



中國秦發集團有限公司

CHINA QINFA GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock code : 866

FIRM
FOUNDATION
BUILDING
FUTURE

Interim Report
2014



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr XU Jihua (*Chairman*)
Ms WANG Jianfei (*Chief Executive Officer*)
Ms LIU Xiaomei
Mr WENG Li

Independent Non-Executive Directors

Mr HUANG Guosheng
Mr LAU Sik Yuen
Mr XING Zhiying

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Mr WONG Chi Kin, *FCPA (Resigned on 31 August 2014)*
Mr FUNG Wai Shing (*Appointed on 31 August 2014*)

Authorised Representatives

Ms WANG Jianfei (*Chief Executive Officer*)
Mr WONG Chi Kin, *FCPA (Resigned on 31 August 2014)*
Mr FUNG Wai Shing (*Appointed on 31 August 2014*)

Registered Office

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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in China

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Level 22
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Haizhu District
Guangzhou City
The PRC

Principal Place of Business in Hong Kong

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

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
18th Floor, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai
Hong Kong

Auditors

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

Principal Bankers

Bank of China
China Minsheng Bank Corp., Ltd
DBS (Hong Kong) Limited
Industrial and Commercial Bank of China
Rabobank International

Stock Code

00866

Website

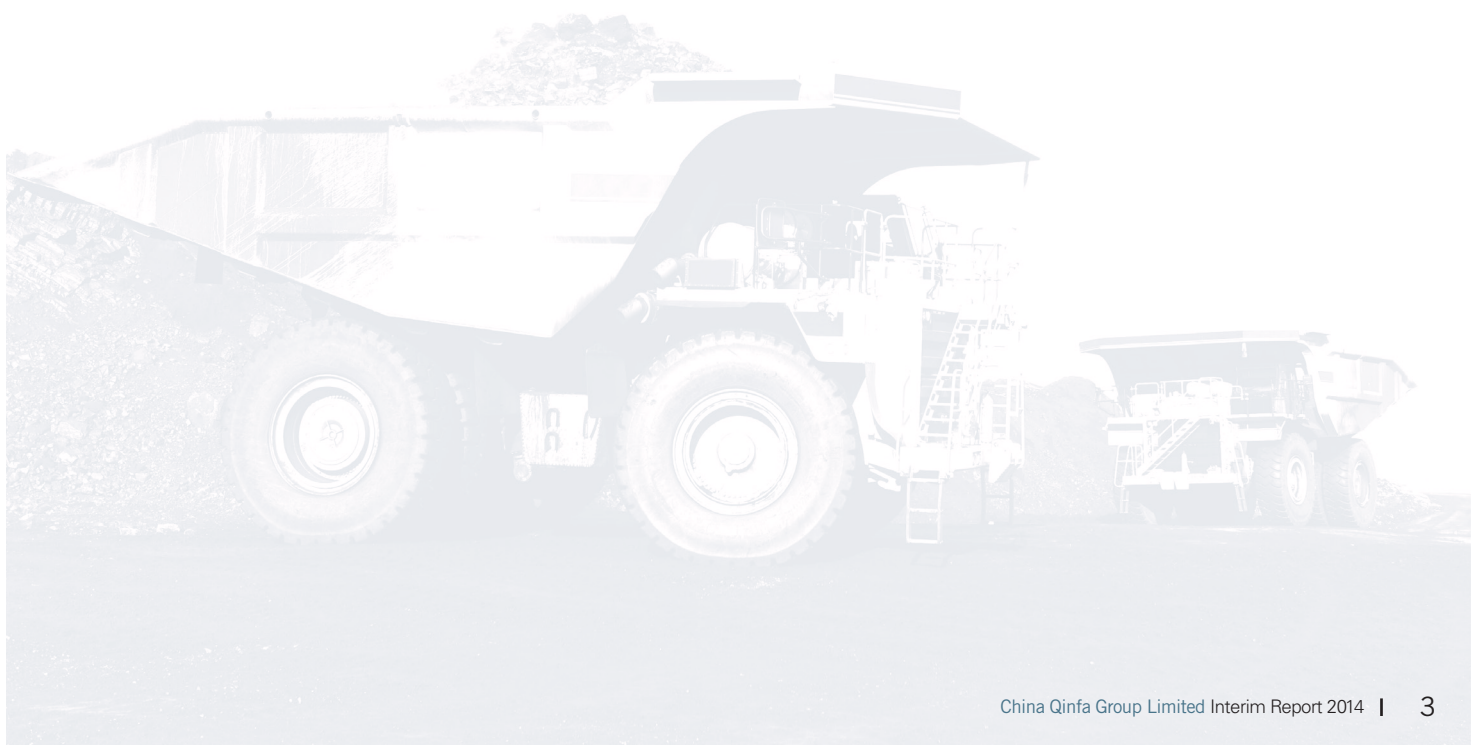
<http://www.qinfagroup.com>

BUSINESS AT A GLANCE

China Qinfra Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 4 March 2008 as an exempted company with limited liability. The Company is the ultimate holding company of various companies in Hong Kong and China (collectively, the “**Group**”) which are principally engaged in the coal operation business involving coal mining, purchase and sales, filtering, storage, blending, shipping, transportation and port business.

An integrated coal supply chain is the key to the Group’s success. With business operations strategically located in Hong Kong and various cities in China, namely, Shuozhou, Xinzhou, Datong, Yangyuan, Qinhuangdao, Zhuhai and Guangzhou, the Group is able to source coal in China and overseas markets. Currently, the Group controls three coal loading stations along the Daqin Railway, which is the world’s largest coal haul railway to the world’s largest coal port – Qinhuangdao port in Hebei Province, China.

In China, the Group sources coal mainly from the western and northern regions, and provides full logistics services and transportation arrangements through road and sea transportation to deliver the coal to customers in the coastal regions of China. The Group has its own fleet and chartered vessels, which facilitate the shipping transportation of coal. Apart from coal transportation, the Group’s vessels are also engaged in the provision of dry bulk cargo transportation services to other customers.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a non-State owned thermal coal supplier in China and operates an integrated coal supply chain, including coal mining, purchase and sale, filtering, storage, blending, shipping transportation and port business. During the six months ended 30 June 2014, the Group continued to focus on these business activities. The following sets forth detailed analysis of the principal components of the operating results of the Group:-

Revenue and coal handling and trading volume

	Six months ended 30 June	
	2014	2013
Coal handling and trading (RMB'000)	4,391,228	4,386,904
Coal handling and trading ('000 tonnes)	10,917	10,177

During the six months ended 30 June 2014, the volume of the Group's coal handling and trading increased as compared to the corresponding period in 2013. The increase was principally due to the increase in the coal produced by Shanxi Huameiao Energy Group Company Ltd. ("Huameiao Energy") and the increase in the efficiency of the coal supply chain operated by the Group. The coal handling and trading volume of the Group was 10,917,000 tonnes, representing an increase of 740,000 tonnes or 7.3% as compared to the corresponding period in 2013.

However, the average monthly coal selling prices during the six months ended 30 June 2014 were in the range between RMB365 per tonne and RMB494 per tonne, which were even lower than the average monthly coal selling prices between RMB406 per tonne and RMB468 per tonne during the same period in 2013. The decrease was principally because of the reduced demand for coal in China during the six months ended 30 June 2014, principally due to the economic uncertainties which resulted in a slow growth in the manufacturing sector in the PRC, thereby reducing the demand of coal for electricity generation.

The average coal selling prices and the coal handling and trading volume for each of the three years ended 31 December 2013 and the six months ended 30 June 2014 and 2013 are set forth in the table below:-

	Six months ended 30 June		Year ended 31 December		
	2014	2013	2013	2012	2011
Average selling price (RMB per tonne)	402	431	445	494	618
Average monthly handling and trading volume ('000 tonnes)	1,820	1,696	2,003	1,841	1,327

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and shipping transportation

The turnover for the shipping transportation segment for the six months ended 30 June 2014 was RMB66.2 million, representing an increase of RMB10.4 million or 18.6% from RMB55.8 million for the corresponding period in 2013. The increase in turnover was primarily due to the continuous increases in the freight shipping rates as a result of increase in chartering vessels to external customers.

Gross profit margin and gross profit

The gross profit of the Group decreased by RMB301.6 million during the six months ended 30 June 2014 to RMB158.0 million from RMB459.6 million during the corresponding period in 2013. The gross profit margin of the Group during the six months ended 30 June 2014 was 3.5% as compared to 10.3% during the corresponding period in 2013. The decrease was principally due to the decreased gross profit margin in coal trading business as well as the trading business of self-produced coal.

Other income, gains and losses

During the six months ended 30 June 2014, the Group's other income amounted to RMB64.2 million, representing a decrease of RMB20.6 million as compared to RMB84.8 million during the corresponding period in 2013. The decrease was mainly due to the net foreign exchange loss during the period.

Net finance costs

Net finance costs of the Group during the six months ended 30 June 2014 amounted to RMB350.8 million, representing an increase of RMB98.7 million or 39.2% from RMB252.1 million during the corresponding period in 2013. The increase was principally due to the increase in the use of trade finance to support the 7.3% increase in the coal handling and trading volume and the increase in borrowing cost during the period.

Net loss for the period

Net loss for the six months ended 30 June 2014 was RMB355.5 million, as compared to a profit of RMB22.4 million for the corresponding period in 2013. The decrease was primarily attributable to (1) continuing downturn in the coal market, substantial decline in the coal prices and the continuous decreases in the average coal selling prices of the Group; (2) the increase in net finance costs of the Group; and (3) the reduction in the deferred tax assets arising from tax loss carried forward.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overload test successfully conducted for Zhuhai terminal project

On 18 February 2014, the overload test for the 100,000-tonne coal terminal project of Zhuhai Qinfafa Port Co., Ltd (“**Zhuhai Qinfafa**”) was successfully conducted in Gaolan Port Economic Zone (“**Gaolan Port**”). The 100,000-tonne coal terminal project of Zhuhai Qinfafa, as one of major construction projects in Guangdong Province, was constructed under the joint investments of Zhuhai Port Holdings Limited and the Group. The terminal will have one 100,000 tonne berth (hydraulic structure is designed based on the berthing of 150,000-tonne bulk cargo ships), three 3,000-tonne berths, and one 2,000-tonne berth, with a berth length of 709m, land depth of 480m, and yard area of 340,000 square meters. The terminal has an annual loading capacity of 15 million tonnes, and can undertake the transshipment of large ships or transshipment of ships to hinterland of the Xijiang River. With a total investment of RMB2.05 billion, the terminal is one of the highest-level coal terminals, approved in the Pearl River Delta. Currently, Gaolan Port has 100,000 tonne main channels with a depth of 15.4m, and is accelerating the upgrading project of its main channels to 150,000 tonnes. The Directors expect that the Gaolan Port will be equipped with channels at a depth of 19.4m and effective bottom width of 290m by the year 2015. The terminal is equipped with advanced handling boats, yard handling equipment, conveyor belt systems as well as sophisticated hardware and information management systems. Added with experienced management and professional teams, the terminal can provide standardised, professional, efficient, and quality one-stop services to customers.

Hengqin Coal Exchange Center established

Zhuhai Hengqin Coal Exchange Center (the “**Center**”) was established on 19 February 2014 under the joint investments of the Group, Hebei Port Group Co., Ltd. and Zhuhai Financial Investment Holdings Co., Ltd.. The Center is designed to build a new comprehensive coal trading electronic platform that combines finance and logistics based on information services with financial services as its core service, which will also be China’s first coal trading center that can provide complete supply chain services. As a comprehensive coal trading service platform, Zhuhai Hengqin Coal Exchange Center can provide transaction, information, index, logistics, finance, membership and other services to enterprises, and handle discrete trading, logistics, and financing requirements by integrating resources, so as to simplify procedures and reduce costs for enterprises. Meanwhile, the Center has changed the extensive operating model in the field of coal trading through decomposing transaction activities and refining operational process.

Located in Hengqin, the most active economic center in China and Southeast Asia adjacent to Hong Kong SAR and Macau SAR, the Center enjoys special taxation, industrial and innovative financial policies, where it has the most level of opening, the least restrictive system and the vastest innovation potential in China. The Directors are of the view that the establishment of the Center in Hengqin will allow the Center to access to the coal market in China and enjoy the unique geographical and policy advantages. Leveraging the nearest estuaries to Southeast Asian countries such as Zhuhai Port, Guangzhou Port, and Fangcheng Port as well as advanced logistics systems like criss-cross railway and highway networks and various connecting lines, the Center may cover the entire southern areas of China.

MANAGEMENT DISCUSSION AND ANALYSIS

Two coal mines of Huameiao Energy obtained safe production licenses

The Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Co., Ltd. (“Fengxi Coal”) mine and the Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Co., Ltd. (“Chongsheng Coal”) mine of Huameiao Energy passed the tests on 2 December 2013 and 26 January 2014, respectively. Hence, the two coal mines have been granted safe production licences. The upgrading and transformation works of Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Co., Ltd. (“Xingtao Coal”) mine are expected to be completed in 2015, while the mine construction and civil engineering work of Shanxi Xinzhou Shenchi Hongyuan Coal Co., Ltd. (“Hongyuan Coal”) mine have been basically completed.

As at 30 June 2014, the Group owned and operated six coal mines in the PRC and has equity interest in one company listed in Australia engaging in the coal mining business. The table sets forth certain information about these coal mines.

	Note	Location	Ownership	Site area (sq. km)	Operation status
Huameiao Energy – Xingtao Coal	1, 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
Shanxi Hun Yuan Ruifeng Coal Co., Ltd. (“Ruifeng Coal”)	5	Datong Shanxi	87.88%	2.7	Under operation
Shanxi Xinzhou Shenchi Xinglong Coal Co., Ltd. (“Xinglong Coal”)	6, 7	Xinzhou Shanxi	100%	4.0	Under development
Hongyuan Coal	6, 8	Xinzhou Shanxi	100%	4.1	Under operation
Tiaro Coal		Australia	19.88%	n.a.	Under exploration

Notes:

- (1) The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources as of 30 September 2011 in accordance with the JORC Code. For the period from 1 October 2011 to 30 June 2014, there was no material change in total coal reserves and resources. The total coal reserves and resources as of 30 June 2014 were derived from the estimated figures after deducting the raw coal production for the period from 1 October 2011 to 30 June 2014.
- (2) The production capacity for Xingtao Coal mine of Huameiao Energy is 1.50 million tonnes per annum, with a total investment budget of (excluding coal washing plant) RMB380 million. The construction was commenced in October 2011. As of 30 June 2014, the accumulated actual investment was RMB353 million, of which RMB30 million was invested during the period from January to June 2014. The mine commenced joint trial operation on 30 June 2014. It is expected that the mine will be completed and put into production on 30 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

- (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 30 June 2014, the accumulated actual investment was RMB384 million, of which RMB113 million has invested in 2013. The coal mine and coal washing plant was put into production on 21 October 2013, and the construction of the coal mine and coal washing plant was completed, delivering 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 30 June 2014, the accumulated actual investment was RMB389 million, of which RMB105 million was invested in 2013. The construction of the coal mine and coal washing plant was completed, delivering a capacity of 0.9 million tonnes per annum. The mine had been put into production on 21 January 2014.
- (5) As of 30 June 2014, the total estimated raw coal resources of Ruifeng Coal under PRC standard amounted to approximately 66.55 million tonnes (representing the estimated raw coal reserves (included the goaf of 5.73 million tonnes) reported by a PRC mineral industry consultant and approved by the PRC local government as of 22 September 2011 and after deduction of the raw coal production volume for the period from 1 January 2013 to 30 June 2014).

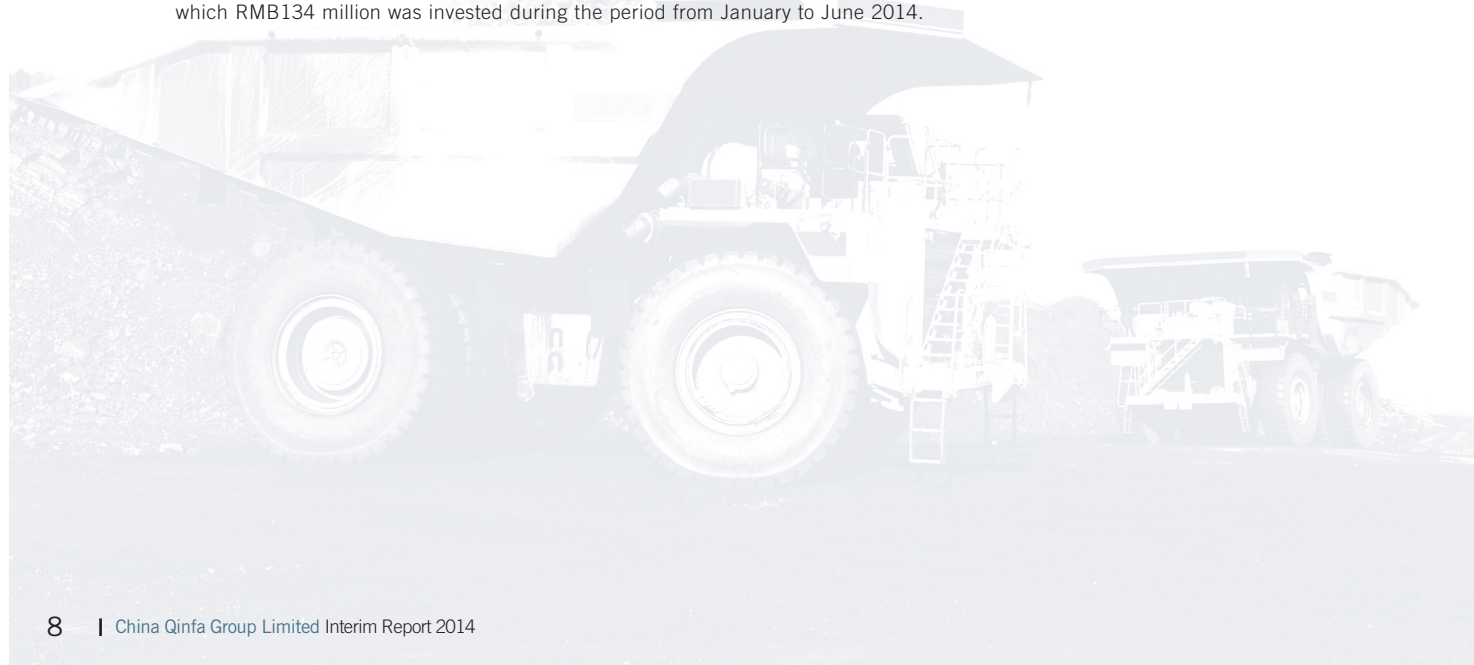
The production capacity for Ruifeng Coal mine is 0.9 million tonnes per annum, with a total investment budget of RMB213 million.

- (6) 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 of 2013.

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

Pursuant to the estimation, the coal reserves and resources of two coal mines were 66.89 million tonnes and 96.56 million tonnes as of 30 June 2014 (after deduction of the raw coal production volume for the period from 1 June 2013 to 30 June 2014) respectively.

- (7) The production capacity for Xinglong Coal mine is 0.9 million tonnes per annum, with a total investment budget of RMB453 million. The construction was commenced in December 2012. As of 30 June 2014, the accumulated actual investment was RMB200 million, of which RMB115 million was invested during the period from January to June 2014. The mine construction, civil engineering and installation works are in progress.
- (8) The production capacity for Hongyuan Coal mine is 0.9 million tonnes per annum, with a total investment budget of RMB424 million. The construction was commenced in March 2013. As of 30 June 2014, the accumulated actual investment was RMB304 million, of which RMB134 million was invested during the period from January to June 2014.



MANAGEMENT DISCUSSION AND ANALYSIS

COAL CHARACTERISTICS

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

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

OPERATING DATA

Reserves and Resources

	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal	Ruifeng Coal	Xinglong Coal	Hongyuan Coal	Total
Reserves							
Reserves as of 31 December 2013 (Mt)							
– Proven reserves	63.73	19.42	28.90	n.a.	22.49	18.53	153.07
– Probable reserves	13.86	27.26	18.22	n.a.	9.53	16.46	85.33
Total reserves as of 31 December 2013 (Mt)	77.59	46.68	47.12	n.a.	32.02	34.99	238.40
Less: Total raw coal production for the period from 1 January to 30 June 2014 (Mt)	(1.04)	(1.78)	(1.13)	n.a.	n.a.	(0.09)	(4.04)
Reserves as of 30 June 2014 (Mt)	76.55	44.90	45.99	n.a.	32.02	34.90	234.36
Resources							
Resources as of 31 December 2013 (Mt)	115.93	73.97	76.87	66.65	45.96	50.72	430.10
Less: Total raw coal production for the period from 1 January to 30 June 2014 (Mt)	(1.04)	(1.78)	(1.13)	(0.10)	n.a.	(0.09)	(4.14)
Resources as of 30 June 2014 (Mt)	114.89	72.19	75.74	66.55	45.96	50.63	425.96

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Six months ended 30 June	
	2014 ('000 tonnes)	2013 ('000 tonnes)
Raw coal production volume		
Huameiao Energy – Xingtao Coal	1,043 ⁺	1,323 ⁺
Huameiao Energy – Fengxi Coal	1,778 ⁺	1,409 ⁺
Huameiao Energy – Chongsheng Coal	1,128 ⁺	384 ⁺
Ruifeng Coal	100 [^]	501 [#]
Hongyuan Coal	91 [^]	251 [^]
Total	4,140	3,868

	Six months ended 30 June	
	2014 ('000 tonnes)	2013 ('000 tonnes)
Commercial coal production volume		
Huameiao Energy – Xingtao Coal	678 ⁺	860 ⁺
Huameiao Energy – Fengxi Coal	1,156 ⁺	916 ⁺
Huameiao Energy – Chongsheng Coal	733 ⁺	249 ⁺
Ruifeng Coal	100 [^]	501 [#]
Hongyuan Coal	91 [^]	251 [^]
Total	2,758	2,777

* : Per the competent person's report issued on 30 September 2011, the volume of commercial coal produced by Huameiao Energy is calculated by a yield rate of 65% of raw coal.

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

Exploration, Mining and Development Expenses

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

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Exploration activities	–	42,623
Materials and consumables	35,676	38,227
Staff cost	53,120	28,409
Other direct cost	24,815	15,070
Overhead and others	150,822	141,891
Evaluation fee	5,809	4,410
Total	270,242	270,630

Liquidity, Financial Resources and Capital Structure

The Group adopts stringent financial management policies and maintains a healthy financial condition. The Group funds its business operations and general working capital by internally generated financial resources and bank borrowings. As of 30 June 2014, the Group recorded net current liabilities of RMB4,977.3 million which were mainly due to the increase in trade payables and current bank borrowings.

The Group has maintained its strong business relationship with its bankers to gain their continuing support and is actively discussing with its bankers for renewal of banking facilities due within 30 June 2015. As at 30 June 2014, the Group had unutilised banking facilities of RMB5,080.4 million. In addition, the Group also plans to apply for new banking facility in the next twelve months. Based on the Group's business plan and cash flow forecast, and with the ongoing support from its bankers and its controlling shareholder, the Group expects to have sufficient financial resources to cover its operating costs and to meet its financing commitments.

The management has taken initiative to strengthen the Group's working capital cycle during the period. As of 30 June 2014, cash and cash equivalents of the Group amounted to RMB358.6 million (as of 31 December 2013: RMB483.3 million), representing a decrease of 25.8% as compared to cash and cash equivalents of the Group as of 31 December 2013. The decrease in cash and cash equivalents was mainly due to the increase in domestic purchase which more bank deposits are pledged to the banks. The cash level as at 30 June 2014 was in line with the Group's policy.

As of 30 June 2014, the total bank and other borrowings of the Group were RMB10,092.9 million (as of 31 December 2013: RMB9,058.1 million), RMB7,998.0 million of which were repayable within one year and carried interest at market rates ranging from 1.45% to 9.16% (31 December 2013: 1.30% to 9.50%) per annum.

Non-current secured bank loans as of 30 June 2014 and 31 December 2013 carried at variable and fixed interest rates.

MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2014, the Group had total banking facilities of RMB11,812.1 million (as of 31 December 2013: RMB9,951.4 million), of which RMB6,731.7 million (as at 31 December 2013: RMB7,770.9 million) were utilised.

As of 30 June 2014, the Group's cash and cash equivalents, except amounts of RMB87.1 million and RMB0.7 million which were held in Hong Kong dollars ("HKD") and United States dollars ("USD") respectively, were held in RMB. The Group's interest-bearing borrowings made in RMB and USD were RMB9,847.4 million and RMB245.5 million respectively.

The gearing ratio (calculated as interest-bearing borrowings netted off sum of cash and cash equivalents and pledged deposits divided by total assets) of the Group as of 30 June 2014 was 32.7% (as at 31 December 2013: 35.5%).

Exposure to Fluctuations in Exchange Rates

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

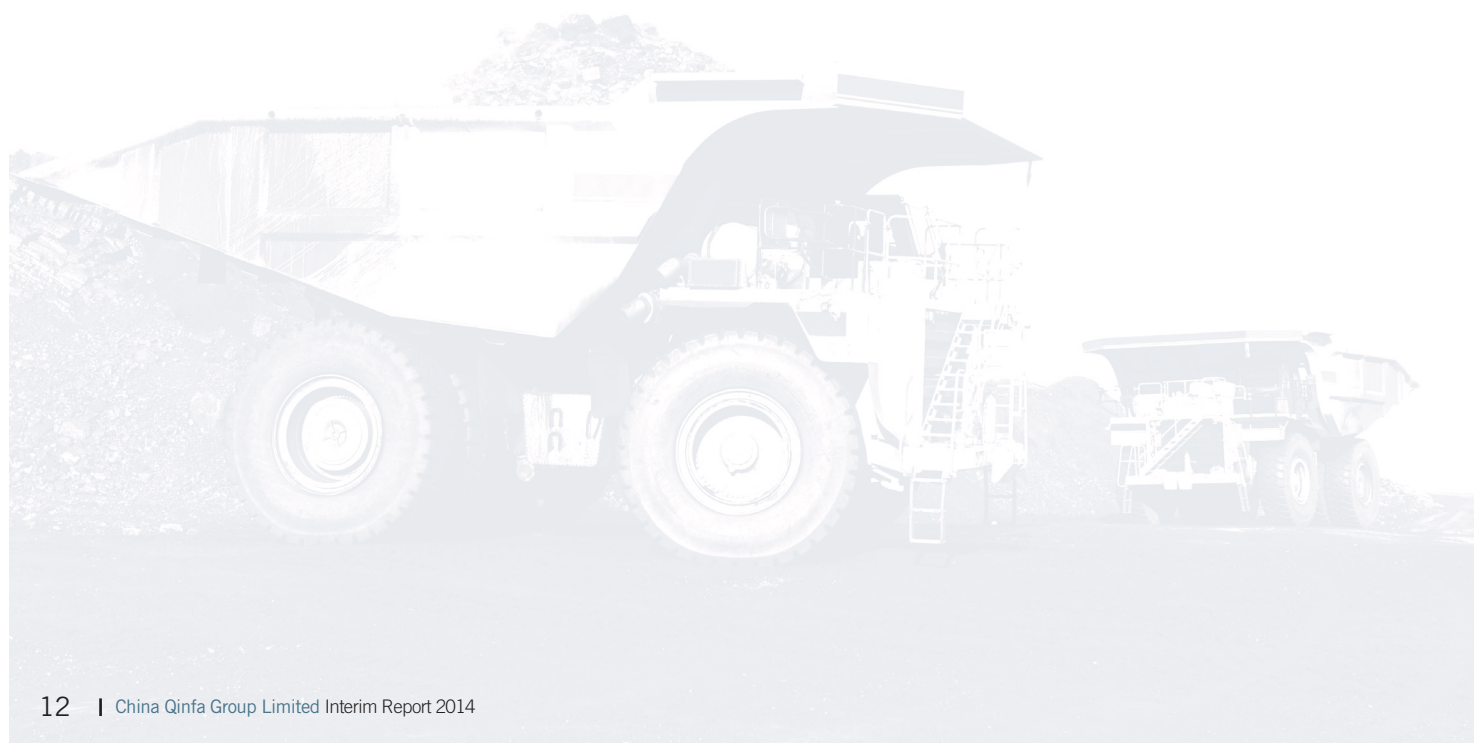
Pledge of Assets of the Group and Guarantee

As of 30 June 2014, the Group's assets in an aggregate amount of RMB10,683.4 million (as of 31 December 2013: RMB9,053.2 million) in forms of property, plant and equipment, coal mining rights, inventories, trade and bill receivables and pledged deposits were pledged to banks for credit facilities granted to the Group.

As at 30 June 2014, Mr. XU Jihua, the chairman of the Board and an executive Director, and his associates provided guarantees to banks for granting banking facilities of an amount equivalent to RMB5,718.6 million (as of 31 December 2013: RMB4,278.3 million) to the Group.

CONTINGENT LIABILITIES

As of 30 June 2014, the Group did not have any material contingent liabilities.

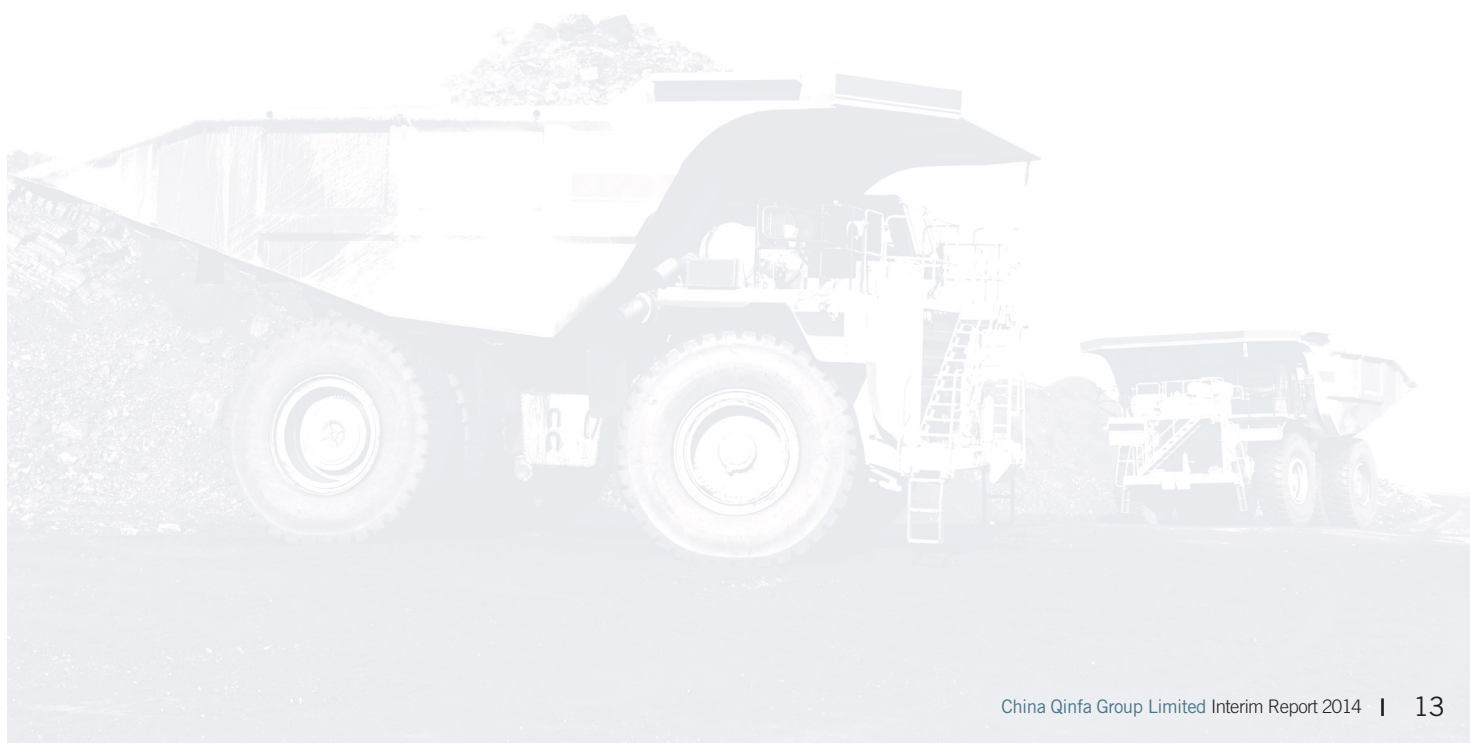


EMPLOYEES AND REMUNERATION

As of 30 June 2014, the Group employed 1,595 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 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 labor 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, a pre-IPO share option scheme was adopted in June 2009 to retain employees who have made contribution to the success of the Group. As of 30 June 2014, there were outstanding share options to subscribe for 13,600,000 ordinary shares of the Company (“Shares”) in aggregate granted under the pre-IPO Share Option Scheme to an executive Director and 20 employees of the Group. On 17 January 2012, the Company has further granted share options to 15 employees to subscribe for a total of 20,751,196 Shares under the Share Option Scheme adopted on 12 June 2009. As of 30 June 2014, there are share options outstanding to subscribe for 14,822,283 Shares in aggregate granted under the Share Option Scheme. 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

The coal sector in China is in the cyclical adjustments stage. Although there are difficulties in the short term, the prospects of the sector are still promising in the long term. Therefore, the Directors are optimistic about the prospects of the Company and the future of the coal sector in China.

- (1) The Chinese government is committed to stabilising the economic growth and adjusting the structure of the economy. The economic restructuring efforts achieved initial results. In the future, the economic structure would further be optimised, which is important to the steady and the rapid growth of economy and the increase in coal demands.
- (2) China's resource and energy consumption structure indicates that coal will remain the most important energy source for a fairly long period of time in the future. There still exists the contradiction between the relatively sufficient short-term supply and long-term insufficiency.
- (3) China encourages concentration of the coal industry and accelerates the fostering of new advantages for the economic development of the coal sector. In the context of over-capacity, an integrated coal enterprise producing high quality coal with low cost will be the core competitiveness. Coal enterprises with single business model are expected to be phased out in the near future. The current market situation provides integration opportunities for comprehensive coal companies with large scale and low costs.
- (4) China will continue to implement the reform of market-oriented development for the coal sector, so the relationship between the prices for coal and electricity will be further optimised and the development of the sector will be more standardised and stable.
- (5) The Chinese government has promulgated measures to relieve the tax burden of coal enterprises. The People's Government of Shanxi Province has suspended the charges of the "environmental restoration fund" of RMB10 per tonne and the "coal mine transformation fund" of RMB5 per tonne. As a result, the Group's profitability is expected to be further improved.

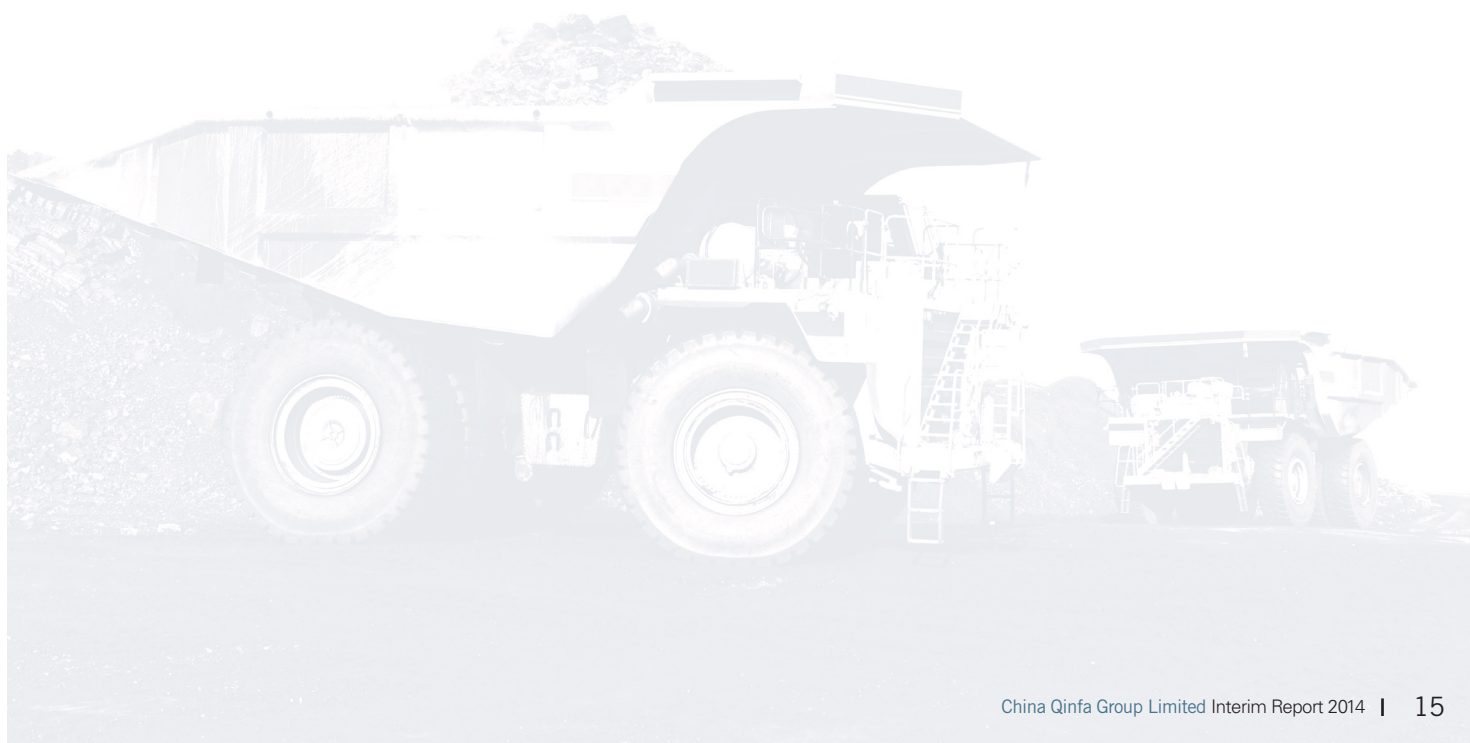
In the second half of the year, the Group will adjust the production and operation strategies based on the prevailing market situation, and optimise the development of financial management and various business sectors. The following measures will be implemented by the Group:

- The Group will adjust the management structure to a three-tier hierarchical management model, so as to achieve a better coordination of departments and boost their motivation.
- The Group will strive to attain the annual business objectives. The Group will closely monitor market situation, continue to implement the principle of determining procurement based on sales, and reasonably arrange the production plans. The Group will further optimise the organisational coordination between and among production, transportation and sales units, strictly control costs, reduce unnecessary expenditures, and strive to attain the business objectives set for the year.

BUSINESS OUTLOOK

- The Group will actively explore markets, give priority to improvement in efficiency, and enhance the cooperation with high-quality customers. The Group will promote the development of the electronic trading platform for Hengqin Coal Exchange Center and actively seek profit source.
- The Group will implement standardised and scale management for coal production departments, realise optimal allocation of production resources, and strive to yield maximum benefits and outputs with reasonable capital investments. The Group will accelerate the construction, upgrading, and acceptance of special projects, clarify safety responsibilities, ensure project quality and improve IT technology. In addition, the Group will strengthen staff training, so as to be well prepared for the release of new capacities.
- The Group will set up a financing department and audit department with a focus on enriching the financing channels and enhancing the financing capabilities. The Group will optimise financial management and strictly control financial risks by implementing budget management on an overall scale and controlling expenditures not specified in budgets. The Group will reduce costs, improve efficiency, and enhance abilities to resist risks.
- The Group will improve the coordinated development of various sectors on the integrated supply chain and further enhance the core competitiveness.

Faced with tough market conditions and unprecedented operating pressure, the management and all colleagues of the Group will work together and surmount difficulties with joint efforts to cement the Group's long-term sustainable development and create greater values for our shareholders.



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
Turnover	4	4,457,384	4,442,661
Cost of sales		(4,299,417)	(3,983,026)
Gross profit		157,967	459,635
Other income, gains and losses	5	64,196	84,803
Distribution expenses		(45,530)	(65,183)
Administrative expenses		(110,586)	(123,382)
Other expenses		(3,057)	(120,877)
Results from operating activities		62,990	234,996
Finance income		18,379	21,093
Finance costs		(369,133)	(273,204)
Net finance costs	6(a)	(350,754)	(252,111)
Share of loss of associates	11	(3,035)	(2,170)
Loss before taxation	6(b)	(290,799)	(19,285)
Income tax (expense)/credit	7	(64,729)	41,719
(Loss)/profit for the period		(355,528)	22,434
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		6,506	(12,211)
Other comprehensive income/(loss) for the period (after tax and reclassification adjustment)		6,506	(12,211)
Total comprehensive (loss)/income for the period		(349,022)	10,223

The notes on pages 24 to 46 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 20(b).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
(Loss)/profit attributable to:			
Equity shareholders of the Company		(381,555)	(30,118)
Non-controlling interests		26,027	52,552
(Loss)/profit for the period		(355,528)	22,434
Total comprehensive (loss)/income attributable to:			
Equity shareholders of the Company		(375,049)	(42,329)
Non-controlling interests		26,027	52,552
Total comprehensive (loss)/income for the period		(349,022)	10,223
Loss per share			
Basic and diluted loss per share (RMB)	8	(0.18)	(0.01)



The notes on pages 24 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	6,428,658	6,108,676
Coal mining rights	10	4,937,512	4,971,400
Lease prepayments		129,378	129,448
Interests in associates	11	102,543	92,267
Deferred tax assets		142,045	151,409
		11,740,136	11,453,200
Current assets			
Inventories	12	998,229	400,430
Trade and bill receivables	13	2,888,368	2,699,343
Prepayments and other receivables	14	1,656,039	1,526,390
Pledged deposits	15	2,984,067	1,983,604
Cash and cash equivalents		358,583	483,310
		8,885,286	7,093,077
Current liabilities			
Loans and borrowings	16	(7,997,980)	(6,483,197)
Trade and bill payables	17	(3,378,554)	(1,589,768)
Other payables	18	(1,952,268)	(2,386,687)
Current taxation		(533,803)	(468,337)
		(13,862,605)	(10,927,989)
Net current liabilities		(4,977,319)	(3,834,912)
Total assets less current liabilities		6,762,817	7,618,288
Non-current liabilities			
Deferred tax liabilities		(1,128,463)	(1,139,326)
Other payables	18	(115,176)	(131,549)
Loans and borrowings	16	(2,094,949)	(2,574,906)
Accrued reclamation obligations		(84,462)	(81,869)
		(3,423,050)	(3,927,650)
Net assets		3,339,767	3,690,638

The notes on pages 24 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Notes	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Capital and reserves			
Share capital		176,531	176,531
Perpetual subordinated convertible securities	20(c)	156,931	156,931
Reserves	20(a)	1,592,002	1,968,900
Total equity attributable to equity shareholders of the Company		1,925,464	2,302,362
Non-controlling interests		1,414,303	1,388,276
Total equity		3,339,767	3,690,638

Approved and authorised for issue by the Board of Directors of China Qinfa Group Limited on 29 August 2014.

XU Jihua
Director

WANG Jianfei
Director



The notes on pages 24 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

Attributable to equity shareholders of the Company												
Notes	Share capital RMB'000	Share premium RMB'000	Perpetual subordinated convertible securities RMB'000	Merger reserve RMB'000	Reserves RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non controlling interest RMB'000	Total equity RMB'000	
At 1 January 2013 (Audited)	176,266	376,260	156,931	127,442	448,080	(123,744)	11,890	1,458,950	2,632,075	1,256,591	3,888,666	
Total comprehensive (loss)/income for the period												
(Loss)/profit for the period	-	-	-	-	-	-	-	(30,118)	(30,118)	52,552	22,434	
Other comprehensive loss												
Foreign currency translation differences for foreign operations	-	-	-	-	-	(12,211)	-	-	(12,211)	-	(12,211)	
Total other comprehensive loss	-	-	-	-	-	(12,211)	-	-	(12,211)	-	(12,211)	
Total comprehensive (loss)/income	-	-	-	-	-	(12,211)	-	(30,118)	(42,329)	52,552	10,223	
Transactions with equity shareholders, recorded directly in equity												
Dividends approved in respect of the previous year	20(b)	-	(49,417)	-	-	-	-	-	(49,417)	-	(49,417)	
Distribution relating to convertible securities	20(c)	-	(2,325)	-	-	-	-	-	(2,325)	-	(2,325)	
Appropriation of maintenance and production funds	20(a)(iii)	-	-	-	-	64,063	-	(64,063)	-	-	-	
Utilisation of maintenance and production funds	20(a)(iii)	-	-	-	-	(24,798)	-	24,798	-	-	-	
Equity-settled share-based payments	20(a)(v)	-	-	-	-	-	1,130	-	1,130	-	1,130	
Total transactions with equity shareholders		-	(51,742)	-	-	39,265	-	1,130	(39,265)	(50,612)	(50,612)	
At 30 June 2013 (Unaudited)	176,266	324,518	156,931	127,442	487,345	(135,955)	13,020	1,389,567	2,539,134	1,309,143	3,848,277	

The notes on pages 24 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

Attributable to equity shareholders of the Company											
Notes	Share capital	Share premium	Perpetual subordinated convertible securities	Merger reserve	Reserves	Exchange reserve	Share-based compensation reserve	Retained earnings	Total	Non controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2013 (Unaudited)	176,266	324,518	156,931	127,442	487,345	(135,955)	13,020	1,389,567	2,539,134	1,309,143	3,848,277
Total comprehensive (loss)/income for the period											
(Loss)/profit for the period	-	-	-	-	-	-	-	(217,647)	(217,647)	59,133	(158,514)
Other comprehensive loss											
Foreign currency translation differences for foreign operations	-	-	-	-	-	(3,350)	-	-	(3,350)	-	(3,350)
Total other comprehensive loss	-	-	-	-	-	(3,350)	-	-	(3,350)	-	(3,350)
Total comprehensive (loss)/income	-	-	-	-	-	(3,350)	-	(217,647)	(220,997)	59,133	(161,864)
Transactions with equity shareholders, recorded directly in equity											
Shares issued in respect of scrip dividends	265	1,757	-	-	-	-	-	-	2,022	-	2,022
Dividends approved in respect of the previous year	20(b)	-	(149)	-	-	-	-	-	(149)	-	(149)
Dividends declared and paid in respect of the current year	-	(16,439)	-	-	-	-	-	-	(16,439)	-	(16,439)
Distribution relating to convertible securities	20(c)	-	(2,309)	-	-	-	-	-	(2,309)	-	(2,309)
Capital contribution received in a non-wholly owned subsidiary from non-controlling shareholders	-	-	-	-	-	-	-	-	-	20,000	20,000
Appropriation of maintenance and production funds	20(a)(iii)	-	-	-	217,444	-	-	(217,444)	-	-	-
Utilisation of maintenance and production funds	20(a)(iii)	-	-	-	(24,727)	-	-	24,727	-	-	-
Appropriation to reserves	-	-	-	-	4,505	-	-	(4,505)	-	-	-
Equity-settled share-based payments	20(a)(v)	-	-	-	-	-	1,100	-	1,100	-	1,100
Total transactions with equity shareholders	265	(17,140)	-	-	197,222	-	1,100	(197,222)	(15,775)	20,000	4,225
At 31 December 2013 (Audited)	176,531	307,378	156,931	127,442	684,567	(139,305)	14,120	974,698	2,302,362	1,388,276	3,690,638

The notes on pages 24 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to equity shareholders of the Company											
	Notes	Share capital RMB'000	Share premium RMB'000	Perpetual subordinated convertible securities RMB'000	Merger reserve RMB'000	Reserves RMB'000	Exchange reserve RMB'000	Share-based compensation reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non controlling interest RMB'000	Total equity RMB'000
At 1 January 2014 (Audited)		176,531	307,378	156,931	127,442	684,567	(139,305)	14,120	974,698	2,302,362	1,388,276	3,690,638
Total comprehensive (loss)/income for the period												
(Loss)/profit for the period		-	-	-	-	-	-	-	(381,555)	(381,555)	26,027	(355,528)
Other comprehensive income												
Foreign currency translation differences for foreign operations		-	-	-	-	-	6,506	-	-	6,506	-	6,506
Total other comprehensive income		-	-	-	-	-	6,506	-	-	6,506	-	6,506
Total comprehensive income/(loss)		-	-	-	-	-	6,506	-	(381,555)	(375,049)	26,027	(349,022)
Transactions with equity shareholders, recorded directly in equity												
Distribution relating to convertible securities	20(c)	-	(2,314)	-	-	-	-	-	-	(2,314)	-	(2,314)
Appropriation of maintenance and production funds	20(a)(iii)	-	-	-	-	86,387	-	-	(86,387)	-	-	-
Utilisation of maintenance and production funds	20(a)(iii)	-	-	-	-	(41,786)	-	-	41,786	-	-	-
Appropriation to reserves		-	-	-	-	644	-	-	(644)	-	-	-
Equity-settled share-based payments	20(a)(v)	-	-	-	-	-	-	465	-	465	-	465
Total transactions with equity shareholders		-	(2,314)	-	-	45,245	-	465	(45,245)	(1,849)	-	(1,849)
At 30 June 2014 (Unaudited)		176,531	305,064	156,931	127,442	729,812	(132,799)	14,585	547,898	1,925,464	1,414,303	3,339,767

The notes on pages 24 to 46 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Cash generated from/(used in) operations	160,781	(1,347,659)
Income tax paid	(1,018)	(25,695)
Net cash generated from/(used in) operating activities	159,763	(1,373,354)
Investing activities		
Acquisition of property, plant and equipment	(324,880)	(656,018)
Other cash flows arising from investing activities	10,996	71,462
Net cash used in investing activities	(313,884)	(584,556)
Financing activities		
Net proceeds from loans and borrowings	1,031,598	1,590,442
Change in pledged deposits	(1,000,463)	(85,337)
Other cash flows arising from financing activities	(2,314)	(30,210)
Net cash generated from financing activities	28,821	1,474,895
Net decrease in cash and cash equivalents	(125,300)	(483,015)
Effect of foreign exchange rate changes	573	11,508
Cash and cash equivalents at 1 January	483,310	1,190,541
Cash and cash equivalents at 30 June	358,583	719,034

The notes on pages 24 to 46 form part of this interim financial report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

1 COMPANY BACKGROUND AND BASIS OF PREPARATION

China Qinfu 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”). This interim financial report of the Company for the six months ended 30 June 2014 comprises the Company and its subsidiaries (collectively referred to as the “Group”).

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”, issued by the International Accounting Standards Board (“IASB”).

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report has not been audited.

1.1 Going concern

As at 30 June 2014, the Group had current assets of approximately RMB8,885,286,000, out of which cash and cash equivalents and pledged deposits amounted to approximately RMB358,583,000 and approximately RMB2,984,067,000 respectively. As at that date, the Group had current liabilities, excluding receipts in advance, of approximately RMB13,690,964,000 (out of which short-term loans and borrowings amounted to approximately RMB7,997,980,000), which were due for repayment and renewal within the next twelve months. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

The Group has maintained its strong business relationship with its bankers to gain their continuing support and is actively discussing with its bankers for renewal of banking facilities due within 30 June 2015. As at 30 June 2014, the Group had unutilised banking facilities of approximately RMB5,080,406,000. In addition, the Group also plans to apply for new banking facility in the next twelve months. Based on the Group’s business plan and cash flow forecast, and with the ongoing support from its bankers and its controlling shareholder, the Group expects to have sufficient financial resources to cover its operating costs and to meet its financing commitments. Therefore the directors of the Company (the “Directors”) are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the twelve months from 30 June 2014. Accordingly, the Directors are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. The condensed consolidated financial statements do not include any adjustments relating to the carrying amounts and reclassification of non-current assets and liabilities as current assets and liabilities and to provide any further liabilities which might arise that might be necessary should the Group be unable to continue as a going concern.

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IFRS 10, IFRS 12 and IAS 27, Investment Entities
- Amendments to IAS 32, Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets
- IFRIC 21, Levies

The adoption of these amendments has no material impact on the Group's financial statements.

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

3 ESTIMATES

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

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

4 SEGMENT REPORTING

(a) Segment results, assets and liabilities

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

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

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

Segment assets include all tangible assets, coal mining rights and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade and bill payables and other payables attributable to activities of the individual segments and loans and borrowings managed directly by the segments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

4 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(Continued)*

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

	Coal business		Shipping transportation		Port business		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)						(Restated)
Turnover from external customers	4,391,228	4,386,904	66,156	55,757	-	-	4,457,384	4,442,661
Inter-segment turnover	-	-	65,386	90,102	-	-	65,386	90,102
Reportable segment turnover	4,391,228	4,386,904	131,542	145,859	-	-	4,522,770	4,532,763
Reportable segment profit/ (loss) before taxation	44,485	371,309	22,323	(135,706)	-	-	66,808	235,603
Impairment loss of vessels under construction	-	-	-	(116,014)	-	-	-	(116,014)
	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December	At 30 June	At 31 December
	2014	2013	2014	2013	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Reportable segment assets (including interests in associates)	17,789,378	16,542,694	1,029,126	1,140,770	1,750,872	1,687,059	20,569,376	19,370,523
	102,543	92,267	-	-	-	-	102,543	92,267
Reportable segment liabilities	(13,868,713)	(12,463,809)	(1,203,216)	(1,185,296)	(1,181,872)	(1,118,059)	(16,253,801)	(14,767,164)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

4 SEGMENT REPORTING *(Continued)*

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

Turnover

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
Reportable segment turnover	4,522,770	4,532,763
Elimination of inter-segment turnover	(65,386)	(90,102)
Consolidated turnover	4,457,384	4,442,661

Profit/(loss)

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
Reportable segment profit before taxation	66,808	235,603
Elimination of inter-segment loss	9	3,041
Unallocated head office and corporate expenses	(6,862)	(5,818)
Net finance costs	(350,754)	(252,111)
Consolidated loss before taxation	(290,799)	(19,285)

Assets

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
	Reportable segment assets	20,569,376
Elimination of inter-segment receivables and inventories	(87,862)	(215,434)
Elimination of receivables from head office	–	(760,924)
Deferred tax assets	142,045	151,409
Unallocated assets	1,863	703
Consolidated total assets	20,625,422	18,546,277

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

4 SEGMENT REPORTING *(Continued)*

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

Liabilities

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Reportable segment liabilities	16,253,801	14,767,164
Elimination of inter-segment payables	(87,862)	(215,200)
Elimination of payables to head office	(543,769)	(1,304,077)
Current tax liabilities	533,803	468,337
Deferred tax liabilities	1,128,463	1,139,326
Unallocated liabilities	1,219	89
Consolidated total liabilities	17,285,655	14,855,639

(c) Geographic information

The Group's total assets are primarily dominated by assets handling its coal business, shipping transportation and port business. The coal is sold primarily to the People's Republic of China (the "PRC") domestic customers and investments in most of the coal mines are physically located in the PRC. Also, 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 consider that it will not be meaningful to allocate the Group's assets and their related capital expenditure to specific geographical segments. Accordingly, geographical segment information is only presented for turnover, which is based on the geographical location of customers.

Turnover from external customers

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
The PRC	4,405,201	4,385,494
Outside the PRC	52,183	57,167
Total	4,457,384	4,442,661

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

5 OTHER INCOME, GAINS AND LOSSES

	Notes	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
Leasing income	(i)	68,750	68,750
Government grants	(ii)	5,020	565
Foreign exchange (loss)/gain, net		(14,381)	14,902
Others		4,807	586
		64,196	84,803

(i) The Group leased out an area with coal mine of Shanxi Hun Yuan Ruifeng Coal Co., Ltd. ("Ruifeng Coal") to other companies for fixed leasing income on an annual basis.

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

6 LOSS BEFORE TAXATION

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

(a) Net finance costs

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited) (Restated)
Interest income	(18,379)	(21,093)
Interest on borrowings	378,033	291,942
Less: interest capitalised into property, plant and equipment*	(66,372)	(53,636)
	311,661	238,306
Bank charges	57,472	34,898
Finance costs	369,133	273,204
Net finance costs	350,754	252,111

* The borrowing costs have been capitalised at rates ranging from 7.04% to 10.87% per annum (six months ended 30 June 2013: 6.73% to 9.15%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

6 LOSS BEFORE TAXATION *(Continued)*

(b) Other items

	Notes	Six months ended 30 June	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Depreciation for property, plant and equipment		75,588	86,460
Amortisation of lease prepayments		70	70
Amortisation of coal mining rights		33,888	32,538
Impairment loss on inventory	12	–	3,152
Impairment loss of vessels under construction (included in other expenses)	9	–	116,014

7 INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Current tax expense		
– PRC Corporate Income Tax	64,952	139,174
– Under/(over) provision of PRC Corporate Income Tax in prior years (see Note (vi))	1,276	(20,245)
Deferred tax		
– Origination and reversal of temporary differences	(1,499)	(160,648)
Income tax expense/(credit)	64,729	(41,719)

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) No provision for Hong Kong Profits Tax has been made for the subsidiaries located in Hong Kong as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the period (six months ended 30 June 2013: 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 period (six months ended 30 June 2013: Nil).
- (iv) The provision for the PRC Corporate Income Tax was based on the statutory rate of 25% (six months ended 30 June 2013: 25%) of the assessable profits of subsidiaries which carried on businesses in the PRC.

7 INCOME TAX EXPENSE/(CREDIT) *(Continued)*

- (v) Pursuant to the Corporate Income Tax Law of the PRC, 5% (six months ended 30 June 2013: 5%) withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profits earned after 1 January 2008. As at 30 June 2014, temporary withholding tax differences relating to the undistributed profits of PRC subsidiaries amounted to approximately RMB857,211,000 (31 December 2013: RMB762,476,000). Deferred tax liabilities of approximately RMB42,861,000 (31 December 2013: RMB38,124,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these PRC subsidiaries and it has been determined that it is probable that undistributed profits of these PRC subsidiaries will not be distributed in the foreseeable future.
- (vi) During the six months ended 30 June 2013, a subsidiary of the Group reversed the provisions for PRC Corporate Income Tax of approximately RMB20,245,000 made in previous years. The Group implemented a business plan to enhance the subsidiary's operations and the Directors believed that the likelihood of utilisation of this PRC corporate income tax provision had become remote and therefore had decided to release it to profit or loss.

8 LOSS PER SHARE

Basic and diluted loss per share

The calculation of basic loss per share for the six months ended 30 June 2014 is based on the loss attributable to equity shareholders of the Company of approximately RMB381,555,000 (six months ended 30 June 2013: RMB30,118,000) and the weighted average number of approximately 2,078,414,000 ordinary shares (six months ended 30 June 2013: 2,075,120,000) in issue during the period.

For the six months ended 30 June 2014 and 2013, diluted loss per share is the same as basic loss per share due to the absence of dilutive potential ordinary shares throughout each of the reporting periods.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment with costs (including interest capitalisation (see Note 6(a)) of approximately RMB391,252,000 (six months ended 30 June 2013: RMB709,654,000) in aggregate, including items relating to the port under construction of approximately RMB24,521,000 (six months ended 30 June 2013: RMB256,376,000), and mining structure under construction of approximately RMB347,803,000 (six months ended 30 June 2013: RMB370,152,000).

Through negotiation with a vessel constructor during the six months ended 30 June 2013, the Group entered into final agreements with the counter-party to terminate the construction of two vessels on 1 July 2013. As a result, the construction costs of these two vessels of approximately RMB201,280,000 and corresponding vessels construction payables of approximately RMB85,266,000 waived by the vessels constructor were written off and the net amount of approximately RMB116,014,000 was recognised as a impairment loss of vessels under construction in other expenses for the six months ended 30 June 2013.

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10 COAL MINING RIGHTS

During the six months ended 30 June 2014, there was no addition of coal mining rights (six months ended 30 June 2013: RMB551,038,000, mainly representing the coal mining rights of Shanxi Xinzhou Shenchi Xinglong Coal Co., Ltd. (“Xinglong Coal”) and Shanxi Xinzhou Shenchi Hongyuan Coal Co., Ltd. (“Hongyuan Coal”).

11 INTERESTS IN ASSOCIATES

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Listed investments:		
Listed shares, at cost	49,947	49,947
Share of losses	(18,530)	(15,539)
Exchange differences	(4,127)	(4,340)
	27,290	30,068
Unlisted investments:		
Unlisted shares, at cost	71,666	58,877
Share of profits	3,574	3,618
Exchange differences	13	(296)
	75,253	62,199
	102,543	92,267

As at 30 June 2014, the fair value of the above listed shares was equivalent to approximately RMB12,172,000 (31 December 2013: RMB8,592,000), which was based on the quoted price of Australian Securities Exchange.

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

Name of associate	Place of Listed/ establishment/ incorporation and kind of legal entity	Proportion of ownership interest			Place of operation and principal activities
		Effective interest	Held by the Company	Held by a subsidiary	
Tiaro Coal Limited	Australia, limited liability company	19.88%	–	19.88%	Coal exploration, evaluation and development in Australia
Tongmei Qinfa (Zhuhai) Holdings Co., Ltd. ("Tongmei Qinfa")	PRC, limited liability company	49%	–	49%	Sales of coal in the PRC
Paragon Coal Pty Ltd. ("Paragon Coal")	Australia, limited liability company	33.63% (31 December 2013: 16.67%)	–	33.63% (31 December 2013: 16.67%)	Coal exploration and development in Australia

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12 INVENTORIES

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Finished goods	963,275	357,616
Goods in transit	23,300	30,805
Fuel	11,654	12,009
	998,229	400,430

The Group did not have any finished goods with net realisable value lower than carrying value as at 30 June 2014. Accordingly, no provision against the carrying cost of inventories was required to be made as at 30 June 2014 (31 December 2013: RMB8,012,000).

13 TRADE AND BILL RECEIVABLES

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Trade and bill receivables	2,940,315	2,751,290
Less: impairment losses on doubtful debts	(51,947)	(51,947)
	2,888,368	2,699,343

(a) Ageing analysis

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:

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Within 2 months	2,305,934	1,529,483
Over 2 months but within 6 months	146,469	642,999
Over 6 months but within 1 year	435,689	55,946
Over 1 year but within 2 years	276	470,915
	2,888,368	2,699,343

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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13 TRADE AND BILL RECEIVABLES *(Continued)*

(b) Impairment of trade and bill receivables

The movement in impairment losses on doubtful debts during the period is as follows:

	2014 RMB'000 (Unaudited)	2013 RMB'000 (Audited)
At 1 January	51,947	–
Impairment loss recognised	–	51,947
At 30 June/31 December	51,947	51,947

At 30 June 2014, the Group's trade receivables of approximately RMB51,947,000 (31 December 2013: RMB51,947,000) were individually determined to be impaired.

14 PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Deposits and prepayments for equity investments (see Note (i))	–	5,688
Other deposits and prepayments (see Note (ii))	881,258	711,993
Amounts due from non-controlling shareholders	626,152	622,327
Other non-trade receivables (see Note (iii))	148,629	186,382
	1,656,039	1,526,390

- (i) Deposits and prepayments for equity investments mainly represent prepaid consideration and deposits for coal mine investments.
- (ii) Other deposits and prepayments mainly represent deposits and prepayments for coal business operation.
- (iii) Included in other non-trade receivables was an amount of approximately RMB8,540,000 (31 December 2013: RMB8,540,000) owed by a PRC entity, Qinhuangdao Qinfu Industry Group Co., Limited ("Qinfu Industry"), which one of the Directors has beneficiary interest in this company.

15 PLEDGED DEPOSITS

Pledged deposits of approximately RMB2,984,067,000 as at 30 June 2014 (31 December 2013: RMB1,983,604,000) were pledged to banks to secure certain of the Group's credit facilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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16 LOANS AND BORROWINGS

	Notes	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Current			
Secured bank loans and bank advances	(i)	6,327,008	5,471,329
Unsecured bank loans and bank advances	(ii)	622,190	236,936
Current portion of non-current secured bank loans	(iii)	957,282	727,211
Current portion of non-current unsecured bank loans	(iii)	91,500	47,721
		7,997,980	6,483,197
Non-current			
Secured bank loans	(iii)	1,824,949	2,253,325
Unsecured bank loans	(iii)	270,000	321,581
		2,094,949	2,574,906
		10,092,929	9,058,103

- (i) Current bank loans and bank advances bear interest at rates ranging from 1.45% to 9.16% (31 December 2013: 1.30% to 9.50%) per annum as at 30 June 2014. Current secured bank loans and bank advances were secured by the following assets:

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Property, plant and equipment	391,700	412,671
Inventories	879,356	224,000
Trade and bill receivables	68,885	85,239
Pledged deposits	2,786,806	1,719,949
Coal mining rights	926,603	–

RMB1,073,292,000 (31 December 2013: RMB661,530,000) of the current secured bank loans and bank advances were guaranteed by the Company, certain subsidiaries of the Company and/or related parties (see Note 24(b)) in addition to the above pledged assets.

- (ii) Unsecured bank loans and bank advances bear interest at rates ranging from 2.12% to 8.70% (31 December 2013: 1.69% to 8.70%) per annum as at 30 June 2014.

RMB522,190,000 (31 December 2013: RMB160,000,000) of the current unsecured bank loans and bank advances were guaranteed by the Company, certain subsidiaries of the Company and/or related parties (see Note 24(b)).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

16 LOANS AND BORROWINGS *(Continued)*

- (iii) Non-current secured bank loans as at 30 June 2014 were secured by property, plant and equipment with carrying amounts of approximately RMB1,913,599,000, coal mining rights with carrying amounts of approximately RMB3,716,424,000, the Group's equity interest in Shanxi Huameiao Energy Group Company Ltd. ("Huameiao Energy"), Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Co., Ltd. ("Xingtao Coal"), Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Co., Ltd. ("Fengxi Coal"), Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Co., Ltd. ("Chongsheng Coal"), Xinglong Coal and Hongyuan Coal, and/or guaranteed by the Company, certain subsidiaries of the Company and/or related parties (see Note 24(b)).

Non-current secured bank loans as at 31 December 2013 were secured by pledged deposits of RMB43,898,000, property, plant and equipment with carrying amounts of approximately RMB1,891,258,000, coal mining rights with carrying amounts of approximately RMB4,676,147,000, the Group's equity interest in Huameiao Energy, Xingtao Coal, Fengxi Coal, Chongsheng Coal, Xinglong Coal and Hongyuan Coal, and/or guaranteed by the Company, certain subsidiaries of the Company and/or related parties (see Note 24(b)).

Non-current unsecured bank loans were guaranteed by the Company, certain subsidiaries of the Company and/or a related party (see Note 24(b)).

Non-current bank loans (including current portion of non-current bank loans) as at 30 June 2014 bear the following interest rates:

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
(1) 30% premium on the per annum interest rate quoted by the People's Bank of China in respect of five-year borrowings ("5-year interest rate of PBOC")	340,000	340,000
(2) United States dollar ("USD") best lending rate plus 0.5%	118,791	128,740
(3) 20% premium on the 5-year interest rate of PBOC	635,000	750,000
(4) 5% premium on the per annum interest rate quoted by the People's Bank of China with terms longer than five years	893,440	722,238
(5) 5-year interest rate of PBOC	205,000	280,000
(6) 30% premium on the per annum interest rate quoted by the People's Bank of China in respect of three-year borrowings ("3-year interest rate of PBOC")	–	8,333
(7) Fixed rate: 8.32%	–	150,000
(8) 3% per annum over higher of 1 month HIBOR and the Hang Seng Bank's cost of funds	–	6,696
(9) 38% premium on the 3-year interest rate of PBOC	590,000	595,000
(10) 13.82% premium on the 3-year interest rate of PBOC	300,000	300,000
(11) 4% per annum over higher of 1 month HIBOR and the Hang Seng Bank's cost of funds	–	7,862
(12) 4.13% per annum over Raiffeisen Bank International AG's cost of fund	61,500	60,969
	3,143,731	3,349,838

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

16 LOANS AND BORROWINGS *(Continued)*

(iii) *(Continued)*

The Group's non-current secured and unsecured bank loans were repayable as follows:

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Within 1 year	1,048,781	774,932
Over 1 year but within 2 years	1,095,236	871,597
Over 2 years but within 5 years	422,414	951,251
Over 5 years	577,300	752,058
	2,094,950	2,574,906
	3,143,731	3,349,838

17 TRADE AND BILL PAYABLES

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

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Within 1 year	3,226,884	1,478,057
Over 1 year but within 2 years	151,670	111,711
	3,378,554	1,589,768

18 OTHER PAYABLES

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited) (Restated)
Current		
Other taxes payable	350,617	513,195
Receipts in advance	171,641	315,637
Accrued expenses	173,461	173,445
Construction cost payables	636,474	747,524
Deposits received	77,038	79,933
Employee benefits	61,236	60,063
Payables for acquisition of coal mining rights (see Note (i))	319,597	334,493
Current portion of payables for coal mining rights (see Note (ii))	41,900	30,200
Other miscellaneous payables	120,304	132,197
	1,952,268	2,386,687
Non-current		
Payables for coal mining rights (see Note (ii))	115,176	131,549
	2,067,444	2,518,236

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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18 OTHER PAYABLES *(Continued)*

- (i) It represented the payable for the acquisition of coal mining rights of Xinglong Coal and Hongyuan Coal.
- (ii) Payables for coal mining rights represent payables related to coal mining rights of Ruifeng Coal, Xingtao Coal, Fengxi Coal and Chongsheng Coal to the local government. These payables will be settled in accordance with payment schedules set out in the agreements signed between the local government and the Group.

19 EQUITY-SETTLED SHARE-BASED PAYMENTS

(a) Pre-IPO Share Option Scheme

Pursuant to the sole shareholder's written resolutions passed on 12 June 2009, the Company adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Option") whereby one executive director and 25 employees of the Group were granted the rights to subscribe for shares of the Company.

The total number of shares which may be issued upon the exercise of all options granted under the Pre-IPO Option is 8,400,000 shares which were granted on 12 June 2009 with the subscription price of Hong Kong dollars ("HKD") 2.52 per share.

Each option granted under the Pre-IPO Option has a vesting period of one to three years commencing from the Listing Date and the options are exercisable for a period of 10 years. The Company has no legal or constructive obligation to repurchase or settle the option in cash.

As a result of the bonus issue of one share for every one existing share held by the shareholders whose names are on the register of members on 10 October 2011, the exercise price of the Pre-IPO Share Option was adjusted from HKD2.52 to HKD1.26, and the number of the outstanding Pre-IPO Share Options was adjusted from 7,800,000 to 15,600,000 thereupon.

During the six months ended 30 June 2014, no share options (six months ended 30 June 2013: Nil) under the Pre-IPO Option were exercised.

(b) Share Option Scheme

The Company has also adopted a Share Option Scheme (the "Share Option Scheme") pursuant to the sole shareholder's written resolutions passed on 12 June 2009.

The maximum number of shares that may be issued upon exercise of all options which then has been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of the shareholders' approval, in aggregate exceed 30% of the shares in issue from time to time. Unless approved by the shareholders, no option may be granted to any person which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the share options already granted or to be granted to such person (including exercised, cancelled, and outstanding share option) in the 12-month period up to and including the date of such new grant exceeding 1% of the total number of shares in issue as at the date of such new grant.

Each option under the Share Option Scheme may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board of Directors, which must not be more than 10 years from the date of the grant.

During the six months ended 30 June 2014, no share options (six months ended 30 June 2013: Nil) under the Share Option Scheme were granted or exercised.

20 RESERVES AND DIVIDEND

(a) Reserves

(i) Share premium

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

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

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

On 8 April 2011, 60,000 shares of HKD0.10 each in the Company were issued at HKD2.52 per share as a result of the exercise of vested options arising from the Pre-IPO Option (see Note 19(a)). The excess of the proceeds totalling HKD145,000 (equivalent to approximately RMB122,000) was credited to the share premium of the Company. HKD48,000 (equivalent to approximately RMB40,000) has been transferred from the share-based compensation reserve to the share premium account in accordance with the accounting policy.

Pursuant to a written resolution of the Directors' meeting passed on 23 August 2012, the Company declared a special interim dividend of approximately HKD41,502,400 (equivalent to approximately RMB33,748,000). The amount was out of the share premium account.

On 19 July 2013, the Company issued and allotted 3,293,985 shares at an issue price of HKD0.77 per share in respect of the final dividend for the year ended 31 December 2012 (see Note 20(b)). The excess of the proceeds totalling approximately HKD2,207,000 (equivalent to approximately RMB1,757,000) was credited to the share premium of the Company.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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20 RESERVES AND DIVIDEND *(Continued)*

(a) Reserves *(Continued)*

(ii) Merger reserve

Merger reserve represents the difference between the aggregate amount of paid-in capital of the subsidiaries of the Company and the amount of share capital of the Company transferred and issued to Fortune Pearl International Limited ("Fortune Pearl", the ultimate holding company of the Group) in exchange for the entire equity interests in all members of the Group as part of the Reorganisation.

(iii) Reserve

Statutory surplus reserve

Statutory surplus reserve was established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are established in the PRC.

Statutory surplus reserves can be used to make good losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance after such conversion is not less than 25% of the registered capital.

Specific reserve – maintenance and production funds

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

	RMB'000
Balance at 1 January 2013 (Audited)	42,760
Provision for the period	64,063
Utilisation for the period	(24,798)
Balance at 30 June 2013 (Unaudited)	82,025
Provision for the period	217,444
Utilisation for the period	(24,727)
Balance at 31 December 2013 and 1 January 2014 (Audited)	274,742
Provision for the period	86,387
Utilisation for the period	(41,786)
Balance at 30 June 2014 (Unaudited)	319,343

Discretionary surplus reserve

The appropriation to the discretionary surplus reserve is subject to the shareholders' approval. The utilisation of the reserve is similar to that of the statutory surplus reserve. The Directors have not proposed any appropriation to the discretionary surplus reserve during the six months ended 30 June 2014 and the year ended 31 December 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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20 RESERVES AND DIVIDEND *(Continued)*

(a) Reserves *(Continued)*

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies.

(v) Share-based compensation reserve

Share-based compensation reserve represents value of employee services in respect of share options granted under the Pre-IPO Option and the Share Option Scheme as set out in Note 19.

(b) Dividends

Dividend payable to equity shareholders attributable to the interim period

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Interim dividend declared after the interim period of HKD Nil per share (six months ended 30 June 2013: HKD1 cent per share)	–	16,533

The interim dividend had not been recognised as a liability at the reporting date.

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2014.

Dividend payable to equity shareholders attributable to the previous financial year, approved during the interim period

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Final dividend in respect of the previous financial year, approved during the following interim period, of HKD Nil per share (six months ended 30 June 2013: HKD3 cents per share)	–	49,417

At a meeting held on 22 March 2013, the Board of Directors proposed a final dividend of HKD3 cents which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to equity holders to elect to receive such final dividend (or part thereof) in cash in lieu of such allotment.

On 19 July 2013, the Group settled the final scrip dividend declared in respect of the previous financial year by cash payment of approximately HKD59,717,200 (equivalent to approximately RMB47,544,000) and issuance of 3,293,985 new ordinary shares at HKD0.77 (equivalent to approximately RMB2,022,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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20 RESERVES AND DIVIDEND *(Continued)*

(c) Convertible securities

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

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

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

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

The Group had not elected to defer distribution payments for the six months period ended 30 June 2014, and such distribution of approximately HKD2,921,000 (equivalent to approximately RMB2,314,000) was paid and payable at 30 June 2014. Distribution payment for the year ended 31 December 2013 of approximately HKD5,841,000 (equivalent to approximately RMB4,634,000) had been fully settled at 31 December 2013.

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group's listed investments are recognised in interests in associates (see Note 11) which its fair values are disclosed of approximately RMB12,172,000 (31 December 2013: RMB8,592,000) are grouped into level 1 of the fair value hierarchy.

The Group recognises transfers between levels of the fair value hierarchy at the end of the financial year during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following note:

(a) Trade and bill receivables, prepayments and other receivables, trade and bill payables and other payables

The carrying values of these financial assets and liabilities approximate their respective fair values due to the short maturities of these instruments.

(b) Loans and borrowings

The carrying amounts of loans and borrowings approximate their fair values based on the borrowing rates currently available for bank loans with similar terms and maturity.

(c) Share-based payment transactions

The fair values of share options under the Pre-IPO Option and Share Option Scheme are measured using the Binomial Model and Binomial Lattice Model. Measuring inputs include the offer price, the exercise price, the risk-free rate of interest, expected option period, expected volatility and expected dividend. Service and non-market performance conditions attached to the transactions are not taken into account in determining the fair value.



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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22 CAPITAL COMMITMENTS

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

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Property, plant and equipment	531,999	374,588
Interests in associates (see Note (i))	7,526	14,153

- (i) The Group was committed at 30 June 2014 to invest in Paragon Coal which amounted to approximately Australian dollars ("AUD") 1,300,000 (equivalent to approximately RMB7,526,000) (31 December 2013: AUD2,600,000 (equivalent to approximately RMB14,153,000)).

23 OPERATING LEASES

(a) Leases as lessee

At each reporting date, the total future minimum lease payments of the Group under non-cancellable operating leases in respect of properties and vessels are payable as follows:

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Within 1 year	16,892	11,845
Over 1 year but within 5 years	20,485	28,499
	37,377	40,344

(b) Leases as lessor

The Group leases out its vessels and an area with Ruifeng Coal mine under operating leases and the future minimum lease income under non-cancellable operating leases are receivable as follows:

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited)
Within 1 year	195,084	138,884
Over 1 year but within 2 years	162,189	137,500
Over 2 years but within 3 years	68,750	137,500
	426,023	413,884

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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24 MATERIAL RELATED PARTY TRANSACTIONS

The Group has conducted certain transactions with Qinfa Industry, Tongmei Qinfa and Mr. Xu Jihua (“Mr. Xu”) during the period/year. Mr. Xu is the shareholder of Qinfa Industry and Fortune Pearl, the ultimate controlling party of the Group.

Particulars of significant transactions between the Group and the above related parties for the period/year are as follows:–

(a) Significant related party transactions

Recurring transactions

	Transaction amount for the six months ended 30 June		Balance outstanding as at	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	30 June 2014 RMB'000 (Unaudited)	31 December 2013 RMB'000 (Audited)
Sales of coal				
– Tongmei Qinfa	236,513	–	43,923	29,191
Purchase of coal				
– Tongmei Qinfa	404,079	182,940	–	84,501
Prepayment for coal purchase				
– Tongmei Qinfa	–	–	188,817	–
Operating leases expense to				
– Qinfa Industry	–	403	–	403

(b) Guarantees provided by related parties

	At 30 June 2014 RMB'000 (Unaudited)	At 31 December 2013 RMB'000 (Audited) (Restated)
Guarantees of loans and bills payables provided by Mr. Xu		
– RMB denominated	5,599,840	4,135,000
– HKD denominated	–	14,599
– USD denominated	118,791	128,742
Cross guarantees of loans and bills payables provided by close family members of Mr. Xu		
– RMB denominated	4,130,000	4,080,000
Guarantees of loans and bills payables provided by a key management		
– RMB denominated	230,000	50,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2014

24 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Key management personnel remuneration

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

	Six months ended 30 June	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Directors' fees	1,510	1,472
Salaries, allowances and benefits in kind	6,552	3,415
Contributions to retirement benefit schemes	30	26
Share-based payments	325	789
	8,417	5,702

25 COMPARATIVE FIGURES

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

Review of the Interim Report

The Group's interim report for the six months ended 30 June 2014 has not been audited but has been reviewed by the audit committee of the Board.

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at 30 June 2014, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") were as follows:

1. Interests in the Company

Name of Director	Nature of interest	Number of Shares		Approximate percentage of issued share capital of the Company (%)	
		Long positions	Short positions	Long positions	Short positions
Mr. XU Jihua*	Corporate	1,318,229,610 (Note 1)	Nil	63.4	Nil
Ms. WANG Jianfei	Beneficial Owner	100,000,000	Nil	4.8	Nil
Mr. WENG Li	Beneficial Owner	6,000,000	Nil	0.3	Nil
Ms. LIU Xiaomei	Beneficial Owner	1,200,000 (Note 2)	Nil	0.1	Nil

Notes:

- 1,186,000,000 Shares and 118,000,000 Shares to be allotted and issued upon full conversion of the perpetual subordinated convertible securities are held directly by Fortune Pearl International Limited ("Fortune Pearl") which is wholly-owned by Mr. Xu Jihua. By virtue of the SFO, Mr. Xu is deemed to have interests in the Shares so held by Fortune Pearl. The remaining Shares are held directly by Mr. Xu.
 - The beneficial interest represents Shares that may be issued pursuant to the full exercise of the options granted to Ms. LIU under the Pre-IPO Share Option Scheme adopted by the Company on 12 June 2009.
- * Mr. XU Jihua, being a Director, is also acting as the Chairman of the Board.

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2. Interests in associated corporations

Name of Director	Name of associated corporations	Capacity	Number of ordinary shares	Percentage of issued shares (%)
Mr. XU Jihua	Fortune Pearl	Beneficial owner	1	100

Save as disclosed above, as at 30 June 2014, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in the Share Capital of the Company

As at 30 June 2014, the interests and short positions of the persons, other than a Director or chief executive of the Company, in the Shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO were as follows:–

Interests in the Company

Name of shareholder	Number of Shares		Approximate percentage of issued share capital of the Company (%)	
	Long positions	Short positions	Long positions	Short positions
Fortune Pearl (Note 1)	1,304,000,000	Nil	62.7	Nil
Mr. XU Da	160,000,000	Nil	7.7	Nil

Note:

- The 1,304,000,000 Shares include the interests in Shares by virtue of the 118,000,000 Shares to be allotted and issued to Fortune Pearl upon full conversion of the perpetual subordinated convertible securities. Fortune Pearl is wholly-owned by Mr. Xu Jihua, a Director.

Save as disclosed above, as at 30 June 2014, the Company had not been notified by any persons (other than Directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Right to Acquire Shares or Debentures

Other than in pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme detailed in note 19 to the unaudited interim financial report, at no time during the period ended 30 June 2014 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debts securities (including debentures) of, the Company or any other body corporate and none of the Directors (save for Ms. LIU Xiaomei who had options granted under the Pre-IPO Share Option Scheme to subscribe for 1,200,000 Shares), their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

Share Option Schemes

The Company has adopted a Pre-IPO Share Option Scheme and a Share Option Scheme on 12 June 2009. The principal terms of the two option schemes are as follows:

Pre-IPO Share Option Scheme

Pursuant to the sole shareholder's written resolutions passed on 12 June 2009, the Company adopted the Pre-IPO Share Option Scheme whereby one executive Director and 25 employees of the Group were granted the rights to subscribe for Shares on the same day.

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution by certain employees towards the growth of the Group and/or the listing of the Shares on the Stock Exchange. The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme, except that:

- (i) the exercise price per share; and
- (ii) the total number of Shares which may be issued pursuant to options granted under the Pre-IPO Share Option Scheme.

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

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

Name	Outstanding at 1 January 2014	Number of options			Outstanding as at 30 June 2014	Approximate percentage of issued share capital of the Company
		Exercised during the period	Lapsed during the period	Cancelled during the period		
Director						
LIU Xiaomei	1,200,000	–	–	–	1,200,000	0.06
Employees	12,400,000	–	–	–	12,400,000	0.60
	13,600,000	–	–	–	13,600,000	0.66

OTHER INFORMATION

Notes:

1. The exercise price per share is HKD1.26 per share.
2. Each option granted under the Pre-IPO Share Option Scheme has a vesting period of one to three years commencing from 3 July 2009, being the date on which the Shares commenced trading (“**Listing Date**”) on the Stock Exchange. The Company has no legal or constructive obligation to repurchase or settle the option in cash. The option granted are valid for a period of 10 years from 12 June 2009 to 11 June 2019.
3. Each of the grantees to whom options have been granted under the Pre-IPO Share Option Scheme will be entitled to exercise:
 - (a) 30% of the total number of the options from the expiry of the first anniversary of the Listing Date;
 - (b) 30% of the total number of the options from the expiry of the second anniversary of the Listing Date; and
 - (c) 40% of the total number of the options can be exercised from the expiry of the third anniversary of the Listing Date.

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

The significant inputs into the model were:

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

Based on the inputs above to the “Binomial Option Pricing Model”, the total fair value of the outstanding options as at the grant date (i.e. 12 June 2009) was approximately HKD7,650,000.

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

Share Option Scheme

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

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

On 17 January 2012, the Company has further granted share options (the “**Options**”) to subscribe for a total of 20,751,196 new ordinary shares of the Company under the Share Option Scheme to 15 eligible participants of the Share Option Scheme (the “**Grantees**”). None of the Grantees is a director, chief executive or substantial shareholder of the Company or an associate (as defined in the Listing Rules) of any of them.

The principal terms of the Options granted are as follows:

- (i) the exercise price per share is HKD1.50 per share (which represents the highest of (i) the closing price of HKD1.50 per Share as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing price of HKD1.392 per Share as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of HKD0.10 per Share);
- (ii) The Options are valid for a period of 10 years from 17 January 2012 to 16 January 2022 (the "Option Period"); and
- (iii) The Options may be exercisable at any time during the Option Period, provided that the maximum number of Options which each Grantee is entitled to exercise at the below period shall not exceed:
 - (a) in respect of the period from 17 January 2012 to 16 January 2013, 40% of the total number of Options granted to him;
 - (b) in respect of the period from 17 January 2013 to 16 January 2014, 30% of the total number of Options granted to him; and
 - (c) in respect of the period from 17 January 2014 to 16 January 2015, 30% of the total number of Options granted to him.

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

Name	Outstanding at 1 January 2014	Number of options			Outstanding as at 30 June 2014	Approximate percentage of issued share capital of the Company
		Exercised during the period	Lapsed during the period	Cancelled during the period		
Employees	14,822,283	–	–	–	14,822,283	0.71
	14,822,283	–	–	–	14,822,283	0.71

Other Information

As at the 30 June 2014, the total number of share options outstanding is 28,422,283.



OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

Compliance with the Code of Corporate Governance Practices

In the opinion of the Directors, the Company has fully complied with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2014.

Model Code for Directors' Securities Transactions

The Company has adopted the Model Code as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry by the Company of all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2014.

