as "proved" and "probable". Proved and probable coal reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable coal reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation and amortisation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation and amortisation expenses and impairment loss. Depreciation and amortisation rates are determined based on estimated proved coal reserve quantity (the denominator) and capitalised costs of mining structures and coal mining rights (the numerator). The capitalised cost of mining structures are depreciated and coal mining rights are amortised based on the units of coal produced. At 31 December 2015, the carrying amounts of the Group's mining structures recognised in property, plant and equipment and the Group's coal mining rights were RMB661,379,000 (2014: RMB1,617,251,000) and RMB1,942,708,000 (2014: RMB4,633,632,000) respectively.

(v) Obligations for reclamation

The estimation of the liabilities for final reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers various factors, including future production volume and development plan, the geological structure of the mining regions and reserve volume, to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as changes of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), revisions to the obligations will be recognised. At 31 December 2015, the carrying amount of the Group's accrued reclamation obligations was RMB79,047,000 (2014: RMB74,693,000).

(vi) Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that non-financial assets with definite lives may be impaired. If any such indication exists, the Group estimates the recoverable amount of the assets in accordance with the accounting policy. In assessing whether there is any indication that non-financial assets may be impaired, the Group considers indications from both internal and external sources of information such as evidence of obsolescence or decline in economic performance of the assets, changes in market conditions and economic environment. These assessments are subjective and require management's judgements and estimations.

2. CHANGES IN ACCOUNTING POLICIES

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

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

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

3. NEW AND REVISED IFRSs NOT YET ADOPTED

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

		Effective for accounting periods beginning on or after
IAS 1 Amendments	Disclosure Initiatives	1 January 2016
IAS 16 and IAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16 and IAS 41 Amendments	Agriculture: Bearer Plants	1 January 2016
IAS 27 Amendments	Equity Method in Separate Financial Statements	1 January 2016
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*
IFRS 10, IFRS 12 and IAS 28 Amendments	Investment Entities: Applying the Consolidation Exception	1 January 2016
IFRS 11 Amendments	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 14**	Regulatory Deferral Accounts	1 January 2016
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle	1 January 2016
IAS 7 Amendments	Disclosure Initiatives	1 January 2017
IAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IFRS 9 (2014)	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

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

** IFRS 14 applies to first annual IFRS financial statements for a period beginning on or after 1 January 2016 and therefore is not applicable to the Group.

The Group is in the process of making an assessment of what the impact of these amendments and new standards 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 except for the following:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

IFRS 16 Leases

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

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

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

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

Recognition exemptions

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

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

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

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

4. SEGMENT REPORTING

(a) Segment results, assets and liabilities

The Group has three reportable segments – coal business, shipping transportation and port business – which are the Group's strategic business units. These strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. During the year, the port business segment was disposed of and was presented as discontinued operation which details were set out in Note 9. For each of the strategic business units, the Chief Executive Officer (the "CEO") reviews internal management reports on a monthly basis.

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

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

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

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

	Continuing operations				**Discontinued operation**			
	Coal business		**Shipping transportation**		**Port business**		**Total**	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)						*(Restated)*
Revenue from external customers	**1,220,485**	6,292,314	**156,722**	157,132	**37,317**	38,833	**1,414,524**	6,488,279
Inter-segment revenue	**–**	–	**–**	75,354	**–**	1,647	**–**	77,001
Reportable segment revenue	**1,220,485**	6,292,314	**156,722**	232,486	**37,317**	40,480	**1,414,524**	6,565,280
Reportable segment (loss)/profit before taxation	**(7,401,623)**	(666,224)	**(243,618)**	18,568	**40,288**	9,492	**(7,604,953)**	(638,164)
Depreciation and amortisation	**152,148**	159,350	**70,812**	55,163	**53,046**	5,637	**276,006**	220,150
Impairment losses on property, plant and equipment	**2,848,840**	18,674	**218,665**	–	**–**	–	**3,067,505**	18,674
Impairment losses on coal mining rights	**2,678,444**	–	**–**	–	**–**	–	**2,678,444**	–
Impairment losses on interests in associates	**70,705**	19,333	**–**	–	**–**	–	**70,705**	19,333
Impairment losses/(reversal of impairment) on trade receivables	**502,479**	(9,011)	**–**	–	**–**	–	**502,479**	(9,011)
Impairment losses on prepayments and other receivables	**394,855**	42,136	**–**	–	**–**	–	**394,855**	42,136
(Loss)/gain on disposal of subsidiaries and associates	**(2,751)**	(162,585)	**–**	–	**70,834**	–	**68,083**	(162,585)
Reportable segment assets	**5,016,443**	12,399,005	**669,135**	896,359	**–**	1,998,886	**5,685,578**	15,294,250
(including interests in associates)	**–**	77,267	**–**	–	**–**	–	**–**	77,267
Reportable segment liabilities	**(9,957,818)**	(9,818,480)	**(963,345)**	(933,003)	**–**	(1,458,739)	**(10,921,163)**	(12,210,222)

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

Revenue from continuing and discontinued operations

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

Loss before taxation from continuing and discontinued operations

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Reportable segment loss before taxation	**(7,604,953)**	(638,164)
Elimination of inter-segment profit	**–**	491
Unallocated head office and corporate expenses	**(20,087)**	(15,215)
Net finance costs	**(412,662)**	(524,768)
Consolidated loss before taxation from continuing and discontinued operations (included gain on disposal of subsidiaries)	**(8,037,702)**	(1,177,656)

Assets

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

Liabilities

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

(c) Geographic information

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

Revenue from external customers from continuing and discontinued operations

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

(d) Information about major customers

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

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

5. REVENUE

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

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

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

6. OTHER INCOME, GAINS AND LOSSES

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

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

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

7. LOSS BEFORE TAXATION

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

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Cost of inventories *(Note (i))*	**1,911,228**	6,542,537
Write-down of inventories to net realisable value	**35,542**	35,650
Minimum lease payments under operating lease:		
– properties	**21,505**	21,674
– vessels	**8,198**	46,139
Depreciation for the property, plant and equipment	**210,340**	170,966
Amortisation of coal mining rights	**12,480**	43,407
Amortisation of lease prepayments	**140**	140
Auditors' remuneration		
– audit services	**2,108**	2,000
– non-audit services	**1,116**	950
Employee benefit expenses (excluding directors' and chief executive's remuneration)		
Wages, salaries and other benefits	**257,316**	251,451
Contribution to defined contribution plan	**31,936**	23,577
Equity-settled share-based payment expenses	**14,562**	443
	303,814	275,471

(b) Other expenses

Impairment losses on property, plant and equipment	**3,067,505**	18,674
Impairment losses on coal mining rights	**2,678,444**	–
Impairment losses on interests in associates	**70,705**	19,333
Impairment losses/(reversal of impairment) on trade receivables	**502,479**	(9,011)
Impairment losses on prepayments and other receivables	**394,855**	42,136
Property, plant and equipment written-off	**204**	48
Others	**46,226**	6,482
	6,760,418	77,662

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

8. INCOME TAX (CREDIT)/EXPENSE

	2015	2014
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Current tax expense		
– PRC Corporate Income Tax	**2**	29,170
– Over-provision of PRC Corporate Income Tax in prior years	**(9,189)**	(86,990)
Deferred tax	**(1,096,338)**	172,237
	(1,105,525)	114,417

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

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

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

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

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

9. DISCONTINUED OPERATION

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

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

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

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

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

	2015	2014
	RMB'000	*RMB'000*
Net cash used in operating activities	**(10,243)**	(190,503)
Net cash (used in)/generated from investing activities	**(1,094)**	1,083
Net cash (used in)/generated from financing activities	**(300)**	162,606
Net cash used in discontinued operation	**(11,637)**	(26,814)

10. (LOSS)/EARNINGS PER SHARE

Basic and diluted (loss)/earnings per share

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

The calculation of diluted (loss)/earnings per share is based on the (loss)/profit attributable to ordinary equity shareholders of the Company. The weighted average number of ordinary shares is the number of ordinary shares in issue during the year and assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

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

(i) From continuing and discontinued operations

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

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

(ii) ***From continuing operations***

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

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

(iii) ***From discontinued operation***

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

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

11. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2015 (2014: Nil).

12. 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:

	2015	2014
	RMB'000	*RMB'000*
Within 2 months	**303,534**	519,102
Over 2 months but within 6 months	**39,650**	271,261
Over 6 months but within 1 year	**95,688**	285,078
Over 1 year but within 2 years	**143,312**	192,386
Over 2 years	**100**	1,165
	582,284	1,268,992

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

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

13. TRADE AND BILL PAYABLES

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

	2015	2014
	RMB'000	*RMB'000*
Within 1 year	**1,074,216**	1,001,631
Over 1 year but within 2 years	**13,636**	46,107
Over 2 years but within 3 years	**859**	393
	1,088,711	1,048,131

14. BORROWINGS

	2015 *RMB'000*	2014 *RMB'000*
Current		
Secured bank loans	**2,634,845**	3,424,188
Unsecured bank loans	**576,832**	514,872
Current portion of non-current secured bank loans	**73,100**	713,325
Current portion of non-current unsecured bank loans	**–**	81,720
Other borrowings	**18,220**	–
	3,302,997	4,734,105
Non-current		
Secured bank loans	**2,602,325**	2,677,796
Unsecured bank loans	**–**	240,000
	2,602,325	2,917,796
	5,905,322	7,651,901

15. CAPITAL COMMITMENTS

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

	2015 *RMB'000*	2014 *RMB'000*
Property, plant and equipment	**48,176**	281,312
Interests in an associate (*Note (i)*)	**–**	6,509

(i) At 31 December 2014, Bright Rock Holdings Limited, a subsidiary of the Company, was committed to invest in Paragon Coal Pty Limited ("**Paragon Coal**") which amounted to approximately Australian dollars ("**AUD**") 1,300,000 (equivalent to approximately RMB6,509,000).

During the year ended 31 December 2015, the Group disposed of its entire equity interest in Bright Rock Holdings Limited, which held interest in Paragon Coal and accordingly there is no commitment as at 31 December 2015.

16. CONTINGENT LIABILITIES

(a) Outstanding litigation

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

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

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

Up to the date of this announcement, the case has not yet been concluded. The principal and interest of RMB35,687,000 have already been recognised as payables to Zhonghuitong included in other payables in the consolidated statement of financial position as at 31 December 2015. As a result of the foregoing, the Group further recognised the late penalty charges of RMB3,788,000 and interest charges of RMB6,888,000 in the consolidated financial statements for the year ended 31 December 2015.

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

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

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

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

(iv) ***Litigation claims related to unsettled considerations in relation to the acquisition of coal mining rights of Xinglong Coal Mine and Hongyuan Coal Mine***

During the year ended 31 December 2015, there were litigation claims initiated by the previous owners (the "**Previous Owners**") of Xinglong Coal Mine and Hongyuan Coal Mine against the Group to demand immediate repayment of the unsettled considerations with an aggregate amount of RMB51,338,000 in relation to the acquisitions of coal mining rights of Xinglong Coal Mine and Hongyuan Coal Mine in 2013. Pursuant to the judgments of the Shanxi Shuozhou Municipal Intermediate People's Court dated 20 April 2015 and 10 December 2015, the Group was ordered to pay the Previous Owners the unsettled consideration of RMB51,338,000, the late penalty charges and interest charges of RMB3,000,000 and corresponding legal costs of RMB350,000. On 23 July 2015 and 4 January 2016, the Group lodged appeal applications to the Shanxi Provincial Higher People's Court. Up to the date of this announcement, the litigations are still in progress. The amount of RMB51,338,000 has already been recognised as payables to the Previous Owners included in other payables in the consolidated statement of financial position as at 31 December 2015. As a result of the foregoing, the Group further recognised the late penalty charges and interest charges of RMB3,000,000 and corresponding legal costs of RMB350,000 in the consolidated financial statements for the year ended 31 December 2015.

(v) ***Litigation claim relating to default of repayment of bank borrowings***

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

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

Other than the disclosure of above, as at the end of the reporting period, the Group was not involved in any other material litigation or arbitration. As far as the Group was aware, the Group had no other material litigation or claim which was pending or threatened against the Group. As at 31 December 2015, the Group was the defendant of certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the management of the Group believes that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

(b) Financial guarantees issued

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

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

17. COMPARATIVE FIGURES

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

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

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

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

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

BUSINESS REVIEW

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

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

Prior to the disposal, the Group held 60% of equity interest in Zhuhai Qinfa Port Co., Ltd. In order to improve the Group's cash position and lower its gearing ratio, on 26 June 2015, Hong Kong Qinfa Trading Limited (a wholly-owned subsidiary of the Company) ("**the Seller**") entered into a conditional disposal agreement with Zhuhai Port Logistics Centre Co., Limited (珠海港物流中心有限公司) ("**the Buyer**"), pursuant to which the Seller conditionally agreed to sell, and the Buyer conditionally agreed to purchase, 60% of equity interest in Zhuhai Qinfa Port Co., Ltd. for a total cash consideration of RMB350 million. All conditions of the conditional disposal agreement have been met, and the disposal was completed in accordance with terms and conditions of the conditional disposal agreement on 7 August 2015, after which the Company has collected the cash consideration. The Company no longer holds any equity interest in Zhuhai Qinfa Port Co., Ltd.

Completing Equity Placing, Maintaining Liquidity

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

Adjustment in the Group's management structure

To improve the effectiveness of the decision-making process and execution, and to adapt to the fast-changing market situations, the Group has segregated the management of its businesses into the Northern segment and the Southern segment. It has also implemented a new vertically-stratified management model. Following the adjustments of the management structure, the Northern and Southern segments will be responsible for their own profit and loss, and responsibilities will be assigned to management staff of different levels, thereby maximizing the incentives and responsibilities of the employees, as well as the management staff of various levels.

Strengthening internal controls

In view of the fact that signs of inadequate internal controls surfaced in the Group recently, an internal audit division was established to enhance the risk management of the Group. By performing internal inspection and consultation activities, the audit division facilitates the construction of a comprehensive auditing system for the Group. It will improve and monitor the effectiveness of the system's operation on an on-going basis. The audit division also assists the Board and the audit committee of the Board to discharge their supervision responsibilities regarding the internal control functions, for the sake of guaranteeing the long-term effectiveness of the operation management in the Group.

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

	Note	**Location**	**Ownership**	**Site area** *(sq. km)*	**Operation status**
Huameiao Energy – Xingtao Coal	1,2	Shuozhou Shanxi	80%	4.3	Under operation
Huameiao Energy – Fengxi Coal	1,3	Shuozhou Shanxi	80%	2.4	Under operation
Huameiao Energy – Chongsheng Coal	1,4	Shuozhou Shanxi	80%	2.9	Under operation
Xinglong Coal	1,5,6	Xinzhou Shanxi	100%	4.0	Under development
Hongyuan Coal	1,5,7	Xinzhou Shanxi	100%	4.1	Under operation
Tiaro Coal		Australia	– (2014: 26.31%)	n.a.	Disposed during 2015

Notes:

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

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

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

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

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

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

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

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	4	4
Moisture (%)	8.09-10.57%	2.19-2.65%	2.31-3.59%
Ash (%)	15.51-24.27%	20.58-27.53%	23.25-30.74%
Sulfur (%)	0.86-0.92%	0.69-0.88%	0.84-1.80%
Volatile Matter (%)	26.27-28.31%	23.58-27.46%	23.58-25.91%
Energy Content (MJ/kg)	18.24-22.35	17.35-21.12	17.14-19.35

OPERATING DATA

Reserves and Resources

	Huameiao Energy - Xingtao Coal	Huameiao Energy - Fengxi Coal	Huameiao Energy - Chongsheng Coal	Xinglong Coal	Hongyuan Coal	Total
Reserves						
Reserves as of 31 December 2015 (Mt)						
– Proven reserves	63.13	17.19	30.10	22.49	30.16	163.07
– Probable reserves	12.26	27.43	19.51	9.53	1.17	69.90
Total reserves as of 31 December 2015 (Mt)	**75.39**	**44.62**	**49.61**	**32.02**	**31.33**	**232.97**
Resources						
Resources as of 31 December 2015 (Mt)	**111.94**	**69.09**	**73.70**	**45.96**	**41.78**	**342.47**

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

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

	Year ended 31 December	
	2015	2014
Raw coal production volume	***('000 tonnes)***	*('000 tonnes)*
Huameiao Energy – Xingtao Coal	**452**	1,313
Huameiao Energy – Fengxi Coal	**545**	2,212
Huameiao Energy – Chongsheng Coal	**445**	1,342
Ruifeng Coal	**–**	191
Hongyuan Coal	**–**	172
Total	**1,442**	5,230

Commercial coal production volume	Year ended 31 December **2015** ***('000 tonnes)***	 2014 *('000 tonnes)*
Huameiao Energy – Xingtao Coal	**294**[+]	854[+]
Huameiao Energy – Fengxi Coal	**354**[+]	1,438[+]
Huameiao Energy – Chongsheng Coal	**289**[+]	873[+]
Ruifeng Coal	**–**	191[^]
Hongyuan Coal	**–**	136[+]
Total	**937**	3,492

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

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

Exploration, Mining and Development Expenses

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

	Year ended 31 December **2015** ***RMB'000***	 2014 *RMB'000*
Materials and consumables	**45,833**	66,614
Staff cost	**139,185**	120,142
Other direct cost	**37,453**	59,244
Overhead and others	**193,776**	248,574
Evaluation fee	**2,455**	16,869
Total	**418,702**	511,443

FINANCIAL REVIEW

Revenue and Handling and Trading Volume

Revenue	Year ended 31 December **2015** ***RMB'000***	2014 *RMB'000*
Coal business	**1,220,485**	6,292,314
Shipping transportation	**156,722**	157,132
Port service income (reclassified as discontinued operation)	**37,317**	38,833

Handling and Trading volume	Year ended 31 December **2015** ***'000 tonnes***	2014 *'000 tonnes*
Coal Handling and Trading	**3,952**	15,935

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

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

	Year ended 31 December **2015**	2014	2013
Average selling price *(RMB per tonne)*	**309**	395	445
Average monthly handling and *trading volume ('000 tonnes)*	**329**	1,328	2,003

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

	Year ended 31 December			
	2015		2014	
	Net sales	**Percentage of Net sales**	Net sales	Percentage of Net sales
	RMB'000	***% of total***	*RMB'000*	*% of total*
Power plants	**273,611**	**22.4**	1,152,187	18.3
Coal traders	**502,924**	**41.2**	1,844,004	29.3
Cement plants and others*	**443,950**	**36.4**	3,296,123	52.4
Total	**1,220,485**	**100.0**	6,292,314	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 2015 was RMB156.7 million as compared with RMB157.1 million for the same period in 2014. The freight rates and the number of chartering vessels to external customers remain stable in 2015.

The Group disposed of its equity interest in Zhuhai Qinfa Port Co., Limited on 7 August 2015. After that Zhuhai Qinfa Port Co., Limited ceased to be a subsidiary of the Company. The Group's port business has discontinued and the revenue and result of port business have not been recognised in the Group's revenue and result since then.

Cost of Sales

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

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

	Year ended 31 December	
	2015	2014
	RMB million	*RMB million*
Cost of coal purchased	**1,322.8**	5,735.8
Cost of coal transportation*	**66.7**	211.5
Cost of self-produced coal	**445.4**	523.6
Materials, fuel, power	**45.8**	104.2
Staff costs	**139.2**	120.1
Transportation	**2.8**	2.9
Depreciation and amortisation	**145.5**	146.3
Others	**112.1**	150.1
Other costs	**49.1**	45.7
Total cost of sales of coal business segment	**1,884.0**	6,516.6

* 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 2015 and 2014:

	Year ended 31 December			
	2015		2014	
Origins of coal	**Sales volume**	**Net sales**	Sales volume	Net sales
	'000 tonnes	***RMB'000***	*'000 tonnes*	*RMB'000*
China	**3,944**	**1,216,981**	14,735	5,751,675
Indonesia	**1**	**384**	625	260,122
South Africa	**4**	**2,031**	4	1,604
Australia	**1**	**240**	376	179,776
Canada	**1**	**726**	153	75,734
Others	**1**	**123**	42	23,403
Total	**3,952**	**1,220,485**	15,935	6,292,314

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. This enables the Group to obtain a reliable supply of quality coal.

Gross Loss

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

Other Income, Gains and Losses

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

Distribution Expenses

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

Administrative Expenses

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

Other Expenses

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

Net Finance Costs

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

Loss Attributable to Equity Shareholders

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

On 30 November 2015, the Company entered into a placing agreement (the "**Placing Agreement**") with Sincere Securities Limited (the "**Placing Agent**") pursuant to which the Placing Agent has agreed to place to independent placees for up to 200,000,000 new shares in the capital of the Company (the "**Shares**") at a price of HKD0.249 per placing share, for and on behalf of the Company. The net proceeds from the placing amounted to HKD47.9 million. The Directors believe that the subscription can provide an opportunity to broaden the shareholder base and strengthen the capital base and financial position of the Company for the Group's future business developments. The conditions of Placing Agreement have been fulfilled and completion of the placing took place on 21 December 2015. As a result of the placing, the number of Shares increased from 2,078,413,985 Shares (31 December 2014) to 2,278,413,985 Shares (31 December 2015).

As of 31 December 2015, the cash and cash equivalents of the Group amounted to RMB20.7 million (as at 31 December 2014: RMB53.9 million), representing a decrease of 61.6%. The decrease in cash and cash equivalents was mainly due to the repayment of short term borrowings.

As of 31 December 2015, the total bank and other borrowings of the Group were RMB5,905.3 million (as at 31 December 2014: RMB7,651.9 million), RMB3,303.0 million of which were due on demand or within one year (as at 31 December 2014: RMB4,734.1 million) and carried interest at rates ranging from 4.35% to 12.96% (31 December 2014: 2.09% to 9.00%) per annum.

Non-current bank loans as at 31 December 2015 and 31 December 2014 carried at variable interest rates.

As of 31 December 2015, the Group had total banking facilities of RMB6,313.1 million (as of 31 December 2014: RMB8,314.6 million), of which RMB5,975.0 million (as at 31 December 2014: RMB6,842.6 million) were utilised.

As of 31 December 2015, the Group's cash and cash equivalents, except amount of RMB8.9 million in United States dollars ("**USD**") and amount of RMB0.6 million in HKD, were held in RMB. All the Group's bank and other borrowings 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 at 31 December 2015 was 109.9% (as of 31 December 2014: 47.7%). The increase in gearing ratio was mainly due to decrease of total assets as a result of impairment losses on property, plant and equipment, coal mining rights, interests in associates, trade receivables and prepayments and other receivables.

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 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

As at 31 December 2015, the Group's assets in an aggregate amount of RMB3,073.7 million (as at 31 December 2014: RMB9,782.4 million) in forms of property, plant and equipment, coal mining rights, 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 16 to the financial statements in this announcement, the Group did not have any material contingent liabilities as at 31 December 2015.

FINAL DIVIDEND FOR THE YEAR ENDED 31 DECEMBER 2015

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

EVENTS AFTER THE REPORTING PERIOD

(i) As disclosed in the announcement of the Company dated 27 December 2015, the Company has entered into the debt to equity agreement dated 25 December 2015 (the "**Agreement**") in relation to the capitalisation of RMB48,822,613 (the "**Loan**") with Link Beautiful Limited (the "**Creditor**") pursuant to which the Creditor requested the full and final settlement of the Loan by capitalising the Loan. On 25 December 2015, the Group consolidated certain loans due to China Minsheng Banking Corp., Ltd by its subsidiaries of RMB141,533,000 (the "**Minsheng Loan**") and novated the Minsheng Loan from the subsidiaries of the Company to the Company as the principal debtor. China Minsheng Banking Corp., Ltd, on the same date, signed a deed to assign the Minsheng Loan, including the Loan, to the Creditor. Subsequent to year end, the condition of the Agreement has been fulfilled and completion of the Agreement took place on 6 January 2016, whereby a total of 215,000,000 new Shares were allotted and issued to the Creditor at the subscription price of approximately HK$0.272 per Share.

(ii) On 25 April 2016, the Group entered into a share sale and purchase agreement with Bo Hai Investment Limited, a related company wholly owned by Mr. Xu, in relation to the disposal of entire equity interest in Hong Kong Qinfa International Trading Limited and its subsidiaries (the "**Proposed Disposal**"). The Proposed Disposal is yet to complete and is subject to approval of The Stock Exchange of Hong Kong Limited and independent shareholders and certain conditions precedent as stated in the share sale and purchase agreement.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

Except for the disposal of the equity interest in Zhuhai Qinfa Port Co., Limited on 7 August 2015 as disclosed in the note 9 to the financial statements in this announcement, there was no material acquisition and disposal of subsidiaries during the year ended 31 December 2015. Addition information is set forth in the notes to the consolidated financial statement of the Company.

EMPLOYEES AND REMUNERATION

As of 31 December 2015, the Group employed 1,118 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.

Moreover, as disclosed in the prospectus of the Company dated 19 June 2009 (the "**Prospectus**"), the Company adopted a pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") and a post-IPO share option scheme (the "**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.

BUSINESS OUTLOOK

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

Optimising Allocation, Controlling Costs and Saving Resources

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

Looking forward to the coming year, under the state policy of "cut excessive industrial capacity", the coal market is hard to recover from the difficult situation in short period as China's economic development is now in a new normal of structural adjustment. However, the Thirteenth Five Year Plan will continue to apply to regional development strategies, mainly "the Belt and the Road", Beijing-Tianjin-Hebei integration, and Yangtze River Economic Zone. In 2016, China will invest RMB500 billion to launch a series of major infrastructure projects to stimulate domestic demand for steel and cement. Coal will remain as the main fuel in China in foreseeable future. Meanwhile, eliminating backward capacity is beneficial for the long-term steady development of the coal industry.

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

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

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

Last but not least, the management would like to take this opportunity to express their heartfelt gratitude to the Board, and our shareholders, all staff members and business partners for supporting the development of the Group over the years. The management believes that the high quality assets of the Group will be able to turn in considerable returns for the Group and its shareholders when the Group emerges out of this difficult period. In 2016, all staff members of the Group will work as one team, remain trustworthy and prudent, be willing to bear responsibilities and explore new frontiers so that maximum value can be delivered to our investors.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code (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 2015 except for the deviation with explanation as set out hereunder.

According to the code provision A.6.7 of the Code, independent non-executive directors should attend general meetings. Two of the independent non-executive directors were unable to attend the annual general meeting of the Company held on 25 June 2015 due to various work commitments.

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 consolidated financial statements of the Group for the financial year ended 31 December 2015.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by Moore Stephens CPA Limited on the preliminary 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 2015:

Basis for disclaimer of opinion

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

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

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

Multiple uncertainties relating to going concern

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

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

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

Should the going concern assumption be inappropriate, adjustments might be required to write down the value of assets to the estimated recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected 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, and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirement of the Hong Kong Companies Ordinance.

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

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

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the financial year ended 31 December 2015 (the "**Annual Report**") 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. As additional time is required for the Company to finalize the Annual Report, the Company is unable to dispatch the Annual Report to its shareholders on or before 30 April 2016.

CLOSURE OF THE REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Thursday, 23 June 2016. To determine the eligibility of the shareholders of the Company to attend the annual general meeting to be held on Thursday, 23 June 2016, the register of members will be closed from Wednesday, 22 June 2016 to Thursday, 23 June 2016, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4 p.m. on Tuesday, 21 June 2016.

SUSPENSION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:00 a.m. on 1 April 2016 and will remain suspended pending the release of an announcement in respect of the Proposed Disposal. Please refer to the announcement of the Company dated 29 April 2016 for further details on the Proposed Disposal.

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

Guangzhou, 29 April 2016

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