



Interim Report  
**2015**

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. XU Jihua (Chairman)  
Ms. WANG Jianfei (Chief Executive Officer)  
Mr. WENG Li (Re-elected 8 April 2015)  
Mr. XU Da  
Mr. BAI Tao  
Mr. MA Baofeng

### Independent Non-Executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

Mr. FUNG Wai Shing

## AUTHORISED REPRESENTATIVES

Ms. WANG Jianfei (Chief Executive Officer)  
Mr. FUNG Wai Shing

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN CHINA

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Fl., 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  
A18/F., Asia Orient Tower  
Town Place  
33 Lockhart Road  
Wanchai  
Hong Kong

## AUDITOR

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

## PRINCIPAL PLACE OF BUSINESS IN CAYMAN ISLANDS

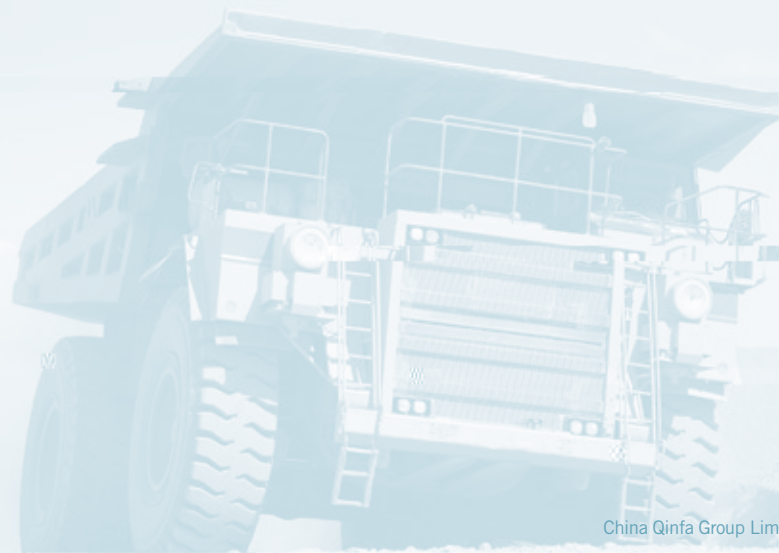
Cayman Islands  
Boji House  
Coia Ltd  
P.O. Box 1111  
Cayman Islands

## 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 and transportation.

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 board (the “**Board**”) of directors (the “**Directors**”) of China Qinfa Group Limited (the “**Company**”) is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2015.

### FINANCIAL REVIEW

The Group is a non-state owned thermal coal supplier in China, and it operates an integrated coal supply chain, including coal mining, purchase and sales, filtering, storage, blending and shipping transportation. During the six months ended 30 June 2015, the Group continued to focus on these business activities. The Group was also engaged in the provision of port services, despite the discontinuation of port business due to the disposal of Zhuhai Qinfa Port Co., Limited (the “**Disposal**”) as described in note 20 to the interim financial statements and the announcement of the Company dated 26 June 2015. 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 |           |
|---|--------------------------|-----------|
|   | 2015                     | 2014      |
| Coal handling and trading (RMB'000)     | <b>811,086</b>           | 4,391,228 |
| Coal handling and trading ('000 tonnes) | <b>2,488</b>             | 10,917    |

During the six months ended 30 June 2015, the volume of the Group’s coal handling and trading recorded a 77.2% decrease as compared to the corresponding period in 2014. The monthly average coal selling prices during the six months ended 30 June 2015 were in range between RMB185 per tonne and RMB416 per tonne, which were lower than the average selling prices between RMB365 per tonne and RMB494 per tonne during the same period in 2014. The decrease in coal handling and trading volume and monthly average coal selling price were principally because of the slow down in the growth of economics in China and resulting the sluggish coal demand during 2015, as well as the decline of international energy prices which aggravated the adjustment of coal prices in China during 2015.

The average coal selling prices and the average monthly coal handling and trading volume for each of the three years ended 31 December 2014 and the six months ended 30 June 2015 and 2014 are set forth in the table below:

|  | Six months ended 30 June |       | Year ended 31 December |       |       |
|--|--------------------------|-------|------------------------|-------|-------|
|  | 2015                     | 2014  | 2014                   | 2013  | 2012  |
| Average coal selling price (RMB per tonne)                     | <b>342</b>               | 402   | 395                    | 445   | 494   |
| Average monthly coal handling and trading volume ('000 tonnes) | <b>402</b>               | 1,820 | 1,328                  | 2,003 | 1,841 |

# MANAGEMENT DISCUSSION AND ANALYSIS

## Revenue and shipping transportation

The revenue for the shipping transportation segment for the six months ended 30 June 2015 was RMB70.4 million, representing an increase of RMB4.2 million or 6.3% from RMB66.2 million for the corresponding period in 2014. 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 loss/profit and gross loss/profit margin

The Group's gross loss was RMB312.5 million during the six months ended 30 June 2015 as compared with gross profit of RMB158.0 million during the same period in 2014. The Group recorded gross loss and gross loss margin in 2015 principally because of the extended downturn of coal market in China and the sharp decrease in average selling prices of thermal coal price since the beginning of 2015, which was significantly higher than the reduction in cost of material and other costs of production.

## Other expenses

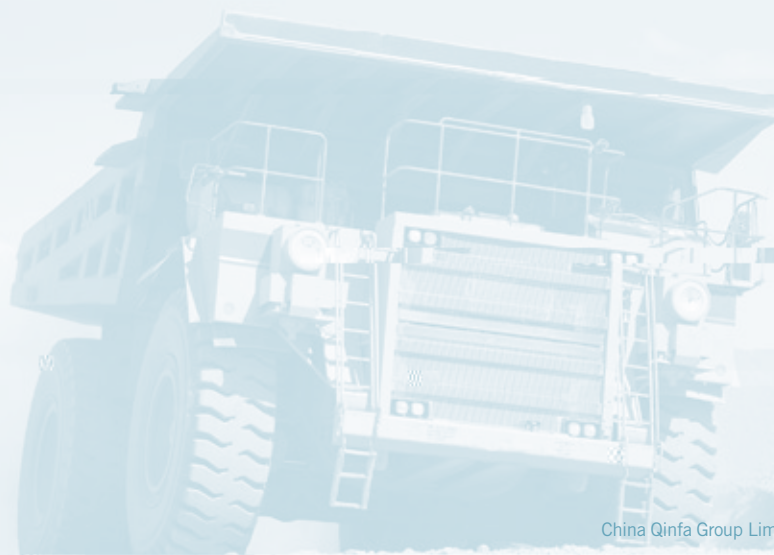
During the six months ended 30 June 2015, the Group's other expenses amounted to RMB104.2 million, representing an increase of RMB101.1 million as compared to RMB3.1 million during the corresponding period in 2014. The increase was mainly due to the non-cash loss arising from the impairment losses on trade and other receivables and impairment losses on interests in associates in the total amount of RMB98.4 million.

## Net finance costs

Net finance costs of the Group during the six months ended 30 June 2015 amounted to RMB191.9 million, representing a decrease of RMB158.9 million or 45.3% from RMB350.8 million during the corresponding period in 2014. The decrease was due to less trade finance used as the coal handling and trading volume declined under the challenging conditions in the coal market in 2015.

## Loss attributable to the equity shareholders of the Company

Loss attributable to the equity shareholders of the Company for the six months ended 30 June 2015 was RMB707.0 million, as compared with RMB381.6 million for the corresponding period in 2014, representing an increase in loss of 85.3%.



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the first half of the year, the economy was facing increased downward pressure, which significantly affected the demand for primary energy sources. The production volume of thermal power, crude steel and cement, which are among the three major types of coal-consuming products, showed declines of different magnitudes, leading to a further drop in general coal consumption. Coal prices also continued to fall with the decrease in demand.

Since 2013, domestic coal prices have been following a downtrend and such drop is getting more and more serious. Domestic coal prices have been plummeting during the year. The Bohai-Rim Steam-Coal Price Index in July fell nearly 20% as compared to the per-tonne price at the beginning of the year. This is a record low in the recent decade.

Affected by the macro-economy, the production and sales volume of the Group also decreased. During the six months ended 30 June 2015, the coal handling and trading volume of the Group was 2.5 million tonnes, representing a decrease of 77.2% as compared to the corresponding period in 2014.

### An internet platform in Guangdong Free Trade Zone: Hengqin Coal Exchange Center

Hengqin Coal Exchange Center (the “Center”) was established in February 2014. By capitalising on the tax incentives and financial strengths of the free trade zone and fully integrating the logistics flows, business flows, information flows and capital flows through its online coal trading platform, the Center provides its members with professional and efficient integrated solutions along the coal industry chain, such as information services, integrated logistics, trading services, offline and online transactions, quick settlement, membership services and annual international coal trading conferences, with a view to facilitating the transformation and upgrading of the coal industry.



## MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2015, the Group owned and operated five coal mines in China 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.

|                                      | Notes | Location           | Ownership | Site area<br>(sq. km) | Operation status                  |
|--------------------------------------|-------|--------------------|-----------|-----------------------|-----------------------------------|
| Huameiao Energy<br>– Xingtao Coal    | 1, 2  | Shuozhou<br>Shanxi | 80%       | 4.3                   | Under operation                   |
| Huameiao Energy<br>– Fengxi Coal     | 1, 3  | Shuozhou<br>Shanxi | 80%       | 2.4                   | Under operation                   |
| Huameiao Energy<br>– Chongsheng Coal | 1, 4  | Shuozhou<br>Shanxi | 80%       | 2.9                   | Under operation                   |
| Xinglong Coal                        | 5, 6  | Xinzhou<br>Shanxi  | 100%      | 4.0                   | Under development                 |
| Hongyuan Coal                        | 5, 7  | Xinzhou<br>Shanxi  | 100%      | 4.1                   | Under operation                   |
| Tiaro Coal                           |       | Australia          | 26.31%    | n.a.                  | Under voluntary<br>administration |

### 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 2015 were derived from the estimated figures after deducting the raw coal production for the period from 1 October 2011 to 30 June 2015.
- (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 2015, the accumulated actual investment was RMB393 million. The mine has started joint trial operation since 30 June 2014, and is now subject to testing and inspection.
- (3) The production capacity for Fengxi coal mine of Huameiao Energy is 0.9 million tonnes per annum, with a total investment budget of RMB400 million. The construction was commenced in September 2011. As of 30 June 2015, the accumulated actual investment was RMB397 million. The coal mine and coal washing plant 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

- (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 2015, the accumulated actual investment was RMB392 million. The construction of the coal mine and coal washing plant was completed, delivering a capacity of 0.9 million tonnes per annum. The mine had been put into production on 21 January 2014.
- (5) The Group completed the establishment of two companies, Xinglong Coal and Hongyuan Coal, both wholly-owned by Shenchu Shenda Energy Investment Co., Ltd. during the first half year of 2013.

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

Pursuant to the estimation, the coal reserves and resources of two coal mines were 66.8 million tonnes and 96.5 million tonnes as of 30 June 2015 (after deduction of the raw coal production volume for the period from 1 June 2013 to 30 June 2015) respectively.

- (6) 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 2015, the accumulated actual investment was RMB222 million. The mine construction, civil engineering and installation works are in progress.
- (7) The production capacity for Hongyuan coal mine is 0.9 million tonnes per annum, with a total investment budget of RMB424 million. The construction was commenced in March 2013. As of 30 June 2015, the accumulated actual investment was RMB294 million.



# 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 |
|-----------------------------|--------------------------------|-------------------------------|-----------------------------------|
| Seam                        | 4                              | 4                             | 4                                 |
| Moisture (%)                | 10.72-13.15%                   | 2.12-2.80%                    | 2.02-3.61%                        |
| Ash (%)                     | 15.54-23.08%                   | 22.65-30.62%                  | 22.25-30.72%                      |
| Sulfur (%)                  | 0.91-0.94%                     | 0.66-0.79%                    | 0.89-1.80%                        |
| Volatile Matter (%)         | 26.03-28.58%                   | 23.69-24.89%                  | 23.69-25.89%                      |
| Energy Content (MJ/kg)      | 19.76-21.51                    | 17.26-18.12                   | 17.06-18.52                       |

## OPERATING DATA

### Reserves and Resources

|  | Huameiao Energy – Xingtao Coal | Huameiao Energy – Fengxi Coal | Huameiao Energy – Chongsheng Coal | Xinglong Coal | Hongyuan Coal | Total         |
|--|--------------------------------|-------------------------------|-----------------------------------|---------------|---------------|---------------|
| <b>Reserves</b>  |                                |                               |                                   |               |               |               |
| Reserves as of 31 December 2014 (Mt)   |                                |                               |                                   |               |               |               |
| – Proven reserves  | 62.42                          | 17.21                         | 27.56                             | 22.49         | 18.36         | 148.04        |
| – Probable reserves  | 13.86                          | 27.26                         | 18.22                             | 9.53          | 16.46         | 85.33         |
| Total reserves as of 31 December 2014 (Mt)   | 76.28                          | 44.47                         | 45.78                             | 32.02         | 34.82         | 233.37        |
| Less: Total raw coal production for the period from 1 January to 30 June 2015 (Mt) | (0.14)                         | (0.35)                        | (0.28)                            | n.a.          | n.a.          | (0.77)        |
| <b>Reserves as of 30 June 2015 (Mt)</b>  | <b>76.14</b>                   | <b>44.12</b>                  | <b>45.50</b>                      | <b>32.02</b>  | <b>34.82</b>  | <b>232.60</b> |
| <b>Resources</b>   |                                |                               |                                   |               |               |               |
| Resources as of 31 December 2014 (Mt)  | 114.62                         | 71.76                         | 75.53                             | 45.96         | 50.55         | 358.42        |
| Less: Total raw coal production for the period from 1 January to 30 June 2015 (Mt) | (0.14)                         | (0.35)                        | (0.28)                            | n.a.          | n.a.          | (0.77)        |
| <b>Resources as of 30 June 2015 (Mt)</b>   | <b>114.48</b>                  | <b>71.41</b>                  | <b>75.25</b>                      | <b>45.96</b>  | <b>50.55</b>  | <b>357.65</b> |

## MANAGEMENT DISCUSSION AND ANALYSIS

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

| <b>Raw coal production volume</b>                 | <b>Six months ended 30 June</b>     |                                     |
|---|-------------------------------------|-------------------------------------|
|   | <b>2015</b><br><b>('000 tonnes)</b> | <b>2014</b><br><b>('000 tonnes)</b> |
| Huameiao Energy – Xingtao Coal                    | <b>148<sup>+</sup></b>              | 1,043 <sup>+</sup>                  |
| Huameiao Energy – Fengxi Coal                     | <b>348<sup>+</sup></b>              | 1,778 <sup>+</sup>                  |
| Huameiao Energy – Chongsheng Coal<br>Ruifeng Coal | <b>278<sup>+</sup></b>              | 1,128 <sup>+</sup>                  |



# 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 |                 |
|---------------------------|--------------------------|-----------------|
|                           | 2015<br>RMB'000          | 2014<br>RMB'000 |
| Materials and consumables | 28,694                   | 35,676          |
| Staff cost                | 59,692                   | 53,120          |
| Other direct cost         | 18,917                   | 24,815          |
| Overhead and others       | 109,685                  | 150,822         |
| Evaluation fee            | 3,342                    | 5,809           |
| Total                     | 220,330                  | 270,242         |

## 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 and other borrowings. As of 30 June 2015, the Group recorded net current liabilities of RMB3,853.4 million which were mainly due to the decrease in 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 2016. As at 30 June 2015, the Group had unutilised banking facilities of RMB316.1 million. In addition, the Group also plans to apply for new banking facilities 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 2015, cash and cash equivalents of the Group amounted to RMB5.7 million (as of 31 December 2014: RMB53.9 million), representing a decrease of 89.4% as compared to cash and cash equivalents of the Group as of 31 December 2014. The decrease in cash and cash equivalents was mainly due to the cash used for working capital for operating activities and repayment of short term borrowing.

As of 30 June 2015, the total bank and other borrowings of the Group were RMB6,117.1 million (as of 31 December 2014: RMB7,651.9 million), RMB2,785.7 million of which were repayable within one year and carried interest at market rates ranging from 2.85% to 10.00% (31 December 2014: 2.09% to 9.00%) per annum.

Non-current secured bank loans as of 30 June 2015 and 31 December 2014 carried variable and fixed interest rates.

## MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2015, the Group had total banking facilities of RMB7,839.0 million (as of 31 December 2014: RMB8,314.6 million), of which RMB7,522.9 million (as at 31 December 2014: RMB6,842.6 million) were utilised.

As of 30 June 2015, the Group's cash and cash equivalents, except amounts of RMB0.5 million and RMB1.1 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 RMB6,100.0 million and RMB17.1 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 2015 was 43.7% (as at 31 December 2014: 47.7%).

### 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 China are mainly denominated in RMB while overseas purchases are usually denominated in USD. The Group's subsidiaries usually receive revenue in RMB. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate and no hedging transaction or forward contract arrangement was made by the Group during the six months ended 30 June 2015.

### Pledge of Assets of the Group and Guarantee

As of 30 June 2015, the Group's assets in an aggregate amount of RMB7,867.7 million (as of 31 December 2014: RMB9,782.4 million) in forms of property, plant and equipment, coal mining rights, inventories, trade and bill receivables and bank deposits were pledged to banks for credit facilities granted to the Group.

As at 30 June 2015, Mr. XU Jihua, the chairman of the Board and an executive Director, and Mr. Xu Da, an executive Director and their close associates provided guarantees to banks for granting banking facilities of an amount equivalent to RMB5,939.7 million (as of 31 December 2014: RMB4,535.7 million) to the Group.

### Dividend



## EMPLOYEES AND REMUNERATION

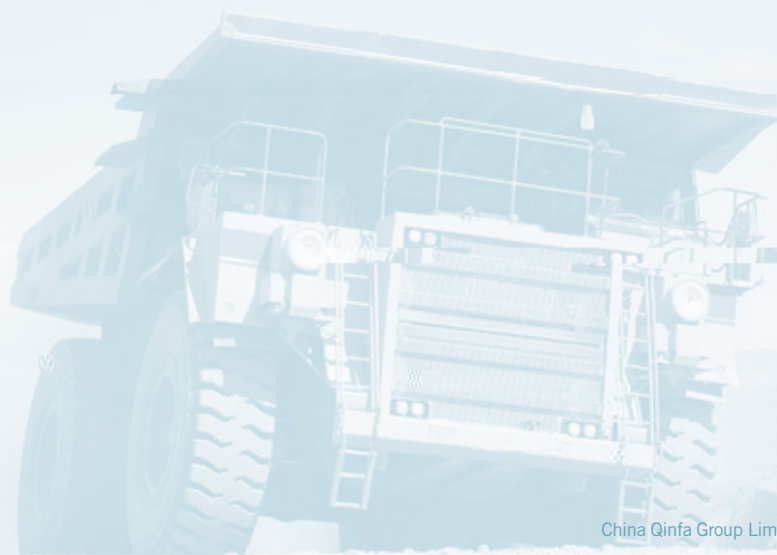
As of 30 June 2015, the Group employed 1,292 employees. The Group has adopted a performance-based reward system to motivate its staff and such system is reviewed on a regular basis. In addition to the basic salaries, year-end bonuses may be offered to staff with outstanding performance.

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, as disclosed in the prospectus of the Company dated 19 June 2009 (the “**Prospectus**”), the Company adopted a pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”) and a post-IPO share option scheme (the “**Share Option Scheme**”) in June 2009 to incentivize and retain staff members who have made contribution to the success of the Group. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

## AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review the Company’s accounts, annual reports, interim reports, the internal control system of the Group and to provide advice to the Board. The Audit Committee consists of three independent non-executive Directors, namely Mr. Lau Sik Yuen (chairman of the Audit Committee), and Mr. Huang Guosheng and Mr. Xing Zhiying. The Audit Committee has reviewed this report.

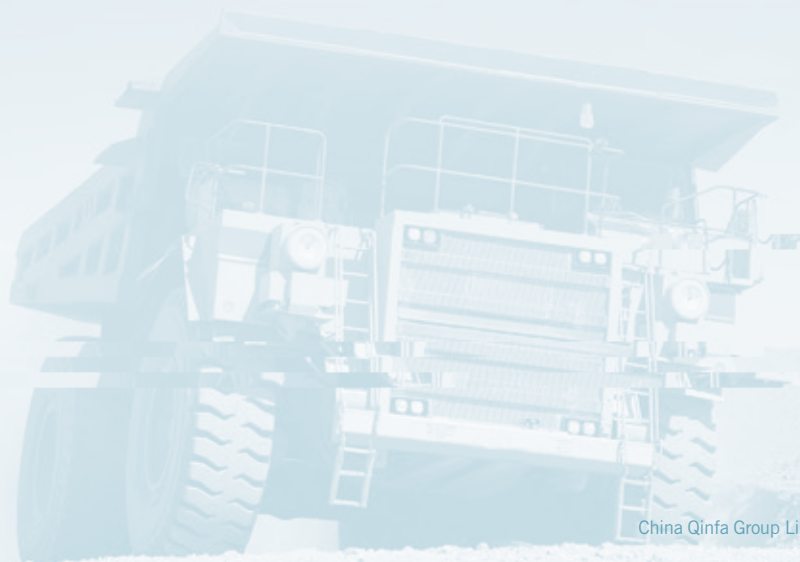




# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

|   | Notes | Six months ended 30 June       |                                |
|---|-------|--------------------------------|--------------------------------|
|   |       | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| <b>Continuing operations</b>  |       |                                |                                |
| <b>Revenue</b>  | 5     | <b>881,437</b>                 | 4,457,384                      |
| Cost of sales   |       | <b>(1,193,917)</b>             | (4,299,417)                    |
| <b>Gross (loss)/profit</b>  |       | <b>(312,480)</b>               | 157,967                        |
| Other income, gains and losses                                      | 6     | <b>4,356</b>                   | 64,196                         |
| Distribution expenses   |       | <b>(30,939)</b>                | (45,530)                       |
| Administrative expenses   |       | <b>(94,726)</b>                | (110,586)                      |
| Other expenses  |       | <b>(104,153)</b>               | (3,057)                        |
| <b>Results from operating activities</b>                            |       | <b>(537,942)</b>               | 62,990                         |
| Finance income  |       | <b>2,313</b>                   | 18,379                         |
| Finance costs   |       | <b>(194,241)</b>               | (369,133)                      |
| <b>Net finance costs</b>  | 7     | <b>(191,928)</b>               | (350,754)                      |
| Share of loss of associates   | 12    | <b>(7,372)</b>                 | (3,035)                        |
| <b>Loss before taxation</b>   | 8     | <b>(737,242)</b>               | (290,799)                      |
| Income tax expense  | 9     | <b>(22,745)</b>                | (64,729)                       |
| <b>Loss for the period from continuing operations</b>               |       | <b>(759,987)</b>               | (355,528)                      |
| <b>Discontinued operation</b>                                       |       |                                |                                |
| Loss for the period from discontinued operation                     | 20    | <b>(69,505)</b>                | –                              |
| <b>Loss for the period</b>  |       | <b>(829,492)</b>               | (355,528)                      |
| <b>Other comprehensive (loss)/income</b>                            |       |                                |                                |
| Items that may be reclassified subsequently to profit or loss:      |       |                                |                                |
| Foreign currency translation differences for foreign operations     |       | <b>(159)</b>                   | 6,506                          |
| <b>Other comprehensive (loss)/income for the period, net of tax</b> |       | <b>(159)</b>                   | 6,506                          |
| <b>Total comprehensive loss for the period</b>                      |       | <b>(829,651)</b>               | (349,022)                      |





# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

|  | Notes | Six months ended 30 June       |                                |
|--|-------|--------------------------------|--------------------------------|
|  |       | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| <b>(Loss)/profit attributable to:</b>  |       |                                |                                |
| Equity shareholders of the Company   |       | (707,029)                      | (381,555)                      |
| Non-controlling interests  |       | (122,463)                      | 26,027                         |
| <b>Loss for the period</b>   |       | <b>(829,492)</b>               | <b>(355,528)</b>               |
| <b>Total comprehensive (loss)/income attributable to:</b>  |       |                                |                                |
| Equity shareholders of the Company   |       | (707,188)                      | (375,049)                      |
| Non-controlling interests  |       | (122,463)                      | 26,027                         |
| <b>Total comprehensive loss for the period</b>   |       | <b>(829,651)</b>               | <b>(349,022)</b>               |
| <b>Loss per share from continuing and discontinued operations attributable to the equity shareholders of the Company during the period</b> | 10    |                                |                                |
| <b>Basic and diluted loss per share</b>  |       |                                |                                |
| – from continuing operations   |       | (RMB32 cents)                  | (RMB18 cents)                  |
| – from discontinued operation  |       | (RMB2 cents)                   | –                              |
|  |       | <b>(RMB34 cents)</b>           | <b>(RMB18 cents)</b>           |



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

|   | Notes | At 30 June<br>2015<br>RMB'000<br>(Unaudited) | At 31 December<br>2014<br>RMB'000<br>(Audited) |
|---|-------|--|--|
| <b>Non-current assets</b>                                 |       |  |  |
| Property, plant and equipment                             | 11    | 5,348,169                                    | 7,028,164                                      |
| Coal mining rights  |       | 4,627,673                                    | 4,633,632                                      |
| Lease prepayments   |       | 5,283  | 112,921  |
| Interests in associates                                   | 12    | 45,717                                       | 77,267   |
| Deferred tax assets                                       |       | 17,703                                       | 19,384   |
|   |       | <b>10,044,545</b>                            | 11,871,368                                     |
| <b>Current assets</b>                                     |       |  |  |
| Inventories   | 13    | 302,690                                      | 326,355  |
| Trade and bill receivables                                | 14    | 893,330                                      | 1,268,992                                      |
| Prepayments and other receivables                         | 15    | 654,004                                      | 863,461  |
| Pledged deposits  | 16    | 48,538                                       | 497,129  |
| Cash and cash equivalents                                 |       | 5,748  | 53,864   |
|   |       | <b>1,904,310</b>                             | 3,009,801                                      |
| Assets held for sale                                      | 20    | 1,923,613                                    | –  |
|   |       | <b>3,827,923</b>                             | 3,009,801                                      |
| <b>Current liabilities</b>                                |       |  |  |
| Trade and bill payables                                   | 17    | (1,083,205)                                  | (1,048,131)                                    |
| Other payables  | 18    | (2,110,537)                                  | (2,258,701)                                    |
| Interest-bearing borrowings                               | 19    | (2,785,700)                                  | (4,734,105)                                    |
| Tax payable   |       | (246,901)                                    | (247,145)                                      |
|   |       | <b>(6,226,343)</b>                           | (8,288,082)                                    |
| Liabilities directly associated with assets held for sale | 20    | (1,454,946)                                  | –  |
|   |       | <b>(7,681,289)</b>                           | (8,288,082)                                    |
| <b>Net current liabilities</b>                            |       | <b>(3,853,366)</b>                           | (5,278,281)                                    |
| <b>Total assets less current liabilities</b>              |       | <b>6,191,179</b>                             | 6,593,087                                      |
| <b>Non-current liabilities</b>                            |       |  |  |
| Other payables  | 18    | (78,997)                                     | (95,782)                                       |
| Interest-bearing borrowings                               | 19    | (3,331,401)                                  | (2,917,796)                                    |
| Accrued reclamation obligations                           |       | (76,869)                                     | (74,693)                                       |
| Deferred tax liabilities                                  |       | (1,159,537)                                  | (1,138,474)                                    |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

|  | Notes | At 30 June<br>2015<br>RMB'000<br>(Unaudited) | At 31 December<br>2014<br>RMB'000<br>(Audited) |
|--|-------|--|--|
| <b>Capital and reserves</b>  |       |  |  |
| Share capital  | 21(a) | 176,531                                      | 176,531  |
| Perpetual subordinated convertible securities                          | 21(b) | 156,931                                      | 156,931  |
| Reserves   | 21(c) | 82,088                                       | 781,592  |
| <b>Total equity attributable to equity shareholders of the Company</b> |       | <b>415,550</b>                               | 1,115,054                                      |
| <b>Non-controlling interests</b>                                       |       | <b>1,128,825</b>                             | 1,251,288                                      |
| <b>Total equity</b>  |       | <b>1,544,375</b>                             | 2,366,342                                      |

Approved and authorised for issue by the Board of Directors of China Qinfa Group Limited on 28 August 2015.

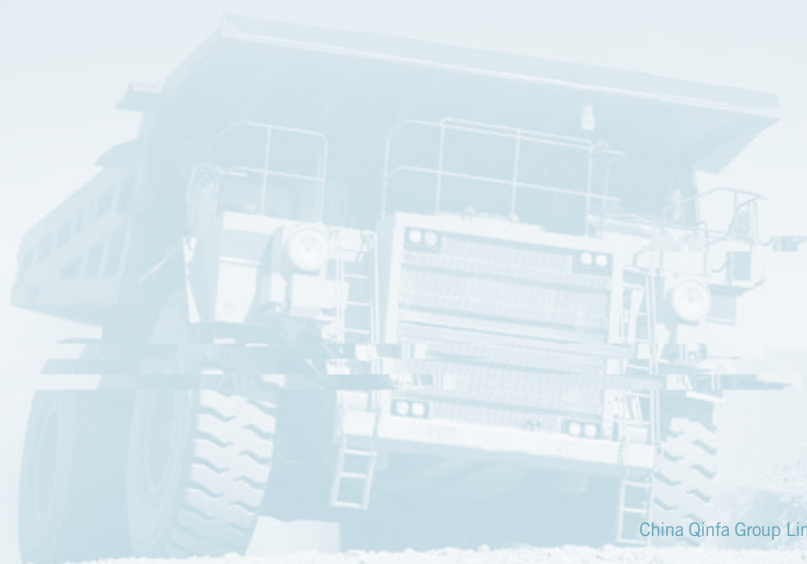
**XU Jihua**  
Director

**WANG Jianfei**  
Director



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

| Attributable to equity shareholders of the Company |               |               |   |                |          |                  |                                  |   |         |                           |              |
|--|---------------|---------------|---|----------------|----------|------------------|----------------------------------|---|---------|---------------------------|--------------|
|  | Share capital | Share premium | Perpetual subordinated convertible securities | Merger reserve | Reserves | Exchange reserve | Share-based compensation reserve | Retained earnings/ (accumulated losses) | Total   | Non controlling interests | Total equity |
| Notes  | RMB'000       | RMB'000       | RMB'000                                       | RMB'000        | RMB'000  | RMB'000          | RMB'000                          | RMB'000                                 | RMB'000 | RMB'000                   | RMB'000      |
|  | Note 21(a)    | Note 21       | Note 21(b)                                    | Note 21        | Note 21  | Note 21          | Note 21                          | Note 21                                 |         |                           |              |
|  |               | (c)(i)        |   | (c)(ii)        | (c)(iii) | (c)(iv)          | (c)(vii)                         |   |         |                           |              |





# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

|   | Six months ended 30 June       |  |
|---|--------------------------------|--|
|   | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited)<br>(Restated) |
| <b>Operating activities</b>                         |                                |  |
| Cash generated from operations                      | 113,260                        | 160,781                                      |
| Income tax paid                                     | (5)                            | (1,018)                                      |
| <b>Net cash generated from operating activities</b> | <b>113,255</b>                 |  |



## 1. COMPANY BACKGROUND AND BASIS OF PREPARATION

### 1.1 General information

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

The principal activities of the Company and its subsidiaries (together, the “Group”) are coal mining, purchase and sales, filtering, storage, blending of coal and shipping transportation in the PRC. The Group was also engaged in the provision of port services, which the Group has discontinued in the period in connection with the disposal of a subsidiary as described in Note 20.

### 1.2 Basis of preparation

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

This interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2014, except that the Group has applied, for the first time, a new interpretation and certain amendments to International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) that are effective for the current period, as disclosed in Note 2.

This interim financial report contains condensed consolidated financial statements and selected explanatory information. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2014. The condensed consolidated financial statements and information thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2014.

This interim financial report is unaudited.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 1. COMPANY BACKGROUND AND BASIS OF PREPARATION (Continued)

### 1.2 Basis of preparation (Continued)

#### Going concern basis

The Group incurred a consolidated net loss of approximately RMB829,492,000 for the six months ended 30 June 2015 and, as of that date, the Group recorded a net current liabilities of approximately RMB3,853,366,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The condensed consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 30 June 2015 and subsequently thereto up to the date of approval of the condensed consolidated financial statements. In order to improve the Group's financial positions, immediate liquidity and cash flows, and otherwise to sustain the Group as a going concern, the directors of the Company have adopted several measures together with other measures in progress at the date of approval of these condensed consolidated financial statements which include, but not limited to, the followings:

- (i) Apply cost control measures in cost of sales and administrative expenses;
- (ii) The Group is currently in the process of negotiating with certain banks to obtain new banking facilities with an aggregate amount of RMB330,000,000;
- (iii) Subsequent to 30 June 2015, the Group has renewed interest-bearing borrowings of RMB196,302,000. The renewed interest-bearing borrowings would be repayable after 30 June 2016, except interest-bearing borrowings of RMB74,540,000 would be due before 30 June 2016;
- (iv) For interest-bearing borrowings which will be mature before 30 June 2016, the Group will actively negotiate with the banks when they fall due to secure necessary fund to meet the Group's working capital and financial requirements in the future. The directors of the Company, have evaluated all the relevant facts available to them, are of the opinion that the Group would be able to renew such interest-bearing borrowings upon maturity; and
- (v) The disposal of 60% equity interest in Zhuhai Qinfu Port Co., Limited ("Zhuhai Port") was completed on 7 August 2015 and the proceeds of RMB350,000,000 were received in August 2015.



## 1. COMPANY BACKGROUND AND BASIS OF PREPARATION (Continued)

### 1.2 Basis of preparation (Continued)

#### Going concern basis (Continued)

In addition to the above measures, the directors of the Company have prepared a cash flow forecast for the next twelve months and are of the opinion that the Group would generate positive cash inflows from its operations.

On the basis of the successful implementation of the measures described above and after assessing the Group's current and forecasted cash positions, the directors of the Company are satisfied that the Group will be able to meet their financial obligations in full in the foreseeable future. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated financial statements for the six months ended 30 June 2015 on a going concern basis.

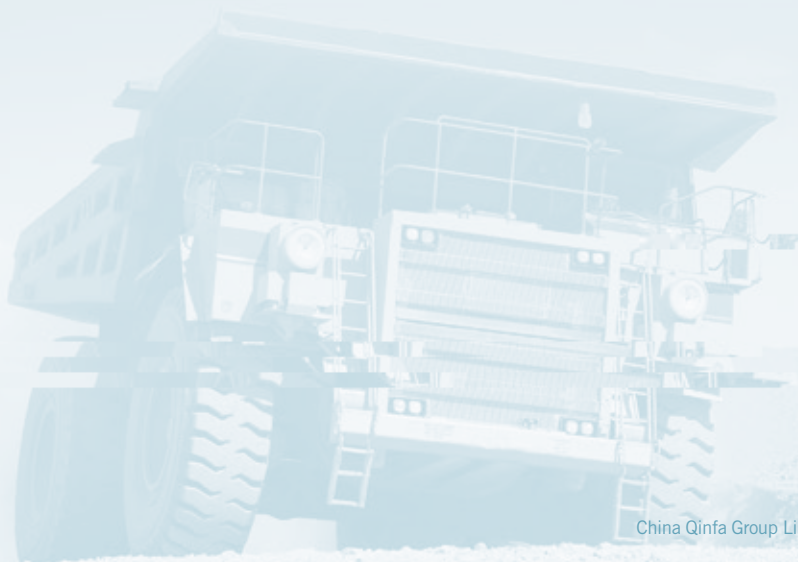
Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their estimated recoverable amounts, to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for any further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

## 2. CHANGES IN ACCOUNTING POLICIES

In the preparation of the condensed consolidated financial statements for the six months ended 30 June 2015, the Group has applied, for the first time, the following revised standards and a new interpretation issued by the IASB.

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

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 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 2014.

## 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. Port business was discontinued during the period. 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 loss is adjusted loss before net finance costs and income tax expense. Items not specifically attributable to individual segments, such as unallocated head office and corporate administration costs are further adjusted.

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 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.

|   | Continuing operations |                  |                         |                | Discontinued operation |             | Total            |                  |
|---|-----------------------|------------------|-------------------------|----------------|------------------------|-------------|------------------|------------------|
|   | Coal business         |                  | Shipping transportation |                | Port business          |             |                  |                  |
|   | 2015                  | 2014             | 2015                    | 2014           | 2015                   | 2014        | 2015             | 2014             |
|   | RMB'000               | RMB'000          | RMB'000                 | RMB'000        | RMB'000                | RMB'000     | RMB'000          | RMB'000          |
|   | (Unaudited)           | (Unaudited)      | (Unaudited)             | (Unaudited)    | (Unaudited)            | (Unaudited) | (Unaudited)      | (Unaudited)      |
| Revenue from external customers                         | 811,086               | 4,391,228        | 70,351                  | 66,156         | 26,122                 | -           | 907,559          | 4,457,384        |
| Inter-segment revenue                                   | -                     | -                | -                       | 65,386         | -                      | -           | -                | 65,386           |
| <b>Reportable segment revenue</b>                       | <b>811,086</b>        | <b>4,391,228</b> | <b>70,351</b>           | <b>131,542</b> | <b>26,122</b>          | <b>-</b>    | <b>907,559</b>   | <b>4,522,770</b> |
| <b>Reportable segment (loss)/profit before taxation</b> | <b>(539,217)</b>      | <b>44,485</b>    | <b>9,274</b>            | <b>22,323</b>  | <b>(31,359)</b>        | <b>-</b>    | <b>(561,302)</b> | <b>66,808</b>    |
| Impairment losses on interests in associates            | 24,138                | -                | -                       | -              | -                      | -           | 24,138           | -                |
| Impairment losses on trade receivables                  | 68,875                | -                | -                       | -              | -                      | -           | 68,875           | -                |
| Impairment losses on other receivables                  | 5,381                 | -                | -                       | -              | -                      | -           | 5,381            | -                |

|                                       | At 30 June         | At 31 December     | At 30 June       | At 31 December   | At 30 June         | At 31 December     | At 30 June          | At 31 December      |
|---------------------------------------|--------------------|--------------------|------------------|------------------|--------------------|--------------------|---------------------|---------------------|
|                                       | 2015               | 2014               | 2015             | 2014             | 2015               | 2014               | 2015                | 2014                |
|                                       | RMB'000            | RMB'000            | RMB'000          | RMB'000          | RMB'000            | RMB'000            | RMB'000             | RMB'000             |
|                                       | (Unaudited)        | (Audited)          | (Unaudited)      | (Audited)        | (Unaudited)        | (Audited)          | (Unaudited)         | (Audited)           |
| <b>Reportable segment assets</b>      | <b>11,456,831</b>  | <b>12,399,005</b>  | <b>894,959</b>   | <b>896,359</b>   | <b>1,925,348</b>   | <b>1,998,886</b>   | <b>14,277,138</b>   | <b>15,294,250</b>   |
| (including interests in associates)   | 45,717             | 77,267             | -                | -                | -                  | -                  | 45,717              | 77,267              |
| <b>Reportable segment liabilities</b> | <b>(9,616,842)</b> | <b>(9,818,480)</b> | <b>(915,809)</b> | <b>(933,003)</b> | <b>(1,454,946)</b> | <b>(1,458,739)</b> | <b>(11,987,597)</b> | <b>(12,210,222)</b> |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 4. SEGMENT REPORTING (Continued)

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

#### Revenue from continuing and discontinued operations

|  | Six months ended 30 June       |                                |
|--|--------------------------------|--------------------------------|
|  | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| Reportable segment revenue                                       | 907,559                        | 4,522,770                      |
| Elimination of inter-segment revenue                             | –                              | (65,386)                       |
| Consolidated revenue from continuing and discontinued operations | 907,559                        | 4,457,384                      |

#### Loss before taxation from continuing and discontinued operations

|   | Six months ended 30 June       |                                |
|---|--------------------------------|--------------------------------|
|   | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| Reportable segment (loss)/profit before taxation                              | (561,302)                      | 66,808                         |
| Elimination of inter-segment loss   | –                              | 9                              |
| Unallocated head office and corporate expenses                                | (15,371)                       | (6,862)                        |
| Net finance costs   | (230,074)                      | (350,754)                      |
| Consolidated loss before taxation from continuing and discontinued operations | (806,747)                      | (290,799)                      |



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 4. SEGMENT REPORTING (Continued)

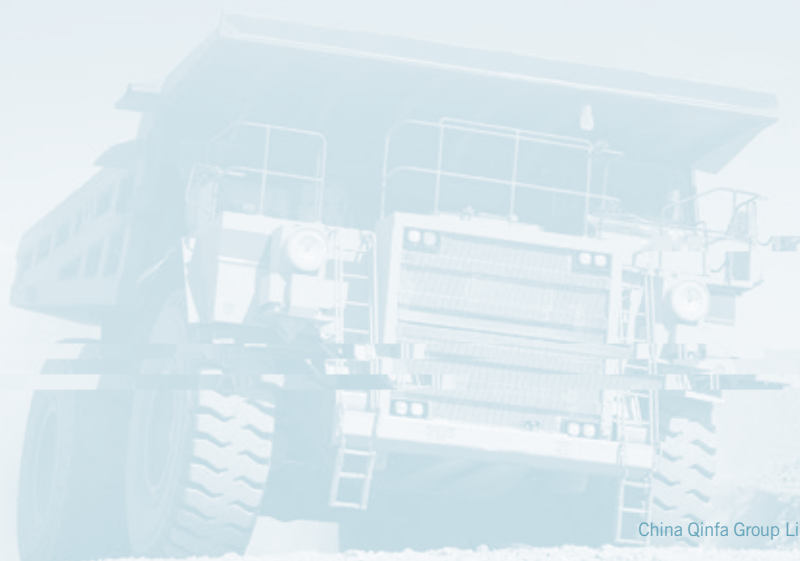
### (b) Reconciliations of reportable segment revenue and loss before taxation from continuing and discontinued operations, assets and liabilities (Continued)

#### Assets

|  | <b>At 30 June<br/>2015<br/>RMB'000<br/>(Unaudited)</b> | At 31 December<br>2014<br>RMB'000<br>(Audited) |
|--|--|--|
| Reportable segment assets                | <b>14,277,138</b>                                      | 15,294,250                                     |
| Elimination of inter-segment receivables | <b>(424,635)</b>                                       | (434,207)                                      |
| Deferred tax assets                      | <b>17,703</b>  | 19,384   |
| Unallocated assets                       | <b>2,262</b>   | 1,742  |
| <b>Consolidated total assets</b>         | <b>13,872,468</b>                                      | 14,881,169                                     |

#### Liabilities

|                                       | <b>At 30 June<br/>2015<br/>RMB'000<br/>(Unaudited)</b> | At 31 December<br>2014<br>RMB'000<br>(Audited) |
|---------------------------------------|--|--|
| Reportable segment liabilities        | <b>11,987,597</b>                                      | 12,210,222                                     |
| Elimination of inter-segment payables | <b>(1,074,661)</b>                                     | (1,086,257)                                    |
| Tax payable                           | <b>246,901</b>   | 247,145  |
| Deferred tax liabilities              | <b>1,159,537</b>                                       | 1,138,474                                      |
| Unallocated liabilities               | <b>8,719</b>   | 5,243  |
| <b>Consolidated total liabilities</b> | <b>12,328,093</b>                                      | 12,514,827                                     |



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 5. REVENUE

Revenue for the period mainly represents the sales of coal and charter hire income. The amount of each significant category of revenue recognised during the period is as follows:

|                              | Six months ended 30 June       |                                |
|------------------------------|--------------------------------|--------------------------------|
|                              | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| <b>Continuing operations</b> |                                |                                |
| Sales of coal                | <b>811,086</b>                 | 4,391,228                      |
| Charter hire income          | <b>70,351</b>                  | 66,156                         |
|                              | <b>881,437</b>                 | 4,457,384                      |

## 6. OTHER INCOME, GAINS AND LOSSES

|   | Note | Six months ended 30 June       |                                |
|---|------|--------------------------------|--------------------------------|
|   |      | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| <b>Continuing operations</b>                      |      |                                |                                |
| Leasing income                                    |      | –                              | 68,750                         |
| Government subsidies                              | (i)  | <b>3,237</b>                   | 5,020                          |
| Foreign exchange loss, net                        |      | <b>(1,344)</b>                 | (14,381)                       |
| Gain on disposal of property, plant and equipment |      | <b>65</b>                      | –                              |
| Others  |      | <b>2,398</b>                   | 4,807                          |
|   |      | <b>4,356</b>                   | 64,196                         |

Note:

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 7. NET FINANCE COSTS

|  | Note | Six months ended 30 June       |  |
|--|------|--------------------------------|--|
|  |      | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited)<br>(Restated) |
| <b>Continuing operations</b>   |      |                                |  |
| Interest income  |      | <b>(2,313)</b>                 | (18,379)                                     |
| Interest on interest-bearing borrowings wholly repayable within five years |      | <b>222,149</b>                 | 338,880                                      |
| Interest charge on unwinding of discounts                                  |      | <b>2,177</b>                   | 2,593  |
| Less: interest capitalised into property, plant and equipment              | (i)  | <b>(30,085)</b>                | (29,812)                                     |
|  |      | <b>194,241</b>                 | 311,661                                      |
| Bank charges   |      | –                              | 57,472                                       |
| Finance costs  |      | <b>194,241</b>                 | 369,133                                      |
| Net finance costs  |      | <b>191,928</b>                 | 350,754                                      |

Note:

- (i) The borrowing costs have been capitalised at a rate of 6.93% (six months ended 30 June 2014: from 7.04% to 10.87%) per annum.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 8. LOSS BEFORE TAXATION

|   | Six months ended 30 June       |                                |
|---|--------------------------------|--------------------------------|
|   | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| <b>Continuing operations</b>                      |                                |                                |
| Depreciation for property, plant and equipment    | 87,631                         | 75,588                         |
| Amortisation of coal mining rights                | 5,959                          | 33,888                         |
| Amortisation of lease prepayments                 | 70                             | 70                             |
| Write-down of inventories to net realisable value | 34,332                         | –                              |
| Impairment losses on trade receivables*           | 68,875                         | –                              |
| Impairment losses on interests in associates*     | 24,138                         | –                              |
| Impairment losses on other receivables*           | 5,381                          | –                              |
| Property, plant and equipment written-off*        | 132                            | –                              |
| <b>Discontinued operation</b>                     |                                |                                |
| Depreciation for property, plant and equipment    | 44,226                         | –                              |
| Amortisation of lease prepayments                 | 1,240                          | –                              |

\* The amounts have been included in other expenses.



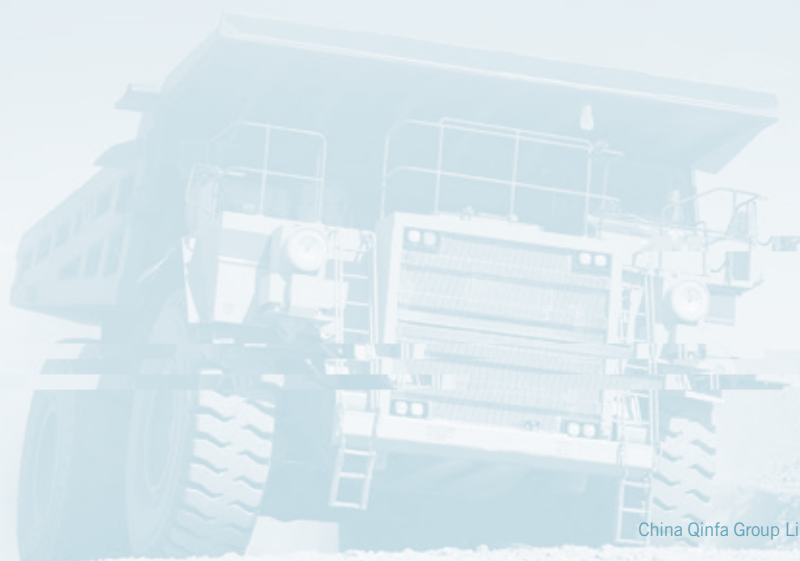
# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 9. INCOME TAX EXPENSE

|  | Six months ended 30 June |             |
|--|--------------------------|-------------|
|  | 2015                     | 2014        |
|  | RMB'000                  | RMB'000     |
|  | (Unaudited)              | (Unaudited) |
| Current tax expense  |                          |             |
| – PRC Corporate Income Tax                                   | <b>1</b>                 | 64,952      |
| – Under provision of PRC Corporate Income Tax in prior years | <b>–</b>                 | 1,276       |
| Deferred tax expense   | <b>22,744</b>            | (1,499)     |
| Income tax expense   | <b>22,745</b>            | 64,729      |

- (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 2014: Nil).
- (iii) No provision for income tax has been made for the subsidiary located in Macau as the subsidiary did not have assessable profits subject to income tax in Macau during the period (six months ended 30 June 2014: Nil).
- (iv) The provision for the PRC Corporate Income Tax was based on the statutory rate of 25% (six months ended 30 June 2014: 25%) of the assessable profits of subsidiaries which carried on businesses in the PRC.
- (v) Pursuant to the Corporate Income Tax Law of the PRC, 10% (six months ended 30 June 2014: 10%) withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profits earned after 1 January 2008. As at 30 June 2015 and 31 December 2014, the Group has no material temporary differences relating to the undistributed profits of PRC subsidiaries. Deferred tax liabilities have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits as the Company determined that it is probable that undistributed profits of these PRC subsidiaries will not be distributed in the foreseeable future.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 10. LOSS PER SHARE

### Basic and diluted loss per share

The calculation of basic loss per share from continuing and discontinued operations for the six months ended 30 June 2015 is based on the loss attributable to ordinary equity shareholders of the Company from continuing and discontinued operations of approximately RMB667,623,000 (six months ended 30 June 2014: RMB383,869,000) and RMB41,703,000 (six months ended 30 June 2014: Nil) and the weighted average number of approximately 2,078,413,985 (six months ended 30 June 2014: 2,078,413,985) ordinary shares in issue during the period.

### Loss attributable to ordinary equity shareholders of the Company

|  | Six months ended 30 June       |  |
|--|--------------------------------|--|
|  | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited)<br>(Restated) |
| <b>Continuing operations</b>   |                                |  |
| Loss from continuing operations  | (759,987)                      | (355,528)                                    |
| Loss/(profit) attributable to non-controlling interests from continuing operations                           | 94,661                         | (26,027)                                     |
| Loss attributable to equity shareholders of the Company from continuing operations                           | (665,326)                      | (381,555)                                    |
| Less: Distribution relating to perpetual subordinated convertibles securities classified as equity           | (2,297)                        | (2,314)                                      |
| Loss attributable to ordinary equity shareholders of the Company from continuing operations                  | (667,623)                      | (383,869)                                    |
| <b>Discontinued operation</b>  |                                |  |
| Loss from discontinued operation   | (69,505)                       | –  |
| Loss attributable to non-controlling interests from discontinued operation                                   | 27,802                         | –  |
| Loss attributable to ordinary equity shareholders of the Company from discontinued operation                 | (41,703)                       | –  |
| Loss attributable to ordinary equity shareholders of the Company from continuing and discontinued operations | (709,326)                      | (383,869)                                    |

Diluted loss per share were same as the basic loss per share as the effect of all potential ordinary share is anti-dilutive for the six months ended 30 June 2015 and 2014.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment with costs (including interest capitalisation (see Note 7)) of approximately RMB187,312,000 (six months ended 30 June 2014: RMB391,252,000) in aggregate, including items relating to mining structure under construction of approximately RMB173,303,000 (six months ended 30 June 2014: port under construction of approximately RMB24,521,000 and mining structure under construction of approximately RMB347,803,000).

## 12. INTERESTS IN ASSOCIATES

|                          | At 30 June<br>2015<br>RMB'000<br>(Unaudited) | At 31 December<br>2014<br>RMB'000<br>(Audited) |
|--------------------------|--|--|
| Listed investments:      |  |  |
| Listed shares, at cost   | 52,444                                       | 52,444   |
| Share of losses          | (27,279)                                     | (27,279)                                       |
| Impairment losses        | (20,983)                                     | (19,333)                                       |
| Exchange differences     | (4,182)                                      | (4,179)  |
|                          | -  | 1,653  |
| Unlisted investments:    |  |  |
| Unlisted shares, at cost | 71,806                                       | 71,806   |
| Share of (loss)/profits  | (3,283)                                      | 4,089  |
| Impairment losses        | (22,488)                                     | -  |
| Exchange differences     | (318)  | (281)  |
|                          | 45,717                                       | 75,614   |
|                          | 45,717                                       | 77,267   |

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

| Name of associate   | Place of establishment/<br>incorporation | Listed/<br>unlisted<br>company | Proportion of ownership interest |                     |                      | Principal activities                         |
|---|--|--------------------------------|----------------------------------|---------------------|----------------------|--|
|   |  |                                | Group's effective interest       | Held by the Company | Held by a subsidiary |  |
| Tiaro Coal Limited<br>("Tiaro Coal") (Note)                       | Australia                                | Listed<br>company              | 26.31%                           | -                   | 26.31%               | Coal exploration, evaluation and development |
| Tongmei Qinfa<br>(Zhuhai) Holdings<br>Co., Ltd. ("Tongmei Qinfa") | PRC                                      | Unlisted<br>company            | 49%                              | -                   | 49%                  | Sales of coal                                |
| Paragon Coal Pty Ltd.<br>("Paragon Coal") (Note)                  | Australia                                | Unlisted<br>company            | 33.63%                           | -                   | 33.63%               | Coal exploration and development             |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 12. INTERESTS IN ASSOCIATES (Continued)

Note: In April 2015, Tiaro Coal announced to commence a voluntary administration. The directors of the Company determined that the likelihood of recovering the interests in Tiaro Coal and Paragon Coal, one of the subsidiaries of Tiaro Coal of RMB24,138,000 was remote. Accordingly, a full provision for impairment loss of RMB24,138,000 was made and charged to the condensed consolidated statement of comprehensive income for the six months ended 30 June 2015.

## 13. INVENTORIES

|                | <b>At 30 June<br/>2015<br/>RMB'000<br/>(Unaudited)</b> | At 31 December<br>2014<br>RMB'000<br>(Audited) |
|----------------|--|--|
| Finished goods | <b>290,904</b>   | 314,337  |
| Fuel           | <b>11,786</b>  | 12,018   |
|                | <b>302,690</b>   | 326,355  |

Provision for inventories amounting to RMB34,332,000 (31 December 2014: RMB35,650,000) were made against those finished goods with net realisable value lower than carrying value as at 30 June 2015.

## 14. TRADE AND BILL RECEIVABLES

|                            | <b>At 30 June<br/>2015<br/>RMB'000<br/>(Unaudited)</b> | At 31 December<br>2014<br>RMB'000<br>(Audited) |
|----------------------------|--|--|
| Trade and bill receivables | <b>1,005,280</b>                                       | 1,312,139                                      |
| Less: impairment           | <b>(111,950)</b>                                       | (43,147)                                       |
|                            | <b>893,330</b>   | 1,268,992                                      |

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



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 14. TRADE AND BILL RECEIVABLES (Continued)

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

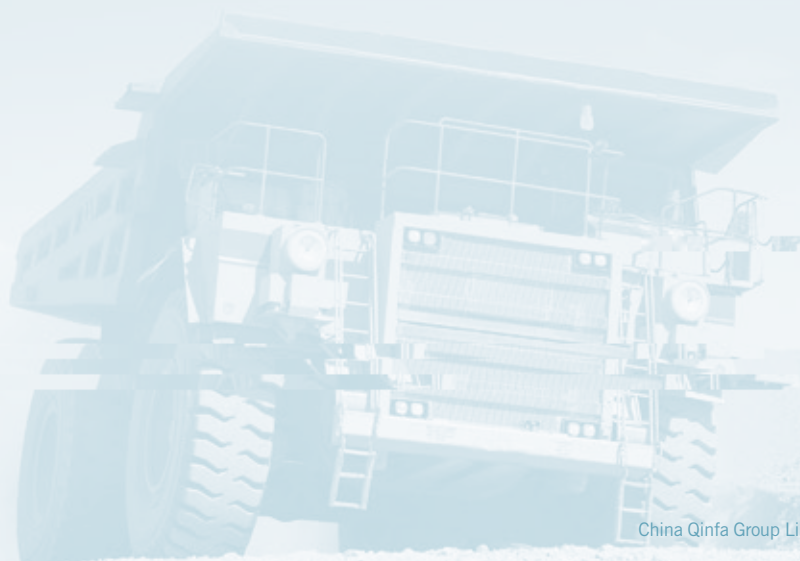
|                                   | <b>At 30 June<br/>2015<br/>RMB'000<br/>(Unaudited)</b> | At 31 December<br>2014<br>RMB'000<br>(Audited) |
|-----------------------------------|--|--|
| Within 2 months                   | <b>345,185</b>   | 519,102  |
| Over 2 months but within 6 months | <b>55,958</b>  | 271,261  |
| Over 6 months but within 1 year   | <b>102,788</b>   | 285,078  |
| Over 1 year but within 2 years    | <b>388,229</b>   | 192,386  |
| Over 2 years                      | <b>1,170</b>   | 1,165  |
|                                   | <b>893,330</b>   | 1,268,992                                      |

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.

## 15. PREPAYMENTS AND OTHER RECEIVABLES

|   | <b>At 30 June<br/>2015<br/>RMB'000<br/>(Unaudited)</b> | At 31 December<br>2014<br>RMB'000<br>(Audited)<br>(Restated) |
|---|--|--|
| Deposits and prepayments                      | <b>204,866</b>   | 182,874  |
| Amounts due from non-controlling shareholders | <b>326,603</b>   | 530,198  |
| Other non-trade receivables                   | <b>175,488</b>   | 197,961  |
| Less: impairment                              | <b>(52,953)</b>  | (47,572)   |
|   | <b>654,004</b>   | 863,461  |



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 16. PLEDGED DEPOSITS

Bank deposits of approximately RMB48,538,000 (31 December 2014: RMB497,129,000) as at 30 June 2015 were pledged to banks to secure certain of the Group's interest-bearing borrowings and bill payables.

## 17. TRADE AND BILL PAYABLES

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

|                                | <b>At 30 June<br/>2015<br/>RMB'000<br/>(Unaudited)</b> | At 31 December<br>2014<br>RMB'000<br>(Audited) |
|--------------------------------|--|--|
| Within 1 year                  | 702,715  | 1,001,631                                      |
| Over 1 year but within 2 years | 307,790  | 46,107   |
| Over 2 years                   | 72,700   | 393  |
|                                | <b>1,083,205</b>                                       | 1,048,131                                      |

## 18. OTHER PAYABLES

|  | <b>At 30 June<br/>2015<br/>RMB'000<br/>(Unaudited)</b> | At 31 December<br>2014<br>RMB'000<br>(Audited)<br>(Restated) |
|--|--|--|
| <b>Current</b>   |  |  |
| Receipts in advance  | 120,120  | 49,572   |
| Accrued expenses   | 379,634  | 229,823  |
| Amount due to a related company (Note)                                 | 19,590   | –  |
| Amounts due to directors (Note)  | 6,755  | –  |
| Perpetual subordinated convertible securities<br>distribution payables | 4,956  | 2,659  |
| Other payables   | 1,579,482  | 1,976,647  |
|  | <b>2,110,537</b>                                       | 2,258,701  |
| <b>Non-current</b>   |  |  |
| Other payables   | 78,997   | 95,782   |
|  | <b>2,189,534</b>                                       | 2,354,483  |

Note: The amounts due are unsecured, interest-free and are repayable on demand.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

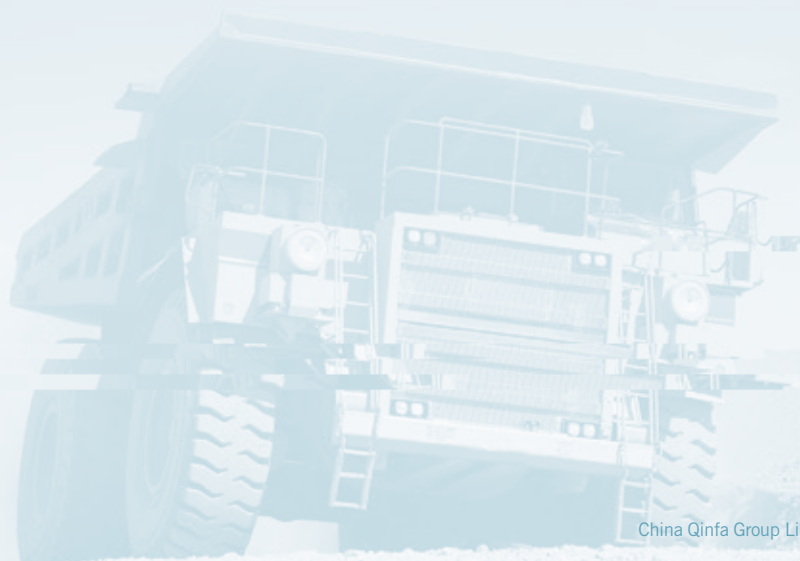
30 June 2015

## 19. INTEREST-BEARING BORROWINGS

|  | Notes | At 30 June<br>2015<br>RMB'000<br>(Unaudited) | At 31 December<br>2014<br>RMB'000<br>(Audited) |
|--|-------|--|--|
| <b>Current</b>   |       |  |  |
| Secured bank loans                                     | (i)   | 1,400,191                                    | 3,424,188                                      |
| Unsecured bank loans                                   | (ii)  | 405,455                                      | 514,872  |
| Current portion of non-current<br>secured bank loans   | (iii) | 724,200                                      | 713,325  |
| Current portion of non-current<br>unsecured bank loans | (iii) | 17,114                                       | 81,720   |
| Other borrowings                                       | (iv)  | 238,740                                      | –  |
|  |       | <b>2,785,700</b>                             | 4,734,105                                      |
| <b>Non-current</b>                                     |       |  |  |
| Secured bank loans                                     | (iii) | 3,331,401                                    | 2,677,796                                      |
| Unsecured bank loans                                   | (iii) | –  | 240,000  |
|  |       | <b>3,331,401</b>                             | 2,917,796                                      |
|  |       | <b>6,117,101</b>                             | 7,651,901                                      |

(i) Current secured bank loans bear interest at rates ranging from 2.85% to 8.70% (31 December 2014: 5.10% to 9.00%) per annum as at 30 June 2015.

(ii) Current unsecured bank loans bear interest at rates ranging from 6.31% to 8.40% (31 December 2014: 2.09% to 8.50%) per annum as at 30 June 2015.





# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 19. INTEREST-BEARING BORROWINGS (Continued)

(iii) Non-current bank loans (including current portion of non-current bank loans) bear the following interest rates:

|  | <b>At 30 June<br/>2015<br/>RMB'000<br/>(Unaudited)</b> | At 31 December<br>2014<br>RMB'000<br>(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  |
| (2) 20% premium on the 5-year interest rate of PBOC  | –  | 635,000  |
| (3) Fixed rate: 7.01%  | <b>975,000</b>   | –  |
| (4) 5% premium on the per annum interest rate quoted by the People's Bank of China with terms longer than five years                                     | –  | 1,083,510                                      |
| (5) 38% premium on the per annum interest rate quoted by the People's Bank of China in respect of three-year borrowings ("3-year interest rate of PBOC") | <b>585,000</b>   | 585,000  |
| (6) 13.82% premium on the 3-year interest rate of PBOC   | –  | 285,000  |
| (7) 4.13% per annum over Raiffeisen Bank International AG's cost of fund   | <b>17,114</b>  | 36,720   |
| (8) 5% premium on the 3-year interest rate of PBOC   | <b>158,700</b>   | 159,700  |
| (9) 3-year interest rate of PBOC   | <b>1,366,901</b>                                       | 587,911  |
| (10) 5-year interest rate of PBOC  | <b>970,000</b>   | –  |
|  | <b>4,072,715</b>                                       | 3,712,841                                      |

(iv) Other borrowings bear interest at rates ranging from 6.16% to 10.00% per annum as at 30 June 2015.

The Group's interest-bearing borrowings are secured by the following assets:

|                               | <b>At 30 June<br/>2015<br/>RMB'000<br/>(Unaudited)</b> | At 31 December<br>2014<br>RMB'000<br>(Audited) |
|-------------------------------|--|--|
| Property, plant and equipment | <b>2,768,888</b>                                       | 4,395,220                                      |
| Coal mining rights            | <b>4,627,673</b>                                       | 4,633,632                                      |
| Lease prepayments             | <b>5,283</b>   | 5,353  |
| Inventories                   | <b>290,331</b>   | 299,756  |
| Trade and bill receivables    | <b>127,369</b>   | –  |
| Pledged deposits              | <b>48,117</b>  | 448,462  |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 19. INTEREST-BEARING BORROWINGS (Continued)

As at 30 June 2015, the Group's interest-bearing borrowings are also secured by other receivables of a related company of which Mr. Xu Jihua ("Mr. Xu") is the shareholder, the ultimate holding company's equity interest in the Company and the Group's equity interest in Shanxi Huameiao Energy Group Co., Ltd. ("Huameiao Energy"), Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Co., Ltd. ("Xingtao Coal"), Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Co., Ltd., Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Co., Ltd. ("Chongsheng Coal"), Shanxi Xinzhou Shenchi Xinglong Coal Co., Ltd. ("Xinglong Coal"), Shanxi Xinzhou Shenchi Hongyuan Coal Co., Ltd. ("Hongyuan Coal"), Shuozhou Guangfa Energy Investment Co., Ltd. ("Shuozhou Guangfa"), Super Grace Enterprises Limited ("Super Grace") and Oriental Wise Group Limited ("Oriental Wise"). As at 30 June 2015, interest-bearing borrowings of RMB5,939,671,000 were guaranteed by the Company, certain subsidiaries of the Company and/or related parties (Note 25(b)).

As at 31 December 2014, the Group's interest-bearing borrowings are also secured by the Group's equity interest in Huameiao Energy, Xingtao Coal, Chongsheng Coal, Xinglong Coal, Hongyuan Coal, Shuozhou Guangfa, Super Grace and Oriental Wise. As at 31 December 2014, interest-bearing borrowings of RMB4,535,747,000 were guaranteed by the Company, certain subsidiaries of the Company and/or related parties (Note 25(b)).

The Group's interest-bearing borrowings are repayable as follows:

|                                 | <b>At 30 June<br/>2015<br/>RMB'000<br/>(Unaudited)</b> | At 31 December<br>2014<br>RMB'000<br>(Audited) |
|---------------------------------|--|--|
| Within 1 year                   | <b>2,785,700</b>                                       | 4,734,105                                      |
| Over 1 year but within 2 years  | <b>2,486,401</b>                                       | 1,952,795                                      |
| Over 2 years but within 5 years | <b>845,000</b>   | 304,737  |
| Over 5 years                    | –  | 660,264  |
|                                 | <b>3,331,401</b>                                       | 2,917,796                                      |
|                                 | <b>6,117,101</b>                                       | 7,651,901                                      |

## 20. DISCONTINUED OPERATION, ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE

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

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 20. DISCONTINUED OPERATION, ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE *(Continued)*

The results of the port business for the six months ended 30 June 2015 and 2014 were as follows:

|  | Six months ended 30 June       |                                |
|--|--------------------------------|--------------------------------|
|  | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| <b>Revenue</b>                           | <b>26,122</b>                  | –                              |
| Cost of sales                            | (57,430)                       | –                              |
| <b>Gross loss</b>                        | <b>(31,308)</b>                | –                              |
| Other income, gains and losses           | 2,012                          | –                              |
| Administrative expenses                  | (2,063)                        | –                              |
| <b>Results from operating activities</b> | <b>(31,359)</b>                | –                              |
| Finance income                           | 19                             | –                              |
| Finance costs                            | (38,165)                       | –                              |
| <b>Net finance costs</b>                 | <b>(38,146)</b>                | –                              |
| <b>Loss before taxation</b>              | <b>(69,505)</b>                | –                              |
| Income tax expense                       | –                              | –                              |
| <b>Loss for the period</b>               | <b>(69,505)</b>                | –                              |

The major classes of assets and liabilities of Zhuhai Port are as follows:

|  | At 30 June<br>2015<br>RMB'000<br>(Unaudited) |
|--|--|
| Property, plant and equipment  | 1,734,527                                    |
| Lease prepayments  | 106,328                                      |
| Inventories  | 265  |
| Trade receivables  | 4,323  |
| Prepayments and other receivables  | 74,760                                       |
| Cash and cash equivalents  | 3,410  |
| <b>Total assets classified as held for sale</b>                                      | <b>1,923,613</b>                             |
| Trade payables   | 1,913  |
| Other payables   | 369,583                                      |
| Interest-bearing borrowings  | 1,083,210                                    |
| Tax payable  | 240  |
| <b>Total liabilities directly associated with assets classified as held for sale</b> | <b>1,454,946</b>                             |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 21. CAPITAL, RESERVES AND DIVIDEND

### (a) Share capital

|   | Notes     | At 30 June 2015 |                | At 31 December 2014 |                |
|---|-----------|-----------------|----------------|---------------------|----------------|
|   |           | No. of shares   | Amount RMB'000 | No. of shares       | Amount RMB'000 |
|   |           | (Unaudited)     | (Unaudited)    | (Audited)           | (Audited)      |
| <b>Authorised</b>                             |           |                 |                |                     |                |
| Ordinary shares of HKD0.10 each               | (i),(iii) | 20,000,000,000  | 1,763,000      | 20,000,000,000      | 1,763,000      |
| <b>Ordinary shares, issued and fully paid</b> |           |                 |                |                     |                |
| Ordinary shares of HKD0.10 each               |           | 2,078,413,985   | 176,531        | 2,078,413,985       | 176,531        |

- (i) The Company was incorporated in the Cayman Islands on 4 March 2008 with an authorised share capital of HKD380,000 divided into 3,800,000 shares of par value HKD0.10 each. On 4 March 2008, a share of the Company with par value of HKD0.10 was allotted, issued and fully paid to Codan Trust Company (Cayman) Limited as the initial subscriber, which was subsequently transferred by Codan Trust Company (Cayman) Limited to Mr. Xu on the same day. On 12 June 2009, Mr. Xu transferred this one share to Fortune Pearl International Limited ("Fortune Pearl", the ultimate holding company of the Group).
- (ii) Pursuant to a reorganisation on 12 June 2009 (the "Reorganisation"), 999,999 shares credited as fully paid were allotted and issued to Fortune Pearl, in consideration for the acquisition by the Company of the entire equity interest of Qinfa Investment Limited ("Qinfa Investment"), an intermediate holding company of the Group.
- (iii) Pursuant to a written resolution of the sole shareholder passed on 12 June 2009, the authorised share capital of the Company was increased from HKD380,000 to HKD2,000,000,000 by the creation of an additional 19,996,200,000 shares of HKD0.10 each.

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

- (iv) On 3 July 2009, 250,000,000 ordinary shares of HKD0.10 each were issued at a price of HKD2.52 per share under the Initial Public Offering and the International Placing. The proceeds of HKD25,000,000 (equivalent to RMB22,042,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD605,000,000 (equivalent to RMB533,429,000), before the issuing expenses, were credited to the share premium account.
- (v) On 22 July 2009, the underwriters of the International Placing exercised the over-allotment option for the issuance of 37,500,000 ordinary shares of HKD0.10 each at HKD2.52 per share. The proceeds of HKD3,750,000 (equivalent to RMB3,305,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD90,750,000 (equivalent to RMB79,987,000), before the issuing expenses, were credited to the share premium account.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 21. CAPITAL, RESERVES AND DIVIDEND (Continued)

### (a) Share capital (Continued)

- (vi) On 8 April 2011, 60,000 share options under the Pre-IPO Option were exercised for the same number of shares at an exercise price of HKD2.52 per share. All issued shares have been fully paid. The proceeds of HKD6,000 (equivalent to RMB5,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of HKD145,000 (equivalent to RMB122,000) were credited to the share premium account.
- (vii) The extraordinary general meeting held on 30 September 2011 approved the bonus issue of one share for every one existing share held by the shareholders whose names are on the register of members on 10 October 2011. As a result, the issued share capital of the Company increased from HKD103,756,000 (equivalent to RMB91,479,000) to HKD207,512,000 (equivalent to RMB176,266,000) through capitalisation of share premium of HKD103,756,000 (equivalent to RMB84,787,000).
- (viii) On 19 July 2013, the Company issued and allotted 3,293,985 shares at an issue price of HKD0.77 per share in respect of the final dividend for the year ended 31 December 2012.

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

### (b) Perpetual subordinated convertible securities

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

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

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

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

The Group had not elected to defer distribution payments for the six months ended 30 June 2015 of approximately HKD2,921,000 (equivalent to approximately RMB2,297,000) (31 December 2014: HKD5,841,000 (equivalent to approximately RMB4,628,000)).

## 21. CAPITAL, RESERVES AND DIVIDEND (Continued)

### (c) 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. 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.

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 21. CAPITAL, RESERVES AND DIVIDEND (Continued)

### (c) Reserves (Continued)

#### (i) Share premium (Continued)

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

#### (ii) Merger reserve

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

#### (iii) Reserve

Statutory reserve fund

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

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

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:

|  | <b>RMB'000</b> |
|--|----------------|
| Balance at 1 January 2014 (Audited)                      | 274,742        |
| Provision for the period                                 | 86,387         |
| Utilisation for the period                               | (41,786)       |
| Balance at 30 June 2014 and 1 July 2014 (Unaudited)      | 319,343        |
| Provision for the period                                 | 17,274         |
| Utilisation for the period                               | (28,371)       |
| Release of reserve upon disposal of a subsidiary         | (59,778)       |
| Balance at 31 December 2014 and 1 January 2015 (Audited) | 248,468        |
| Provision for the period                                 | 31,215         |
| Utilisation for the period                               | (54,849)       |
| Balance at 30 June 2015 (Unaudited)                      | 224,834        |

## 21. CAPITAL, RESERVES AND DIVIDEND (Continued)

### (c) 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 22.

### (d) Dividends

No dividend was paid or proposed during the six months ended 30 June 2015 and 2014, nor has any dividend been proposed since the end of reporting period.

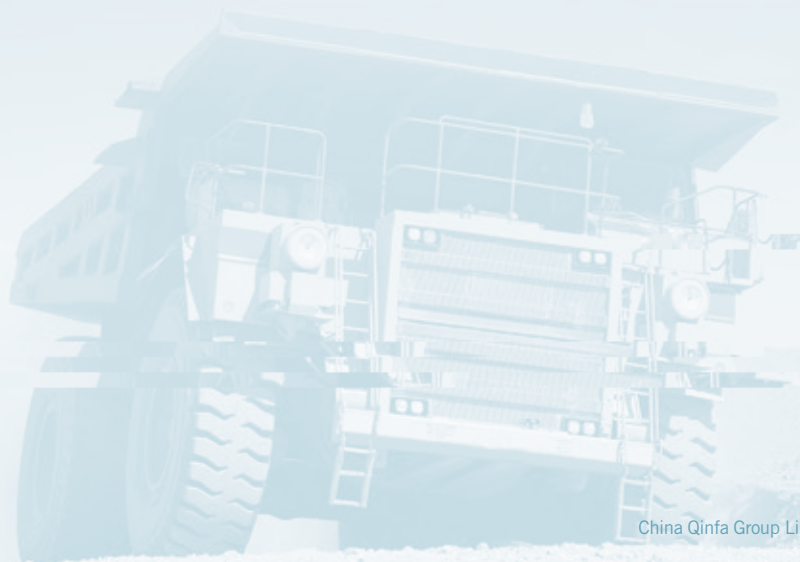
## 22. EQUITY-SETTLED SHARE-BASED PAYMENTS

### (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 Share Option") whereby executive directors of the Company and employees of the Group (the "Grantees") 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 Share Option is 8,400,000 shares which were granted on 12 June 2009 with the subscription price of HKD2.52 per share.

Each option granted under the Pre-IPO Share 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.





# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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## 22. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

### (a) Pre-IPO Share Option Scheme (Continued)

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

|  | Number of options | Vesting conditions  | Contractual life of options |
|--|-------------------|---|-----------------------------|
| Options granted to a director and employees<br>– on 12 June 2009 | 8,400,000         | 30% on both of the first and second anniversary of the Listing Date, 40% on the third anniversary of the Listing Date | 10 years                    |

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

For the six months ended 30 June 2015

| Type of grantee           | Date of grant | Exercisable period           | Exercise price HKD | Number of options              |                                |                              |
|---------------------------|---------------|------------------------------|--------------------|--------------------------------|--------------------------------|------------------------------|
|                           |               |                              |                    | Balance at 1 January 2015 '000 | Granted during the period '000 | Balance at 30 June 2015 '000 |
| <b>Executive director</b> |               |                              |                    |                                |                                |                              |
| Mr. Ma Baofeng*           | 12 June 2009  | 12 June 2009 to 11 June 2019 | 1.26               | 1,200                          | –                              | 1,200                        |
| <b>Employees</b>          |               |                              |                    |                                |                                |                              |
| In aggregate              | 12 June 2009  | 12 June 2009 to 11 June 2019 | 1.26               | 10,800                         | –                              | 10,800                       |
|                           |               |                              |                    | <b>12,000</b>                  | <b>–</b>                       | <b>12,000</b>                |

For the six months ended 30 June 2014

| Type of grantee           | Date of grant | Exercisable period           | Exercise price HKD | Number of options              |                                |                              |
|---------------------------|---------------|------------------------------|--------------------|--------------------------------|--------------------------------|------------------------------|
|                           |               |                              |                    | Balance at 1 January 2014 '000 | Granted during the period '000 | Balance at 30 June 2014 '000 |
| <b>Executive director</b> |               |                              |                    |                                |                                |                              |
| Ms. Liu Xiaomei*          | 12 June 2009  | 12 June 2009 to 11 June 2019 | 1.26               | 1,200                          | –                              | 1,200                        |
| <b>Employees</b>          |               |                              |                    |                                |                                |                              |
| In aggregate              | 12 June 2009  | 12 June 2009 to 11 June 2019 | 1.26               | 12,400                         | –                              | 12,400                       |
|                           |               |                              |                    | <b>13,600</b>                  | <b>–</b>                       | <b>13,600</b>                |

\* Ms. Liu Xiaomei was resigned as an executive director on 9 October 2014. Mr. Ma Baofeng was appointed as an executive director of the Company on 9 October 2014.

## 22. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

### (a) Pre-IPO Share Option Scheme (Continued)

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

At 30 June 2015, the number of the exercisable Pre-IPO Share Options was 12,000,000 (31 December 2014: 12,000,000) shares.

During the six months ended 30 June 2015, no share option (six months ended 30 June 2014: Nil) under the Pre-IPO Share Option was exercised.

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 (Note 21(a)(vii)), the exercise price of the Pre-IPO Share Options was adjusted from HKD2.52 to HKD1.26, and the number of the outstanding Pre-IPO Share Options as at 10 October 2011 was adjusted from 7,800,000 shares to 15,600,000 shares thereupon.

The Pre-IPO Share Options outstanding at 30 June 2015 had a weighted average remaining contractual life of 4.0 years (31 December 2014: 4.5 years). The weighted average exercise price for the outstanding share options as at 30 June 2015 was HKD1.26 (31 December 2014: HKD1.26) per share.

### (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.

An 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 of the Company, which must not be more than 10 years from the date of the grant.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 22. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

### (b) Share Option Scheme (Continued)

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

|   | Number of options | Vesting conditions   | Contractual life of options |
|---|-------------------|--|-----------------------------|
| Options granted to a director and employees<br>– on 17 January 2012 | 20,751,196        | 40% on the grant date, 30% on both of the first and second anniversary of the grant date | 10 years                    |
| Options granted to directors and employees<br>– on 30 April 2015    | 157,500,000       | 40% on the grant date, 30% on both of the first and second anniversary of the grant date | 10 years                    |

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

For the six months ended 30 June 2015

| Type of grantee                            | Date of grant   | Exercisable period                 | Exercise price HKD | Number of options                     |                                       |                                     |
|--|-----------------|------------------------------------|--------------------|---------------------------------------|---------------------------------------|-------------------------------------|
|  |                 |                                    |                    | Balance at 1 January 2015 '000 shares | Granted during the period '000 shares | Balance at 30 June 2015 '000 shares |
| <b>Executive director</b>                  |                 |                                    |                    |                                       |                                       |                                     |
| Mr. Ma Baofeng*                            | 17 January 2012 | 17 January 2012 to 16 January 2022 | 1.50               | 2,964                                 | –                                     | 2,964                               |
| <b>Independent non-executive directors</b> |                 |                                    |                    |                                       |                                       |                                     |
| Mr. Huang Guosheng                         | 30 April 2015   | 30 April 2015 to 29 April 2025     | 0.485              | –                                     | 500                                   | 500                                 |
| Mr. Lau Sikyuen                            | 30 April 2015   | 30 April 2015 to 29 April 2025     | 0.485              | –                                     | 500                                   | 500                                 |
| Mr. Xing Zhiying                           | 30 April 2015   | 30 April 2015 to 29 April 2025     | 0.485              | –                                     | 500                                   | 500                                 |
|  |                 |                                    |                    | <b>2,964</b>                          | <b>1,500</b>                          | <b>4,464</b>                        |
| <b>Employees</b>                           |                 |                                    |                    |                                       |                                       |                                     |
| In aggregate                               | 17 January 2012 | 17 January 2012 to 16 January 2022 | 1.50               | 5,929                                 | –                                     | 5,929                               |
| In aggregate                               | 30 April 2015   | 30 April 2015 to 29 April 2025     | 0.485              | –                                     | 156,000                               | 156,000                             |
|  |                 |                                    |                    | <b>5,929</b>                          | <b>156,000</b>                        | <b>161,929</b>                      |
|  |                 |                                    |                    | <b>8,893</b>                          | <b>157,500</b>                        | <b>166,393</b>                      |

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 22. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

### (b) Share Option Scheme (Continued)

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

For the six months ended 30 June 2014

| Type of grantee  | Date of grant      | Exercisable period                    | Exercise price<br>HKD | Number of options                              |  |  |
|------------------|--------------------|---------------------------------------|-----------------------|--|--|--|
|                  |                    |                                       |                       | Balance at<br>1 January<br>2014<br>'000 shares | Granted<br>during the<br>period<br>'000 shares | Balance at<br>30 June<br>2014<br>'000 shares |
| <b>Employees</b> |                    |                                       |                       |  |  |  |
| In aggregate     | 17 January<br>2012 | 17 January 2012 to<br>16 January 2022 | 1.50                  | 14,822   | –  | 14,822                                       |

At 30 June 2015, the number of the exercisable shares under the Share Option Scheme was 71,893,000 (31 December 2014: 8,893,000) shares.

During the six months ended 30 June 2015, no share option (six months ended 30 June 2014: Nil) under the Share Option Scheme was exercised.

The share options outstanding at 30 June 2015 had a weighted average remaining contractual life of 9.7 years (31 December 2014: 7.0 years). The weighted average exercise price for the outstanding share options as at 30 June 2015 was HKD0.54 (31 December 2014: HKD1.50) per share.

## 23. CAPITAL COMMITMENTS

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

|  | <b>At 30 June<br/>2015<br/>RMB'000<br/>(Unaudited)</b> | At 31 December<br>2014<br>RMB'000<br>(Audited) |
|--|--|--|
| Property, plant and equipment          | <b>207,035</b>   | 281,312  |
| Interests in associates (see Note (i)) | –  | 6,509  |

(i) The Group was committed at 31 December 2014 to invest in Paragon Coal which amounted to approximately Australian dollars 1,300,000 (equivalent to approximately RMB6,509,000).

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 24. OPERATING LEASES COMMITMENTS

### (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:

|                                | <b>At 30 June<br/>2015<br/>RMB'000<br/>(Unaudited)</b> | At 31 December<br>2014<br>RMB'000<br>(Audited) |
|--------------------------------|--|--|
| Within 1 year                  | <b>15,283</b>  | 16,593   |
| Over 1 year but within 5 years | <b>5,000</b>   | 12,299   |
|                                | <b>20,283</b>  | 28,892   |

### (b) Leases as lessor

The Group leases out its vessels under operating leases during the period and the future minimum lease income under non-cancellable operating leases in relation to vessels are as follows.

|                                | <b>At 30 June<br/>2015<br/>RMB'000<br/>(Unaudited)</b> | At 31 December<br>2014<br>RMB'000<br>(Audited) |
|--------------------------------|--|--|
| Within 1 year                  | <b>21,593</b>  | 40,252   |
| Over 1 year but within 2 years | –  | 7,136  |
|                                | <b>21,593</b>  | 47,388   |



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 25. RELATED PARTY TRANSACTIONS

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

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

### (a) Related party transactions

#### Recurring transactions

|                                     | Transaction amount<br>for the six months<br>ended 30 June |                                | Balance outstanding<br>as at              |   |
|-------------------------------------|---|--------------------------------|---|---|
|                                     | 2015<br>RMB'000<br>(Unaudited)                            | 2014<br>RMB'000<br>(Unaudited) | 30 June<br>2015<br>RMB'000<br>(Unaudited) | 31 December<br>2014<br>RMB'000<br>(Audited) |
| Sales of coal<br>– Tongmei Qinfa    | <b>238,846</b>  | 236,513                        | –   | –   |
| Purchase of coal<br>– Tongmei Qinfa | –   | 404,079                        | <b>385,453</b>                            | 252,007                                     |

### (b) Guarantees provided by related parties

|  | At 30 June<br>2015<br>RMB'000<br>(Unaudited) | At 31 December<br>2014<br>RMB'000<br>(Audited)<br>(Restated) |
|--|--|--|
| Guarantees of interest-bearing borrowings and bill payables provided by Mr. Xu and his close family members    | <b>6,390,000</b>                             | 5,852,000  |
| Guarantees of interest-bearing borrowings and bill payables provided by Mr. Xu Da and his close family members | <b>6,142,000</b>                             | 4,582,000  |
| Guarantees of interest-bearing borrowings and bill payables provided by a key management                       | <b>570,000</b>                               | 200,000  |
| Guarantees of interest-bearing borrowings and bill payables provided by Qinfa Industry                         | <b>500,000</b>                               | –  |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

## 25. 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 directors of the Company. Key management personnel remuneration are as follows:

|   | Six months ended 30 June       |                                |
|---|--------------------------------|--------------------------------|
|   | 2015<br>RMB'000<br>(Unaudited) | 2014<br>RMB'000<br>(Unaudited) |
| Directors' fees                             | 1,439                          | 1,510                          |
| Salaries, allowances and benefits in kind   | 3,343                          | 6,552                          |
| Contributions to retirement benefit schemes | 45                             | 30                             |
| Share-based payments                        | 3,050                          | 325                            |
|   | <b>7,877</b>                   | 8,417                          |

## 26. COMPARATIVE FIGURES



## REVIEW OF THE INTERIM REPORT

The Group's interim report for the six months ended 30 June 2015 has not been audited but has been reviewed by the Audit Committee.

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

As at 30 June 2015, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) 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          | 1,168,229,610<br>(Note 1) | Nil             | 56.21   | Nil             |
| Ms. WANG Jianfei | Beneficial Owner   | 100,000,000               | Nil             | 4.81  | Nil             |
| Mr. XU Da        | Beneficial Owner   | 160,000,000               | Nil             | 7.70  | Nil             |
| Mr. MA Baofeng   | Beneficial Owner   | 54,164,457<br>(Note 2)    | Nil             | 2.61  | Nil             |
| Mr. BAI Tao      | Beneficial Owner   | 50,000,000                | Nil             | 2.41  | Nil             |

Notes:

- 1,036,000,000 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 Mr. MA Baofeng under the Share Option Scheme on 12 June 2009 and 17 January 2012.
- \* Mr. XU Jihua, being a Director, is also acting as the Chairman of the Board.



## OTHER INFORMATION

### 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 2015, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) 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 2015, so far as known to the Directors, 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register 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) | 1,154,000,000    | Nil             | 55.52   | Nil             |
| Mr. XU Da              | 160,000,000      | Nil             | 7.70  | Nil             |

Note:

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

Save as disclosed above, as at 30 June 2015, the Company had not been notified by any persons (other than Directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## 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 22 to this report, at no time during the period ended 30 June 2015 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debts securities (including debentures) of, the Company or any other body corporate and none of the Directors, their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

## 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<br>1 January 2015 | Number of options                 |                                |                                   | Outstanding<br>as at<br>30 June 2015 | Approximate<br>percentage<br>of issued<br>share capital<br>of the<br>Company |
|---------------------------|----------------------------------|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------------|--|
|                           |                                  | Exercised<br>during<br>the period | Lapsed<br>during<br>the period | Cancelled<br>during<br>the period |                                      |  |
| <b>Executive director</b> |                                  |                                   |                                |                                   |                                      |  |
| MA Baofeng                | 1,200,000                        | –                                 | –                              | –                                 | 1,200,000                            | 0.06   |
| <b>Employees</b>          | 10,800,000                       | –                                 | –                              | –                                 | 10,800,000                           | 0.52   |
|                           | 12,000,000                       | –                                 | –                              | –                                 | 12,000,000                           | 0.58   |

## 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.

### 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 at the exercise price HKD1.50 per share (which represents the highest of (i) the closing price of HKD1.50 per Share as stated in the Stock Exchange’s daily quotation sheet on the date of grant; (ii) the average closing price of HKD1.392 per Share as stated in the Stock Exchange’s daily quotation sheets for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of HKD0.10 per Share). The Options are valid for a period of 10 years from 17 January 2012 to 16 January 2022. None of the Grantees is a director, chief executive or substantial shareholder of the Company or an associate (as defined in the Listing Rules) of any of them.

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

- (a) in respect of the period from 17 January 2012 to 16 January 2013, 40% of the total number of Options granted to him;
- (b) in respect of the period from 17 January 2013 to 16 January 2014, 30% of the total number of Options granted to him; and
- (c) in respect of the period from 17 January 2014 to 16 January 2015, 30% of the total number of Options granted to him.

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

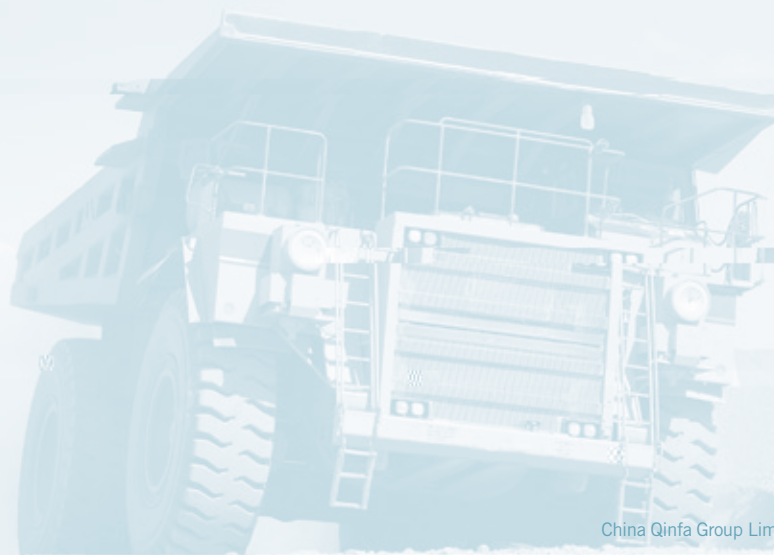
The Options may be exercisable at any time during the option period, provided that the maximum number of Options which each Grantee is entitled to exercise at the below period shall not exceed:

- (a) in respect of the period from 30 April 2015 to 29 April 2016, 40% of the total number of Options granted to him;
- (b) in respect of the period from 30 April 2016 to 29 April 2017, 30% of the total number of Options granted to him; and
- (c) in respect of the period from 30 April 2017 to 29 April 2018, 30% of the total number of Options granted to him.

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

- risk-free rate of return – 1.64% per annum;
- forecast fluctuations in share price – 53.89%; and
- forecast dividend yield – 0% 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. 30 April 2015) was approximately HKD39,159,000. 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.



## OTHER INFORMATION

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

| Category/Name of participant               | Date of grant   | Number of shares issuable under share options |                           |                             |                          |                 | Exercise price HK\$ | Exercise period          | Approximate percentage of issued share capital of the Company (%) |
|--|-----------------|---|---------------------------|-----------------------------|--------------------------|-----------------|---------------------|--------------------------|---|
|  |                 | At 1 January 2015                             | Granted during the period | Exercised during the period | Lapsed during the period | At 30 June 2015 |                     |                          |   |
| <b>Executive director</b>                  |                 |   |                           |                             |                          |                 |                     |                          |   |
| Mr. MA Baofeng                             | 17 January 2012 | 2,964,457                                     | -                         | -                           | -                        | 2,964,457       | 1.50                | 17/01/2012 to 16/01/2022 | 0.14  |
| <b>Independent non-executive directors</b> |                 |   |                           |                             |                          |                 |                     |                          |   |
| Mr. HUANG Guosheng                         | 30 April 2015   | -   | 500,000                   | -                           | -                        | 500,000         | 0.485               | 30/04/2015 to 29/04/2025 | 0.02  |
| Mr. LAN Sik Yuen                           | 30 April 2015   | -   | 500,000                   | -                           | -                        | 500,000         | 0.485               | 30/04/2015 to 29/04/2025 | 0.02  |
| Mr. XING Zhiying                           | 30 April 2015   | -   | 500,000                   | -                           | -                        | 500,000         | 0.485               | 30/04/2015 to 29/04/2025 | 0.02  |
| Sub-total                                  |                 | 2,964,457                                     | 1,500,000                 | -                           | -                        | 4,464,457       |                     |                          |   |
| <b>Employees</b>                           |                 |   |                           |                             |                          |                 |                     |                          |   |
|  | 17 January 2012 | 5,928,912                                     | -                         | -                           | -                        | 5,928,912       | 1.50                | 17/01/2012 to 16/01/2022 | 0.29  |
|  | 30 April 2015   | -   | 156,000,000               | -                           | -                        | 156,000,000     | 0.485               | 30/04/2015 to 29/04/2025 | 7.51  |
| Sub-total                                  |                 | 5,928,912                                     | 156,000,000               | -                           | -                        | 161,928,912     |                     |                          |   |
| Total                                      |                 | 8,893,369                                     | 157,500,000               | -                           | -                        | 166,393,369     |                     |                          |   |

## OTHER INFORMATION

As at the 30 June 2015, the total number of share options outstanding is 178,393,369.

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

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## CORPORATE GOVERNANCE CODE

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. To the best knowledge of the Directors, the Company had complied with the code provisions in the CG Code throughout the six months ended 30 June 2015.

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' securities transactions. Having made specific enquiries of all the Directors, the Company confirmed that they have complied with the Model Code throughout the six months ended 30 June 2015.