



中國秦發集團有限公司
CHINA QINFA GROUP LIMITED

(Incorporated in the People's Republic of China)

(Stock code: 00866)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

The Board of Directors of the Company announced the interim results of the Company for the six months ended 30 June 2017. The financial highlights of the Group for the interim period ended 30 June 2017 are as follows:

Revenue for the interim period ended 30 June 2017 was RMB1,370.0 million, an increase of 568.9% as compared to the corresponding period in 2016.

Cost of sales and administrative expenses for the interim period ended 30 June 2017 was 3.25 million. The increase of 302.0% as compared to the corresponding period in 2016.

Goodwill for the interim period ended 30 June 2017 was 33.2% as compared to the corresponding period in 2016.

Profit attributable to the shareholders of the Company for the interim period ended 30 June 2017 was RMB151.4 million, an increase of RMB442.5 million from the corresponding period in 2016.

The Board (the Board) of Directors (the Directors) of China Qinfa Group Limited (the Company) announced the financial results of the Company for the six months ended 30 June 2017. The Board hereby announces the financial highlights of the Company and its subsidiaries (collectively, the Group) for the interim period ended 30 June 2017 in comparison with the corresponding period in 2016.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

30 2017

		Six months ended 30 June	
		2017	2016
		RMB'000	'000
		(Unaudited)	(Unaudited)
Revenue	5	1,370,008	204,828
Cost of sales		<u>(915,328)</u>	<u>(278,450)</u>
Gross profit/(loss)		454,680	(73,622)
Other income, gain and expense	6	(1,069)	(35,785)
Distribution expense		(31,164)	(3,668)
Administrative expense		(116,550)	(88,236)
Research and development expense	()	67,898	5,724
Other expense		<u>(37,104)</u>	<u>(19,438)</u>
Results from operating activities		336,691	(215,025)
Finance income		195	612
Finance cost		<u>(187,024)</u>	<u>(243,900)</u>
Net finance costs	7	(186,829)	(243,288)
Profit/(loss) before taxation	()	149,862	(458,313)
Income tax credit/(expense)		<u>7,111</u>	<u>(26,202)</u>
Profit/(loss) for the period		156,973	(484,515)
Other comprehensive (loss)/income			
Items that may be reclassified back to profit or loss:			
Foreign currency translation difference of foreign subsidiaries		<u>(4,700)</u>	7,801
Other comprehensive (loss)/income for the period, net of tax		(4,700)	7,801
Total comprehensive income/(loss) for the period		152,273	(476,714)

Six months ended 30 June

	2017	2016
	RMB'000	'000
	(Unaudited)	(Unaudited)

Profit/(loss) for the period attributable to:

Earnings of the Company	151,417	(442,522)
Net income	5,556	(41,993)

Profit/(loss) for the period

	156,973	(484,515)
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Total comprehensive income/(loss) for the period attributable to:

Earnings of the Company	146,717	(434,721)
Net income	5,556	(41,993)

Total comprehensive income/(loss) for the period

	152,273	(476,714)
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Earnings/(loss) per share attributable to the equity shareholders of the Company during the period

Basic earnings/(loss) per share	10	RMB5.97 cents (RMB19.38 cents)
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	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 '000 (Audited)
Capital and reserves		
Share capital	211,224	211,224
Preferential dividend receivable	156,931	156,931
Deficit	(5,302,324)	(5,447,702)
Total deficit attributable to equity shareholders of the Company	(4,934,169)	(5,079,547)
Non-controlling interests	163,796	158,240
Total deficit	(4,770,373)	(4,921,307)

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. COMPANY BACKGROUND AND BASIS OF PREPARATION

1.1 General information

China Qilfa Group Limited (the Company) was established in the Cayman Islands on 4 March 2008 and is incorporated in the Cayman Islands under the Companies Law (2007 Revisions) of the Cayman Islands. The Company's shares are 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 Civic Square, Harbour Centre, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is located at 22nd Floor, South Tower, Pacific Plaza, No. 1 Pasha Road, Harbour Centre, Grand Cayman, the People's Republic of China (the PRC).

The financial results of the Company and its subsidiaries (together, the Group) are accounted for, consolidated and prepared in accordance with the PRC and Hong Kong accounting standards.

1.2 Basis of preparation

The consolidated financial statements have been prepared on the basis of the historical cost method in accordance with International Accounting Standards (IAS) 34 Interim Financial Reporting issued by the International Accounting Standards Board (IASB) and the applicable accounting standards issued by the Hong Kong Accounting Standards Board (HKASB) and the applicable accounting standards issued by the Hong Kong Institute of Certified Accountants (HKICPA).

The consolidated financial statements have been prepared on the basis of the historical cost method in accordance with the amended accounting standards issued by the International Accounting Standards Board (IASB) effective from 1 January 2017. The consolidated financial statements have been prepared on the basis of the historical cost method in accordance with the amended accounting standards issued by the International Accounting Standards Board (IASB) effective from 1 January 2017, as amended by the IASB amendments to IASB Standards (IFRSs) issued by the IASB, as amended, and the accounting standards issued by the HKICPA.

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The consolidated financial statements have been prepared on the basis of the historical cost method in accordance with the amended accounting standards issued by the International Accounting Standards Board (IASB) effective from 1 January 2017.

Going concern basis

As at 30 June 2017, the Group's net assets exceeded its liabilities by RMB9,263,407,000 and its cash resources are sufficient to cover its liabilities of RMB4,770,373,000. As at 30 June 2017, the Group has accumulated losses of RMB1,712,155,000 and RMB514,986,000 respectively. The Group's cash resources are sufficient to cover its liabilities of RMB73,500,000. Since 30 June 2017, the Group has had net cash inflows of RMB1,000,000. The Group's cash resources are sufficient to cover its liabilities of RMB1,427,342,000. The Group's cash resources are sufficient to cover its liabilities of RMB1,427,342,000.

As at the date of this financial statements, the Group has not identified any material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern for a period of at least 12 months from the reporting date.

In addition, as at 30 June 2017, the Group's cash resources are sufficient to cover its liabilities of RMB1,427,342,000.

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2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued amendments to IFRS that have an effective date of 1 January 2016.

IAS 7 Amendment Disclosures

IAS 12 Amendment Recognition of Deferred Tax Assets for Unsettled Liabilities

Amendment to IFRS Amendments to IFRS 2014-2016 Cycle

None of the amendments have had a material effect on the Group's consolidated financial statements for the period. The Group has applied all the amendments retrospectively from their effective dates.

3. ESTIMATES

The carrying amount of the defined contribution financial asset is a management estimate, and the carrying amount may be affected by changes in the assumptions used to determine the carrying amount, including the discount rate and the expected return on the financial asset.

The carrying amount of the defined contribution financial asset, the significant management estimate, is a management estimate, and the carrying amount may be affected by changes in the assumptions used to determine the carrying amount, including the discount rate and the expected return on the financial asset.

4. SEGMENT REPORTING

(a) Segment results, assets and liabilities

The Group has one operating segment, which is the Group's operating business. The operating business is the Group's operating business, and the Group's operating business is the Group's operating business. For each of the operating businesses, the Chief Executive Officer (the CEO) is the primary operating segment manager.

For the operating business, the CEO is the primary operating segment manager, and the CEO is the primary operating segment manager.

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	Coal business		Shipping transportation		Total	
	Six months ended		Six months ended		Six months ended	
	30 June	30 June	30 June	30 June	30 June	30 June
	2017	2016	2017	2016	2017	2016
	RMB'000	'000	RMB'000	'000	RMB'000	'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	<u>1,303,113</u>	<u>159,419</u>	<u>66,895</u>	<u>45,409</u>	<u>1,370,008</u>	<u>204,828</u>
Reportable segment profit/(loss) before taxation	<u>338,485</u>	<u>(165,139)</u>	<u>3,868</u>	<u>(40,450)</u>	<u>342,353</u>	<u>(205,589)</u>
(Re e a f i m a i m e t) / i m a i m e t e f a d e e c i a b e	(50,324)	2,989	-		(50,324)	2,989
Re e a f i m a i m e t e f e a m e t a d h e e c i a b e	<u>(17,574)</u>	<u>(8,713)</u>	<u>-</u>	<u>-</u>	<u>(17,574)</u>	<u>(8,713)</u>
	At 30 June 2017	At 31 Decembe 2016	At 30 June 2017	At 31 Decembe 2016	At 30 June 2017	At 31 Decembe 2016
	RMB'000	'000	RMB'000	'000	RMB'000	'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Reportable segment assets (including interest in an associate)	<u>6,063,598</u>	<u>5,745,978</u>	<u>412,452</u>	<u>428,635</u>	<u>6,476,050</u>	<u>6,174,613</u>
Reportable segment liabilities	<u>(10,621,309)</u>	<u>(10,454,739)</u>	<u>(975,532)</u>	<u>(1,015,360)</u>	<u>(11,596,841)</u>	<u>(11,470,099)</u>

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

Revenue

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 '000 (Audited)
Reportable segment revenue attributable to the reporting entity	<u>1,370,008</u>	<u>204,828</u>

Profit/(loss) before taxation

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 '000 (Audited)
Reportable segment profit/(loss) before tax attributable to the reporting entity	342,353	(205,589)
Unaudited head office and other entities	(5,662)	(9,436)
Net attributable	<u>(186,829)</u>	<u>(243,288)</u>
Profit/(loss) before tax attributable to the reporting entity	<u>149,862</u>	<u>(458,313)</u>

Assets

	At 30 June	At 31 December
	2017 RMB'000 (Unaudited)	2016 '000 (Audited)
Reportable segment assets	6,476,050	6,174,613
Eliminable inter-entity assets	(503,507)	(522,604)
Unaudited other assets	<u>51,128</u>	<u>10,423</u>
Profit/(loss) attributable to the reporting entity	<u>6,023,671</u>	<u>5,662,432</u>

Liabilities

	At 30 June	At 31 December
	2017 RMB'000 (Unaudited)	2016 '000 (Audited)
Reportable segment liabilities	11,596,841	11,470,099
Eliminable inter-entity liabilities	(1,262,860)	(1,349,211)
Tax payable	249,169	242,050
Deferred liabilities	197,893	205,673
Unaudited other liabilities	<u>13,001</u>	<u>15,128</u>
Profit/(loss) attributable to the reporting entity	<u>10,794,044</u>	<u>10,583,739</u>

5. REVENUE

Revenue from the ordinary course of operations and other income. The amount of each significant category is detailed in the following table:

	Six months ended 30 June	
	2017	2016
	RMB'000	'000
	(Unaudited)	(Audited)
Operating revenue	1,303,113	159,419
Other income	66,895	45,409
	<u>1,370,008</u>	<u>204,828</u>

6. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2017	2016
	RMB'000	'000
	(Unaudited)	(Audited)
Government subsidy ()	-	2,091
Foreign exchange gain/loss	(3,454)	2,372
Net gain/(loss) from disposal of assets	650	(40,337)
Revenue from other income	287	
Other	1,448	89
	<u>(1,069)</u>	<u>(35,785)</u>

(i) The Government subsidy from the government during the month ended 30 June 2016 arose from the government's contribution to the construction of the canal.

(ii) During the month ended 30 June 2016, the Government granted government subsidy to the company in accordance with the Implementation Plan of the Early Retirement and Resettlement of Old and Single Ship Officers and Single Ship Officers 《老舊運輸船舶和單殼油輪提前報廢更新實施方案》 and Administrative Measures of the Special Subsidy Grant to the Early Retirement and Resettlement of Old and Single Ship Officers and Single Ship Officers 《老舊運輸船舶和單殼油輪報廢更新中央財政補助專項資金管理辦法》, promulgated by the Ministry of Finance, the Ministry of Transport, the Department of Demolition and Refit Management, and the Ministry of Industry and Information Technology of China (Vessel Demolition Subsidy). After the company accepted the bid contract, the company's net income for the month ended 30 June 2016.

7. NET FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	'000
	(Unaudited)	(Audited)
Interest expense	(195)	(612)
Interest income	196,075	242,889
Exchange gain/loss from financial instruments	7,526	2,132
Less: Interest capitalized on assets	(16,577)	(1,121)
Finance cost	<u>187,024</u>	<u>243,900</u>
Net finance cost	<u>186,829</u>	<u>243,288</u>

The borrowing cost has been capitalized at a rate of 5.25% (month ended 30 June 2016: 5.11%).

8. PROFIT/(LOSS) BEFORE TAXATION

(a) Profit/(Loss) before taxation attributable to the controlling shareholders:

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 '000 (Unaudited)
Decrease in fair value of investment	80,195	56,542
Amortization of intangible assets	43,185	6,496
Amortization of lease contract	70	70
Write-down of financial assets available for sale	-	573
Provision for impairment of financial assets	-	2,090
Net (gain)/loss from disposal of investment	(650)	40,337

(b) Reconciliation of profit/(loss) before taxation:

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 '000 (Unaudited)
(Reconciliation of profit/(loss) before taxation) attributable to the controlling shareholders	(50,324)	2,989
Reconciliation of profit/(loss) before taxation attributable to the non-controlling shareholders	(17,574)	(8,713)
	(67,898)	(5,724)

9. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 '000 (Unaudited)
Current tax expense		
PRC Current income tax	-	18,092
Undistributed income tax of PRC Current income tax	670	
Deferred tax (credit)/expense	(7,781)	8,110
Income tax (credit)/expense	(7,111)	26,202

(i) Profit before taxation attributable to the controlling shareholders of the Company and the Biih Vigor Ltd., the Group's basic and diluted income tax of the Company and the Biih Vigor Ltd. (interim period ended 30 June 2016: Nil).

(ii) Non-current income tax expense of the Company has been made for the subsidiary incorporated in Hong Kong as the subsidiary did not have any taxable income in Hong Kong PRC Ltd. (interim period ended 30 June 2016: Nil).

(iii) Profit before taxation attributable to the controlling shareholders of the Company is subject to 25% (interim period ended 30 June 2016: 25%) of the taxable income in the PRC.

10. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the number of shares outstanding at the end of the reporting period.

The calculation of basic earnings/(loss) per share is based on the number of shares outstanding at the end of the reporting period.

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 '000 (Audited)
Profit/(loss) from ordinary activities attributable to the Company	151,417	(442,522)
Less: Dividend in kind receivable	(2,563)	(2,464)
Profit/(loss) from ordinary activities attributable to the Company	<u>148,854</u>	<u>(444,986)</u>
Weighted average number of shares outstanding	<u>2,493,413,985</u>	<u>2,296,515,490</u>

Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the number of shares outstanding at the end of the reporting period. The adjusted number of shares outstanding is the number of shares outstanding at the end of the reporting period.

The number of shares outstanding is the number of shares outstanding at the end of the reporting period. The number of shares outstanding is the number of shares outstanding at the end of the reporting period.

The number of shares outstanding is the number of shares outstanding at the end of the reporting period. The number of shares outstanding is the number of shares outstanding at the end of the reporting period.

The Company's diluted earnings/(loss) per share (including the effect of the number of shares outstanding at the end of the reporting period) had an anti-dilutive effect on the calculation of basic earnings/(loss) per share. In the reporting period ended 30 June 2017, the effect of the number of shares outstanding at the end of the reporting period was not significant.

	Six months ended 30 June	
	2017	2016
	RMB'000	'000
	(Unaudited)	(Unaudited)
Profit/(loss) of the subsidiaries disposed of by the Company	148,854	(444,986)
Add: Dividend income received from subsidiaries	2,563	N/A
	<u>151,417</u>	<u>(444,986)</u>
Weighted average number of shares	2,493,413,985	2,296,515,490
Add: Weighted average number of shares issued during the period	118,000,000	N/A
Weighted average number of shares issued during the period	<u>2,611,413,985</u>	<u>2,296,515,490</u>

11. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the period ended 30 June 2017 (interim dividend 30 June 2016: Nil).

12. COAL MINING RIGHTS

The balance sheet reflects the right to conduct mining activities in Shaanxi Province. The mine is a coal

(i) **Intangible assets and liabilities**

Property, plant and equipment and intangible assets and liabilities are as follows:

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 '000 (Audited)
Goodwill	36,779	42,913
Intangible assets	322,307	322,307
Intangible liabilities	28,298	39,864
	<u>387,384</u>	<u>405,084</u>

15. TRADE AND BILL PAYABLES

Accounts payable and bills payable are as follows:

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 '000 (Audited)
With 1 year	88,540	130,559
Over 1 year but within 2 years	204,036	828,322
Over 2 years	656,881	22,946
	<u>949,457</u>	<u>981,827</u>

16. OTHER PAYABLES

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 '000 (Audited)
Current		
Accounts receivable	180,315	108,264
Accounts payable	956,777	780,854
Accounts receivable	-	16,169
Accounts payable	1,285	3,810
Accounts receivable	8,161	8,830
Accounts payable	57,984	57,984
Other payables	2,018,759	1,970,832
	<u>3,223,281</u>	<u>2,946,743</u>
Non-current		
Other payables	50,028	67,717
	<u>3,273,309</u>	<u>3,014,460</u>

The accounts receivable, accounts payable, accounts receivable and accounts payable are as follows:

17. BORROWINGS

	At 30 June 2017 RMB'000 (Unaudited)	At 31 Decembe 2016 '000 (Audited)
Bank and Secured Unsecured	4,976,152 1,019,363	5,043,520 962,681
	5,995,515	6,006,201
Other borrowings	29,870	37,070
	6,025,385	6,043,271

As at 30 June 2017, secured bank loans of RMB1,482,285,000 (31 Decembe 2016: RMB672,289,000), secured bank loans of RMB200,000,000 (31 Decembe 2016: RMB269,850,000) and other borrowings of RMB29,870,000 (31 Decembe 2016: RMB17,090,000) were classified as current liabilities and carried at the effective interest rates of 4.36% - 13.50% (31 Decembe 2016: 4.75% - 12.96%) respectively.

As at 30 June 2017, other borrowings are secured by the assets, including land use rights, land and buildings, receivables and pledged deposits, including RMB708,176,000, RMB979,028,000, RMB29,142,000 and RMB174,000 respectively and guaranteed by the Company, certain subsidiaries of the Company, and a director/associate (31 Decembe 2016: secured by the assets, including land use rights, and receivables and pledged deposits, including RMB407,274,000, RMB994,151,000, RMB5,073,000 and RMB174,000 respectively and guaranteed by the Company, certain subsidiaries of the Company, and a director/associate).

Subsequent to 30 June 2017 and the date of this financial statements, the Group has incurred the following interest expenses:

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

	At 30 June 2017 RMB'000 (Unaudited)	At 31 Decembe 2016 '000 (Audited)
Property, plant and equipment	1,089,441	1,110,714
Construction in progress	2,249,403	2,292,588
Leasehold improvements	5,003	5,073
Intangible assets	79,853	28,509
Trade and receivables	29,142	33,365
Pledged deposits	174	174

As at 30 June 2017 and 31 Decembe 2016, the Group's borrowings are secured by the receivables from the sale of coal from Hich M. X Jih a (Mr Xu) in Henan, and the Hich M. X, the Hich M. X Coal Co., Ltd. (Huameiao Energy), Shaanxi Hich M. X Coal Co., Ltd. (Xingtao Coal), Shaanxi Hich M. X Coal Co., Ltd. (Fengxi Coal), Shaanxi Hich M. X Coal Co., Ltd. (Chongsheng Coal), Shaanxi Hich M. X Coal Co., Ltd. (Xinglong Coal), Shaanxi Hich M. X Coal Co., Ltd. (Hongyuan Coal), Shaanxi Hich M. X Coal Co., Ltd., Shengde Energy Limited and Oiefa Wige Limited and the Hich M. X Da. As at 30 June 2017, borrowings of RMB6,015,635,000 (31 Decembe 2016: RMB6,033,401,000) were guaranteed by the Company, certain subsidiaries of the Company, and a director/associate.

18. CAPITAL COMMITMENTS

At each reporting date, capital commitments are disclosed in the consolidated financial statements:

	At 30 June 2017 RMB'000 (Unaudited)	At 31 December 2016 '000 (Audited)
Prepaid, advance payment	<u>50,676</u>	<u>45,692</u>

19. CONTINGENT LIABILITIES

(a) Outstanding litigation

Under the date of this financial statement, the following are the outstanding:

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

As at 31 December 2015, the Group has litigation claims filed by the Group against the Group demand immediate payment of the advance payment of machine purchase and aggregate amount of RMB132,206,000 and the advance payment of RMB6,605,000 and the advance payment of RMB108,000. The aggregate amount of RMB132,206,000 had already been recognized as an advance in the consolidated financial statements. As at the reporting date, the Group has recognized the advance payment and the advance payment of RMB6,605,000 and the advance payment.

During the year ended 31 December 2016, the Company has received from the Hainan Media & Entertainment Group a demand for immediate repayment of the loan of RMB87,423,000 and the accrued interest of RMB14,487,000 in relation to the acquisition of the Hainan Media & Entertainment Group.

During the year ended 31 December 2016, the Group has received from the Hainan Media & Entertainment Group a demand for immediate repayment of the loan of RMB1,000,000. Accordingly, the carrying amount of the loan has been reduced to zero as at 30 June 2017.

Under the terms of the loan agreement, the carrying amount of RMB125,761,000 has been reduced to zero. The amount of RMB125,761,000 had already been recognized as a liability in the previous period. As a result of the foregoing, the Group has recognized the accrued interest of RMB14,487,000 in the consolidated financial statements for the year ended 31 December 2016 and RMB4,483,000 in the consolidated financial statements for the year ended 30 June 2017 respectively.

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

In 2015, a bank filed a lawsuit with the Hainan Media & Entertainment Group against the Group demanding immediate repayment of the defaulted bank loan of RMB148,882,000 and the accrued interest of RMB328,000 respectively. The carrying amount of RMB148,882,000 and the accrued interest of RMB328,000 had already been recognized as a liability and accrued interest of the bank loan respectively.

Pursuant to the judgment, the bank has accrued the amount of RMB148,882,000 and the accrued interest of RMB328,000 in the consolidated financial statements for the year ended 30 June 2017. The Group has also accrued the amount of RMB148,882,000 and the accrued interest of RMB328,000 in the consolidated financial statements for the year ended 30 June 2017.

Under the da'e f hi a' f' ceme' , a' he , d geme' i ed b Sha' i P i'cia Sh h M i'ci a Pi'g Pe e' C ' 1 A g 2017, he G a de ed ma e immedia e e a me' f e de i f' f he a a be f a' agg ega e am ' f RMB44,400,000, i' e e cha ge f RMB2,011,000 a' d c e ' di'g ega c f RMB322,000.

I' he i' i' f' f' he di ec f' he C m a' , f' f' he i i' f' i' g a i' a e i ed be ma de i' he c ' d e' ed c ' i da ed fi' a' cia a e me' f' he i m ' h e' ded 30 J ' e 2017.

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

Di'g he ea e' ded 31 Decembe 2016, he e a a i' g a i' c aim i' i a ed b Y L i' Zh 'g K a' g a' i' he G dema' d immedia e e a me' f e de a a be i' e a i' c ' c i' f' c a m i' g i' f f a c e i h a' agg ega e am ' f RMB197,037,000. The am ' f RMB101,323,000 had a ead bee' ec g' i ed a a a be h i' e i' c ded i' he a a be . P a' he , d geme' i ed b Sha' i P i'cia Xi' Sh Ci i' e mmedia e Pe e' C ' 9 Ja' a 2017, he G a de ed ma e immedia e e a me' f a a be f RMB130,769,000, hich i' c di'g he a f e aid a a be h i' e f RMB101,323,000, a e e' a cha ge f RMB16,345,000 a' d i' e e f RMB13,101,000. A a e f' f' he f e g i'g, he G ec g' i ed he a e e' a cha ge f RMB16,345,000 a' d i' e e f RMB13,101,000 i' he c ' i da ed fi' a' cia a e me' f' he ea e' ded 31 Decembe 2016.

O' 22 Feb a 2017, he G a ea ed Sha' i P i'cia High Pe e' C . P a' he , d geme' da ed 21 J 2017, Sha' i P i'cia High Pe e' C c ' c ded ha i' he a b e' ce f e i a b e e i de' ce ' he a a i' f' c ' c i' e f m ed b he a i' f' f, he i' g i' a , d geme' a e ' ed a' d a e i a a de ed. U he da e f hi a' f' ceme' , he e i a ha e bee' a a' ged. I' he i' i' f' f' he di ec f' he C m a' , f' f' he i i' f' f' he e i' g a i' c aim a e i ed be ma de i' he c ' d e' ed c ' i da ed fi' a' cia a e me' f' he i m ' h e' ded 30 J ' e 2017.

A a 30 J ' e 2017, he di ec f' he C m a' a e f' f' he i' i' h a he i i' f' f' he a b e i' g a i' i' f' f' i' c i' e' i' he c ' d e' ed c ' i da ed a e me' f' fi' a' cia i i' a a 30 J ' e 2017.

O he ha' he di c e a b e, a a 30 J ' e 2017, he G a ' i' ed i' a' he ma e i a i' g a i' a b i a i' . A fa a he G a a a e, he G had ' he ma e i a i' g a i' c aim hich a e' di'g h ea e' ed a' i' he G . A a 30 J ' e 2017, he G a he de' f' da' f' ce a i' ' ma e i a i' g a i' , a' d a a a ce a i' i' g a i' a i' g f m he di' a c e f b i' e . The i e c me f' he e c ' i' g e' i a b i i e , i' g a i' he ega ceed i' g ca' b e a ce a i' ed a e e' , b he ma' a geme' f' he G be i e e ha a' i b e ega i a b i i' hich ma be i' c ed f m he a f e aid ca e i' ' ha e a' ma e i a i m ac ' he fi' a' cia i i' f' f' he G .

(b) Financial guarantees issued

A a 30 J ' e 2017, he G i' ed c a e fi' a' cia g a a' ee ce a i' ba' i' e ec f' b i' g ma de b T ' gmei Qi' fa (Zh hai) H di'g C ., L d (Tongmei Qinfa), a' a cia e f' f' he G . U' de he g a a' ee , he G ha i a a he g a a' ee i' , i' a' d e e a i a b e f a' f' he b i' g f T ' gmei Qi' fa f m h e ba' .

A a 30 J ' e 2017, he di ec f' he C m a' c ' i de ha i a ' b a b e ha a c aim i' be ma de a' i' he G ' de a' f' he g a a' ee . The ma i m i a b i i' f' he G a 30 J ' e 2017 ' de he g a a' ee i' e di a i' f' f' he a' d i' g am ' f' f' he b i' g f T ' gmei Qi' fa am ' i' g RMB633,343,000 (31 Decembe 2016: RMB640,600,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a fully-owned company in China, and is engaged in coal mining, coal processing, coal trading, coal handling and transportation, power generation, coal handling and transportation, and other related businesses. The following table sets out the financial performance of the Group:

Revenue from coal business and coal handling and trading volume

	Six months ended 30 June	
	2017	2016
Revenue from coal business ('000)	1,303,113	159,419
Coal handling and trading volume ('000 tonnes)	3,252	809

During the six months ended 30 June 2017, the volume of the Group's coal handling and trading increased at the rate of 302.0% as compared to the corresponding period in 2016. The volume of coal handling and trading in the six months ended 30 June 2017 were 3,252 and 809 tonnes, respectively, which are higher than the volume of coal handling and trading in the six months ended 30 June 2016. The increase in coal handling and trading volume and volume of coal handling and trading are mainly due to the increase in coal handling and trading volume in China.

The average coal price and the average volume of coal handling and trading of each of the three years ended 31 December 2016 and the six months ended 30 June 2017 and 2016 are set out in the table below:

	Six months ended 30 June		Year ended 31 December		
	2017	2016	2016	2015	2014
Average coal price ('000)	401	197	287	309	395
Average volume of coal handling and trading ('000 tonnes)	542	135	177	329	1,328

Revenue from shipping transportation

The revenue from shipping transportation amounted for the interim period ended 30 June 2017 at RMB66.9 million, an increase of RMB21.5 million (47.4% from RMB45.4 million) from the corresponding period 2016. The increase is due to an increase in the freight rate.

Gross profit and gross profit margin

The Group's gross profit was RMB454.7 million during the interim period ended 30 June 2017 compared with RMB73.6 million during the same period 2016. Under the current price formation mechanism of the market, the Group increased the operating and management fees for the Group.

Net finance costs

Net finance cost of the Group during the interim period ended 30 June 2017 amounted to RMB186.8 million, an increase of RMB56.5 million (23.2% from RMB243.3 million) during the corresponding period 2016. The decrease is mainly due to the decrease of bank fees in 2017.

Profit attributable to the equity shareholders of the Company

Profit attributable to the equity shareholders of the Company for the interim period ended 30 June 2017 was RMB151.4 million, compared with profit attributable to the equity shareholders of the Company of RMB442.5 million for the corresponding period 2016.

As of 30 June 2017, the Group has no owned and operated iron ore mines in China. The above information is summarized in the following table.

			Location	Ownership	Site area (in 10,000 m ²)	Operation status
Hameia Erteg Xingga Ca	1, 2	Shanxi Shanxi		80%	4.3	Under development
Hameia Erteg Fengji Ca	1, 3	Shanxi Shanxi		80%	2.4	Under development
Hameia Erteg Chengheg Ca	1, 4	Shanxi Shanxi		80%	2.9	Under development
Xingga Ca	1, 5, 6	Xinjiang Shanxi		100%	4.0	Under development
Hengji Ca	1, 5, 7	Xinjiang Shanxi		100%	4.1	Under development (Temporary suspended)

- (1) The Group engaged an independent mine appraisal company to estimate the reserve and capacity as of 30 June 2016 in accordance with the JORC Code.
- (2) The design capacity of Xingga Ca mine of Hameia Erteg is 1.50 million tonnes per annum, with an investment budget (excluding capital cost) of RMB380 million. The construction commenced in October 2011. As of 30 June 2017, the investment amount is RMB380 million. The construction of Xingga Ca mine and capital cost, design capacity of 1.5 million tonnes per annum.
- (3) The design capacity of Fengji Ca mine of Hameia Erteg is 0.9 million tonnes per annum, with an investment budget of RMB400 million. The construction commenced in September 2011. As of 30 June 2017, the investment amount is RMB397 million. The construction of Fengji Ca mine and capital cost of 21 January 2014 and design capacity of 0.9 million tonnes per annum.
- (4) The design capacity of Chengheg Ca mine of Hameia Erteg is 0.9 million tonnes per annum, with an investment budget of RMB391 million. The construction commenced in September 2011. As of 30 June 2017, the investment amount is RMB392 million. The construction of Chengheg Ca mine and capital cost of 21 January 2014.

- (5) The G... c m eed he e ab i hme... f ... c m a... ie , Xi... g ... g C a a... d H ... g a... C a , b h h ... -
 ... ed b She... chi She... da E... g ... e me... C ., L d. d ... g he fi ha f ea f 2013.
- (6) The d c i... ca aci f Xi... g ... g c a m... i e i 0.9 m i i... V... e e a... m, i h a a ... e me... b dge
 f RMB348 m i i... The c... c i... a c m... e... ced i... Decembe 2012. A a 30 J... e 2017, he acc m a ed
 ac a ... e me... a RMB253 m i i... The de e me... ha be... e... ded a... d e... d... g f f he
 ... e me... .
- (7) The d c i... ca aci f H ... g a... c a m... i e i 0.9 m i i... V... e e a... m, i h a a ... e me... b dge
 f RMB446 m i i... The c... c i... a c m... e... ced i... Ma ch 2013. A a 30 J... e 2017, he acc m a ed
 ac a ... e me... a RMB341 m i i... The e a i... ha be... e... ded a... d e... d... g f f he ... e me... .

COAL CHARACTERISTICS

Cha ac e i ic f he c m m e cia c a d ced b he G ' e a ... g m... e a e a f :

Coal Quality Characteristic	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal
Seam	4	9	9
M i e (%)	9.05-12.12%	1.55-3.16%	9.71-10.38%
A h (%)	20.11-28.73%	17.87-25.68%	19.35-22.16%
S f (%)	0.71-1.39%	0.32-0.96%	1.66-1.86%
V a i e M a e (%)	21.75-27.51%	25.00-38.84%	28.84-29.34%
E... e g C... e... (MJ/ g)	17.95-19.43	18.36-21.80	20.09-21.77

OPERATING DATA

Reserves and Resources

	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal	Xinglong Coal	Hongyuan Coal	Total
Reserves						
Reserves as at 1 January 2017 (Mt)						
Proven	62.71	16.43	29.18	22.49	30.16	160.97
Probable	12.26	27.43	19.51	9.53	1.17	69.90
Total as at 1 January 2017 (Mt)	<u>74.97</u>	<u>43.86</u>	<u>48.69</u>	<u>32.02</u>	<u>31.33</u>	<u>230.87</u>
Technical reserves as at 30 June 2017 (Mt)	<u>(1.55)</u>	<u>(0.95)</u>	<u>(1.17)</u>	<u>N.a.</u>	<u>N.a.</u>	<u>(3.67)</u>
Reserves as at 30 June 2017 (Mt)	<u>73.42</u>	<u>42.91</u>	<u>47.52</u>	<u>32.02</u>	<u>31.33</u>	<u>227.2</u>
Resources						
Resources as at 1 January 2017 (Mt)	111.35	67.99	72.39	45.96	41.78	339.47
Technical reserves as at 30 June 2017 (Mt)	<u>(1.55)</u>	<u>(0.95)</u>	<u>(1.17)</u>	<u>N.a.</u>	<u>N.a.</u>	<u>(3.67)</u>
Resources as at 30 June 2017 (Mt)	<u>109.80</u>	<u>67.04</u>	<u>71.22</u>	<u>45.96</u>	<u>41.78</u>	<u>335.8</u>

The following table sets forth the historical and comparative information for the periods indicated:

	Six months ended 30 June	
	2017 (’000 tonnes)	2016 (’000 tonnes)
Raw coal production volume		
Huameia Energy Xingfa Coal	1,551 ⁺	222 ⁺
Huameia Energy Fengji Coal	948 ⁺	302 ⁺
Huameia Energy Chenghe Coal	1,167 ⁺	248 ⁺
Total	3,666	772

	Six months ended 30 June	
	2017 (’000 tonnes)	2016 (’000 tonnes)
Commercial coal production volume		
Huameia Energy Xingfa Coal	1,008 ⁺	144 ⁺
Huameia Energy Fengji Coal	617 ⁺	196 ⁺
Huameia Energy Chenghe Coal	758 ⁺	161 ⁺
Total	2,383	501

*: The percentage of the total production volume for the six months ended 30 June 2016, the Huameia Energy Group accounted for 65% of the total.

Exploration, Mining and Development Expenses

The following table sets forth the historical and comparative information for the periods indicated:

	Six months ended 30 June	
	2017 RMB’000	2016 ’000
Material and consumables	30,198	10,182
Staff cost	108,492	45,329
Overhead cost	26,302	15,949
Other head and office	142,273	51,714
Entertainment fee	2,708	892
Total	309,973	124,066

Liquidity, Financial Resources and Capital Structure

The Group adopts prudent financial management policies and is mainly a health financial condition. The Group funds its business activities and general operating expenses through internal financial resources and bank borrowing. As at 30 June 2017, the Group recorded net liabilities of RMB9,263.4 million.

The Group has a clear financial structure to improve the financial flexibility by diversifying bank and bill medium term notes, and other financial instruments. The Group's net operating income is significantly higher than the Group's operating expenses. As at 30 June 2017, cash and cash equivalents of the Group amounted to RMB135.1 million (as at 31 December 2016: RMB24.7 million), and net operating income of RMB110.4 million was higher than the Group's operating expenses of RMB110.4 million as at 31 December 2016. The cash and cash equivalents increased significantly.

As at 30 June 2017, the Group's bank and borrowings of the Group were RMB6,025.4 million (as at 31 December 2016: RMB6,043.3 million), which are categorized as net liabilities. As at the end of the reporting period, the Group's total assets were RMB1,712,155,000 and RMB514,986,000 respectively, but the amount of net assets was RMB1,427,342,000 (as at 31 December 2016: RMB2,473,678,000) due to the fact that the Group's net assets are higher than the demand immediately after the end of the reporting period. The bank and borrowings of the Group have increased from 4.35% to 13.50% (as at 31 December 2016: 4.35% to 13.50%) respectively.

As at 30 June 2017, the Group had a bank borrowing of RMB6,005.8 million (as at 31 December 2016: RMB6,136.4 million), of which RMB5,995.5 million (as at 31 December 2016: RMB6,006.2 million) were in USD.

As at 30 June 2017, the Group's cash and cash equivalents, net assets of RMB0.23 million and RMB29.2 million, which were denominated in Hong Kong Dollars (HKD) and United States Dollars (USD), respectively, were denominated in RMB. As the Group's bank and borrowings are denominated in RMB.

The gearing ratio (calculated as bank and borrowings less net assets divided by cash and cash equivalents and net assets) of the Group as at 30 June 2017 was 97.8% (as at 31 December 2016: 106.3%).

Exposure to Fluctuations in Exchange Rates

The Group's cash and cash equivalents are denominated in RMB and USD. Operating expenses are incurred by the Group's subsidiaries in China are mainly denominated in RMB while operating income and other income are denominated in USD. The Group's subsidiaries are denominated in RMB. Hence, the Directors do not consider that the Group face significant exposure to foreign exchange rate changes.

Pledge of Assets of the Group and Guarantee

As at 30 June 2017, the Group's available aggregate amount of RMB3,453.0 million (as at 31 December 2016: RMB3,470.4 million) is from the following, all of which are available for use in the ordinary course of business, and are pledged to the Group:

As at 30 June 2017, Mr. XU Jihua, the chairman of the Board, and Mr. XU Da, the chairman of the Board and Director, have provided a personal guarantee of RMB7,899.2 million (as at 31 December 2016: RMB7,575.9 million) to the Group.

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Supplies for did not have any impact on the Group's financial position.

CORPORATE GOVERNANCE

The Company has complied with the applicable code of ethics of the Company's Code of Ethics under Article 14 of the Listing Rules throughout the reporting period ended 30 June 2017.

EMPLOYEES AND REMUNERATION

As at 30 June 2017, the Group employed 1,842 employees. The Group has adopted a performance-based remuneration policy and compensation committee. It also includes the basic salary, variable remuneration and other benefits of the employees.

Subsidiaries of the Company established in the PRC are a business entity in accordance with the applicable laws of the PRC government. It is subject to the applicable laws and regulations of the PRC government, including the Company established in the PRC are established on behalf of the employees and management in accordance with the applicable laws, medical insurance, employee benefits and other applicable laws. Subsidiaries of the Company are established in Hong Kong have established in accordance with the applicable laws, if applicable, it is subject to the applicable laws of Hong Kong and other applicable laws.