中 國 秦 發 集 團 有 限 公 司

CHINA QINFA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00866)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors refer to the profit warning announcement of the Company dated 3 March 2017 and set forth below the final results of the Group for the year ended 31 December 2016:

- Revenue from continuing operations was RMB716.2 million in 2016, representing a decrease of 48.0% from RMB1,377.2 million in 2015.
- Gross profit margin from continuing operations in 2016 was 5.1%. As compared with gross loss margin from continuing operations of 49.1% in 2015, the gross profit from continuing operations was mainly due to the selling price of coal rebounded in the second half of 2016 and effective implementation of cost-control measures.
- Loss attributable to equity shareholders of the Company for the year decreased to RMB330.5 million in 2016, as compared with RMB6,011.2 million in 2015.
- Basic loss per share from continuing operations of the Company was RMB13 cents, representing a decrease of RMB271 cents as compared with RMB284 cents in 2015.

The Board does not recommend the payment of final dividends for the year 2016.

The board (the "**Board**") of directors (the "**Directors**") of China Qinfa Group Limited (the "**Company**") is pleased to announce the annual consolidated results and financial position of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016 with comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** *RMB'000*	2015 *RMB'000*
Continuing operations			
Revenue	*5*	**716,187**	1,377,207
Cost of sales		**(679,684)**	(2,053,885)
Gross profit/(loss)		**36,503**	(676,678)
Other income, gains and losses	*6*	**(55,962)**	17,381
Distribution expenses		**(15,993)**	(30,831)
Administrative expenses		**(189,339)**	(208,260)
Reversal of impairment/(impairment losses), net	*7(b)*	**604,173**	(6,713,988)
Other expenses		**(59,460)**	(46,430)
Results from operating activities		**319,922**	(7,658,806)
Finance income		**984**	2,826
Finance costs		**(447,939)**	(370,803)
Net finance costs		**(446,955)**	(367,977)
Share of loss of an associate		**–**	(6,522)
Loss before taxation	*7(a)*	**(127,033)**	(8,033,305)
Income tax (expense)/credit	*8*	**(189,694)**	1,105,525
Loss for the year from continuing operations		**(316,727)**	(6,927,780)
Discontinued operation			
Loss for the year from discontinued operation	*9*	**–**	(4,397)
Loss for the year		**(316,727)**	(6,932,177)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**24,524**	30,799
Item that was reclassified to profit or loss:			
Foreign currency translation differences reclassified to profit or loss upon disposal of subsidiaries		**–**	(4,438)
Other comprehensive income for the year, net of tax		**24,524**	26,361
Total comprehensive loss for the year		**(292,203)**	(6,905,816)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 December 2016

	Notes	**2016** *RMB'000*	2015 *RMB'000*
(Loss)/profit for the year attributable to:			
Equity shareholders of the Company		**(330,542)**	(6,011,184)
Non-controlling interests		**13,815**	(920,993)
Loss for the year		**(316,727)**	(6,932,177)
Total comprehensive (loss)/income for the year attributable to:			
Equity shareholders of the Company		**(306,018)**	(5,984,823)
Non-controlling interests		**13,815**	(920,993)
Total comprehensive loss for the year		**(292,203)**	(6,905,816)
(Loss)/earnings per share from continuing and discontinued operations attributable to the equity shareholders of the Company during the year	*10*		
Basic and diluted (loss)/earnings per share			
From continuing operations		**(RMB13 cents)**	(RMB284 cents)
From discontinued operation		**–**	RMB1 cent
From continuing and discontinued operations		**(RMB13 cents)**	(RMB283 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**2,614,793**	2,437,991
Coal mining rights		**2,292,588**	1,942,708
Lease prepayments		**5,073**	5,213
Interest in an associate		**–**	–
Deferred tax assets		**–**	690
		4,912,454	4,386,602
Current assets			
Inventories		**49,652**	88,073
Trade and bill receivables	12	**392,342**	582,284
Prepayments and other receivables		**281,158**	187,243
Pledged and restricted deposits		**2,113**	45,911
Cash and cash equivalents		**24,713**	20,669
		749,978	924,180
Current liabilities			
Trade and bill payables	13	**(981,827)**	(1,088,711)
Other payables		**(2,946,743)**	(2,525,023)
Borrowings	14	**(6,043,271)**	(5,905,322)
Tax payable		**(242,050)**	(236,438)
		(10,213,891)	(9,755,494)
Net current liabilities		**(9,463,913)**	(8,831,314)
Total assets less current liabilities		**(4,551,459)**	(4,444,712)
Non-current liabilities			
Other payables		**(67,717)**	(82,195)
Accrued reclamation obligations		**(96,458)**	(79,047)
Deferred tax liabilities		**(205,673)**	(23,442)
		(369,848)	(184,684)
Net liabilities		**(4,921,307)**	(4,629,396)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2016

	Notes	**2016** *RMB'000*	2015 *RMB'000*
Capital and reserves			
Share capital		**211,224**	193,275
Perpetual subordinated convertible securities		**156,931**	156,931
Quasi-capital		**–**	45,771
Deficit		**(5,447,702)**	(5,169,798)
Total deficit attributable to equity shareholders of the Company		**(5,079,547)**	(4,773,821)
Non-controlling interests		**158,240**	144,425
Total deficit		**(4,921,307)**	(4,629,396)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2016

1. COMPANY BACKGROUND AND BASIS OF PREPARATION

1.1 General information

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

The principal activities of the Company and its subsidiaries (together, the "**Group**") are coal mining, purchase and sales, filtering, storage, blending of coal in the PRC and shipping transportation. The Group was also engaged in the provision of port services, which the Group has discontinued during the year ended 31 December 2015 as a result of the disposal of a subsidiary, as disclosed in Note 9.

1.2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IAS**") and related Interpretations, promulgated by the International Accounting Standards Board ("**IASB**") and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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

(b) Basis of measurement

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

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

(c) Going concern

During the year ended 31 December 2016, the Group continued to be affected by the unsatisfactory performance of the Chinese coal market. In preparing the consolidated financial statements of the Group, the directors of the Company have given consideration to the future liquidity of the Group in light of the fact that the Group incurred a consolidated net loss of RMB316,727,000 during the year ended 31 December 2016 and, as of that date, the Group's current liabilities exceed its current assets by approximately RMB9,463,913,000 and capital deficiency of RMB4,921,307,000. As at 31 December 2016, the borrowings and accrued interest amounting to an aggregate amount of RMB959,229,000 and RMB361,965,000 respectively have yet been renewed or rolled over upon maturity, of which, up to the date of this announcement, the banks have renewed or have agreed to renew conditionally the borrowings in an aggregate amount of RMB77,500,000. Subsequent to 31 December 2016, the Group has settled the principal and interest of such borrowings of RMB4,356,000 and RMB904,000 respectively. The non-payment of loan principal and interests in accordance with the scheduled repayment dates caused the banks having the rights to call for immediate repayment of all borrowings and their respective interest. In this connection, certain borrowings with scheduled repayment terms over one year totaling RMB2,473,678,000 have been classified as current liabilities.

As at the date of this announcement, the Group has not obtained waivers from the relevant banks on these cross default clauses, but these banks have not taken any action against the Group to demand immediate repayment except for as disclosed in Note 16(a)(v).

In addition, as at 31 December 2016, there were several pending litigations mainly requesting repayment of long outstanding payables with interest against the Group, as set out in Note 16(a).

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

The consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 31 December 2016 and subsequently thereto up to the date of this announcement. 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 this announcement which include, but not limited to, the followings:

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

(ii) The Group is maximising its sales effort including seeking long term orders from power plants in the PRC with a view to improving operating cash flows. Considering the recovery of coal market and increasing coal prices, the Group is expected to generate operating cash inflows in 2017 from its existing production facilities;

(iii) The Group has been actively negotiating with certain banks to renew its borrowings. During the year ended 31 December 2016, the Group has successfully extended their repayment and renewed the terms of certain existing bank loans that had original maturity in 2016, totaling RMB1,986,392,000, which RMB1,915,092,000 and RMB71,300,000 will be falling due before and after the end of 2017 respectively;

(iv) Subsequent to 31 December 2016, the banks have renewed or have agreed to renew conditionally the borrowings in aggregate of RMB77,500,000. The renewed borrowings would be repayable after 31 December 2017;

(v) In relation to those bank loans that have yet been renewed or rolled over upon maturity or those bank loans that became immediately repayable under the cross default clauses, the Group is in the process of negotiating with the relevant banks to extend the repayment and renew the loans and to obtain waivers from the lenders for the due payment pursuant to the relevant cross default clauses;

(vi) For borrowings which will mature before 31 December 2017, 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 Group has not experienced any significant difficulties in renewing most of its short-term borrowings upon their maturities and there is no indication that the banks will not renew the existing short-term borrowings upon the Group's request. The directors of the Company, have evaluated all the relevant facts available to them, are of the opinion that the Group would be able to renew such borrowings upon maturity; and

(vii) The Group is actively negotiating with the plaintiffs for settlement of the court cases. Subsequent to year end and up to the date of this announcement, the Group has successfully reached an agreement with certain plaintiffs at a PRC court on a settlement plan over 40 cases with an aggregated amount of RMB72,062,000 that will be repaid by monthly installment. In addition, the Group has reached an agreement with certain plaintiff in settling the amount of RMB1,686,000 by installment. The aggregated amount to be settled before 31 December 2017 amounted to RMB25,686,000. The directors of the Company are of the view that the Group will be able to resolve these matters without significant impact on the Group's cash flows in the next twelve months.

On the basis of the successful implementation of the measures described above in the foreseeable future and after assessing the Group's current and forecasted cash positions, the directors of the Company are satisfied that the Group will be able to meet in full the Group's financial obligations as they fall due for the twelve months from 31 December 2016. Accordingly, the consolidated financial statements of the Group have been prepared on the going concern basis.

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

(d) Use of judgements and estimates

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

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

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

(i) Impairment losses for trade and bill receivables

Impairment losses for trade and bill receivables are assessed and provided based on management's regular review of ageing analysis and evaluation of collectability. A considerable level of judgement is exercised by the management when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debts would affect the profit or loss in future years. At 31 December 2016, the carrying amount of the Group's trade and bill receivables was RMB392,342,000 (2015: RMB582,284,000). Further details are disclosed in Note 12.

(ii) Depreciation

Other than the mining structures, property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual values. The management periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates. Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expenses in future periods. At 31 December 2016, the carrying amount of the Group's property, plant and equipment, other than the mining structures, was RMB1,877,141,000 (2015: RMB1,776,612,000).

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. It could change significantly as a result of competitor's actions in response to industry cycles or other changes in market condition. Management assesses the estimations at each reporting date. At 31 December 2016, the carrying amount of the Group's inventories was RMB49,652,000 (2015: RMB88,073,000).

(iv) Coal reserves

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

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation and amortisation expenses and impairment loss. Depreciation and amortisation rates are determined based on estimated proved and probable coal reserve quantity (the denominator) and capitalised costs of mining structures and coal mining rights (the numerator). The capitalised cost of mining structures are depreciated and coal mining rights are amortised based on the units of coal produced. At 31 December 2016, the carrying amounts of the Group's mining structures recognised in property, plant and equipment and the Group's coal mining rights were RMB737,652,000 (2015: RMB661,379,000) and RMB2,292,588,000 (2015: RMB1,942,708,000) respectively.

(v) Obligations for reclamation

The estimation of the liabilities for final reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers various factors, including future production volume and development plan, the geological structure of the mining regions and reserve volume, to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as changes of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), revisions to the obligations will be recognised. At 31 December 2016, the carrying amount of the Group's accrued reclamation obligations was RMB96,458,000 (2015: RMB79,047,000).

(vi) Impairment of non-financial assets

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

2. CHANGES IN ACCOUNTING POLICIES

In the preparation of the consolidated financial statements for the year ended 31 December 2016, the Group has applied, for the first time, the following amendments issued by the IASB.

IFRS 10, IFRS 12 and IAS 28 Amendments	Investment Entities: Applying the Consolidation Exception
IFRS 11 Amendments	Accounting for Acquisitions of Interests in Joint Operations
IFRS 14	Regulatory Deferral Accounts
IAS 1 Amendments	Disclosure Initiatives
IAS 16 and IAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41 Amendments	Agriculture: Bearer Plants
IAS 27 Amendments	Equity Method in Separate Financial Statements
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle

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

3. NEW AND REVISED IFRSs NOT YET ADOPTED

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

		Effective for accounting periods beginning on or after
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*
IAS 7 Amendments	Disclosure Initiatives	1 January 2017
IAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IFRS 2 Amendments	Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

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

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

IFRS 9 Financial Instruments

In July 2015, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, IFRS 15 introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Group is still in the process of assessing the impact of IFRS 15. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

IFRS 16 Leases

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

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

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

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

Recognition exemptions

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

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

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

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

4. SEGMENT REPORTING

(a) Segment results, assets and liabilities

The Group has three reportable segments – coal business, shipping transportation and port business – which are the Group's strategic business units. These strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. During the year ended 31 December 2015, the port business segment was disposed of and was presented as discontinued operation which details were set out in Note 9. For each of the strategic business units, the Chief Executive Officer (the "CEO") reviews internal management reports on a monthly basis.

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

The measure used for reporting segment profit/(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, interest in an associate and current assets with the exception of other corporate assets. Segment liabilities include trade and bill payables, other payables attributable to activities of the individual segments, accrued reclamation obligations and borrowings managed directly by the segments.

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

	Continuing operations				Discontinued operation			
	Coal business		Shipping transportation		Port business		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**608,469**	1,220,485	**107,718**	156,722	**–**	37,317	**716,187**	1,414,524
Reportable segment revenue	**608,469**	1,220,485	**107,718**	156,722	**–**	37,317	**716,187**	1,414,524
Reportable segment profit/(loss) before taxation	**590,622**	(7,401,623)	**(262,627)**	(243,618)	**–**	40,288	**327,995**	(7,604,953)
Depreciation and amortisation	**88,146**	152,148	**29,788**	70,812	**–**	53,046	**117,934**	276,006
(Reversal of impairment)/ impairment losses on property, plant and equipment	**(396,451)**	2,848,840	**184,854**	218,665	**–**	–	**(211,597)**	3,067,505
(Reversal of impairment)/ impairment losses on coal mining rights	**(371,199)**	2,678,444	**–**	–	**–**	–	**(371,199)**	2,678,444
Impairment losses on interest in an associate	**–**	70,705	**–**	–	**–**	–	**–**	70,705
(Reversal of impairment)/ impairment losses on trade receivables	**(13,568)**	502,479	**–**	–	**–**	–	**(13,568)**	502,479
(Reversal of impairment)/ impairment losses on prepayments and other receivables	**(7,809)**	394,855	**–**	–	**–**	–	**(7,809)**	394,855
(Loss)/gain on disposal of subsidiaries and associates	**–**	(2,751)	**–**	–	**–**	70,834	**–**	68,083
Reportable segment assets (including interest in an associate)	**5,745,978**	5,016,443	**428,635**	669,135	**–**	–	**6,174,613**	5,685,578
Reportable segment liabilities	**(10,454,739)**	(9,957,818)	**(1,015,360)**	(963,345)	**–**	–	**(11,470,099)**	(10,921,163)

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

Revenue from continuing and discontinued operations

	2016	2015
	RMB'000	*RMB'000*
Reportable segment revenue	**716,187**	1,414,524
Consolidated revenue from continuing and discontinued operations	**716,187**	1,414,524

Loss before taxation from continuing and discontinued operations

	2016	2015
	RMB'000	*RMB'000*
Reportable segment profit/(loss) before taxation	**327,995**	(7,604,953)
Unallocated head office and corporate expenses	**(8,073)**	(20,087)
Net finance costs	**(446,955)**	(412,662)
Consolidated loss before taxation from continuing and discontinued operations (included gain on disposal of subsidiaries)	**(127,033)**	(8,037,702)

Assets

	2016	2015
	RMB'000	*RMB'000*
Reportable segment assets	**6,174,613**	5,685,578
Elimination of inter-segment receivables	**(522,604)**	(381,224)
Deferred tax assets	**–**	690
Unallocated assets	**10,423**	5,738
Consolidated total assets	**5,662,432**	5,310,782

Liabilities

	2016	2015
	RMB'000	*RMB'000*
Reportable segment liabilities	**11,470,099**	10,921,163
Elimination of inter-segment payables	**(1,349,211)**	(1,251,696)
Tax payable	**242,050**	236,438
Deferred tax liabilities	**205,673**	23,442
Unallocated liabilities	**15,128**	10,831
Consolidated total liabilities	**10,583,739**	9,940,178

(c) Geographic information

At 31 December 2016, the Group's total assets are primarily dominated by assets handling its coal business and shipping transportation business. The coal is sold primarily to the PRC domestic customers and investments in all coal mines are physically located in the PRC. Therefore, related assets and liabilities are almost all located in the PRC. The vessels are primarily deployed across geographical markets for shipping transportation throughout the world. As a result, the directors of the Company consider that it will not be meaningful to allocate the Group's assets and their related capital expenditure to specific geographical segments. Accordingly, geographical segment information is only presented for revenue, which is based on the geographical location of customers.

Revenue from external customers from continuing and discontinued operations

	2016	2015
	RMB'000	*RMB'000*
PRC	**641,359**	1,303,629
Other countries	**74,828**	110,895
Total	**716,187**	1,414,524

(d) Information about major customers

During the year, revenue derived only from the following customers in coal business segment with whom transactions have exceeded 10% of the Group's revenue are as follows:

	2016	2015
	RMB'000	*RMB'000*
Customer A	**155,610**	N/A
Customer B	**87,535**	N/A
Customer C	**N/A**	270,085
Customer D	**N/A**	228,147

5. REVENUE

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

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

	2016	2015
	RMB'000	*RMB'000*
Continuing operations		
Sales of coal	**608,469**	1,220,485
Charter hire income	**107,718**	156,722
	716,187	1,377,207

6. OTHER INCOME, GAINS AND LOSSES

	Notes	**2016** **_RMB'000_**	2015 *RMB'000*
Continuing operations			
Government subsidies	(i)	**2,479**	3,237
Foreign exchange gain, net		**7,716**	6,653
Net loss on disposal of subsidiaries and associates		**–**	(2,751)
Net (loss)/gain on disposal of property, plant and equipment	(ii)	**(70,525)**	3,174
Fair value gain on capitalisation of payables	(iii)	**–**	3,051
Others		**4,368**	4,017
		(55,962)	17,381

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

(ii) During the year, the Group obtained government subsidy of RMB30,019,000 (2015: Nil) in respect of demolition of one vessel (2015: Nil) in accordance with "Implementation Plan for Early Retirement and Replacement of Obsolete and Worn-out Transportation Vessels And Singlehull Oil Tankers"《老舊運輸船舶和單殼油輪提前報廢更新實施方案》and "Administrative Measure For The Special Subsidies Given By The Central Finance To Encourage Retirement And Replacement Of Obsolete and Worn-out Transportation Vessels And Single-hull Oil Tankers"《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》jointly promulgated by the Ministry of Finance, the Ministry of Transport, the Development and Reform Commission, and the Ministry of Industry and Information Technology of China ("Vessel Demolition Subsidy"). After taking into account the subsidy compensation, the net loss of demolition of the two vessels was RMB70,929,000 and has been included in net loss on disposal of property, plant and equipment during the year.

(iii) During the year ended 31 December 2015, the Group capitalised certain payables as quasi-capital. The fair value gain represented the fair value of the shares to be issued at quoted market price over the carrying amount of payables extinguished.

7. LOSS BEFORE TAXATION

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

	2016 *RMB'000*	2015 *RMB'000*
Continuing operations		
Cost of inventories *(Note (i))*	**675,625**	1,911,228
Write-down of inventories to net realisable value	**–**	35,542
Minimum lease payments under operating lease:		
– properties	**14,581**	21,505
– vessels	**4,734**	8,198
Depreciation for the property, plant and equipment	**96,513**	210,340
Amortisation of coal mining rights	**21,319**	12,480
Amortisation of lease prepayments	**140**	140
Property, plant and equipment written-off	**2,090**	204
Auditors' remuneration		
– audit services	**1,852**	2,108
– non-audit services	**1,130**	1,563
Employee benefit expenses (excluding directors' and chief executive's remuneration)		
– Wages, salaries and other benefits	**123,342**	257,316
– Contribution to defined contribution plan	**12,223**	31,936
– Equity-settled share-based payment expenses	**5,232**	14,562
	140,797	303,814

Note:

(i) Cost of inventories included RMB180,418,000 (2015: RMB378,772,000) relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

(b) (Reversal of impairment)/impairment losses, net

	2016 *RMB'000*	2015 *RMB'000*
Continuing operations		
(Reversal of impairment)/impairment losses on property, plant and equipment, net	**(211,597)**	3,067,505
(Reversal of impairment)/impairment losses on coal mining rights	**(371,199)**	2,678,444
Impairment losses on interest in an associate	**–**	70,705
(Reversal of impairment)/impairment losses on trade receivables	**(13,568)**	502,479
(Reversal of impairment)/impairment losses on prepayments and other receivables, net	**(7,809)**	394,855
	(604,173)	6,713,988

8. INCOME TAX EXPENSE/(CREDIT)

	2016	2015
	RMB'000	*RMB'000*
Continuing operations		
Current tax expense		
– PRC Corporate Income Tax	**9,288**	2
– Over-provision of PRC Corporate Income Tax in prior years	**(2,515)**	(9,189)
Deferred tax	**182,921**	(1,096,338)
Income tax expense/(credit)	**189,694**	(1,105,525)

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

(ii) No provision for Hong Kong Profits Tax has been made for the subsidiaries located in Hong Kong as these subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax during the year (2015: Nil).

(iii) No provision for income tax has been made for the subsidiary located in Macau as the subsidiary did not have assessable profits subject to income tax in Macau during the year ended 31 December 2015. The Group disposed of its entire interest in the subsidiary located in Macau during the year ended 31 December 2015.

(iv) The provision for the PRC Corporate Income Tax was based on the statutory rate of 25% (2015: 25%) of the assessable profits of subsidiaries which carried on businesses in the PRC.

9. DISCONTINUED OPERATION

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

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

The results of the port business for the period from 1 January 2015 and up to the date of disposal were as follows:

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

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

	2015
	RMB'000
Net cash used in operating activities	(10,243)
Net cash used in investing activities	(1,094)
Net cash used in financing activities	(300)
Net cash used in discontinued operation	(11,637)

10. (LOSS)/EARNINGS PER SHARE

Basic and diluted (loss)/earnings per share

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

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

As the Company's outstanding share options and perpetual subordinated convertible securities had an anti-dilutive effect to the diluted (loss)/earnings per share calculation for the years ended 31 December 2016 and 2015, the conversion of the above potential dilutive shares is not assumed in the computation of diluted (loss)/earnings per share.

(i) From continuing and discontinued operations

The calculations of basic and diluted loss per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2016 and 2015 are based on the following data:

	2016	2015
	RMB'000	*RMB'000*
Loss for the year attributable to equity shareholders of the Company	**(330,542)**	(6,011,184)
Less: Distribution relating to perpetual subordinated convertible securities classified as equity	**(5,030)**	(4,728)
Loss for the year attributable to ordinary equity shareholders of the Company	**(335,572)**	(6,015,912)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,493,413,985**	2,127,243,347

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

The calculations of basic and diluted loss per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2016 and 2015 are based on the following data:

	2016	2015
	RMB'000	*RMB'000*
Loss for the year from continuing operations attributable to equity shareholders of the Company	**(330,542)**	(6,036,879)
Less: Distribution relating to perpetual subordinated convertible securities classified as equity	**(5,030)**	(4,728)
Loss for the year from continuing operations attributable to ordinary equity shareholders of the Company	**(335,572)**	(6,041,607)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,493,413,985**	2,127,243,347

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

The calculations of basic and diluted earnings per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2016 and 2015 are based on the following data:

	2016	2015
	RMB'000	*RMB'000*
Profit for the year from discontinued operation attributable to ordinary equity shareholders of the Company	**–**	25,695
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**2,493,413,985**	2,127,243,347

11. DIVIDENDS

The directors of the Company do not recommend the payment of any dividends for the year ended 31 December 2016 (2015: Nil).

12. TRADE AND BILL RECEIVABLES

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

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

	2016	2015
	RMB'000	*RMB'000*
Within 2 months	**242,172**	303,534
Over 2 months but within 6 months	**9,002**	39,650
Over 6 months but within 1 year	**72**	95,688
Over 1 year but within 2 years	**54,158**	143,312
Over 2 years	**86,938**	100
	392,342	582,284

Credit terms granted to customers mainly range from 0 to 60 days (2015: 0 to 60 days) depending on customers' relationship with the Group, their creditworthiness and past settlement record.

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

13. TRADE AND BILL PAYABLES

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

	2016	2015
	RMB'000	*RMB'000*
Within 1 year	**130,559**	1,074,216
Over 1 year but within 2 years	**828,322**	13,636
Over 2 years but within 3 years	**22,946**	859
	981,827	1,088,711

14. BORROWINGS

	2016 *RMB'000*	2015 *RMB'000*
Bank loans		
– Secured	**5,043,520**	5,310,270
– Unsecured	**962,681**	576,832
	6,006,201	5,887,102
Other borrowings	**37,070**	18,220
Total borrowings	**6,043,271**	5,905,322

As 31 December 2016, secured bank loan of RMB672,289,000 (2015: RMB148,882,000), unsecured bank loan of RMB269,850,000 (2015: RMB30,000,000) and other borrowings of RMB17,090,000 (2015: RMB18,220,000) have yet been renewed or rolled over upon maturity and carried interest at rates ranging from 4.75% to 12.96% (2015: 6.72% to 12.96%) per annum.

Subsequent to 31 December 2016 and up to the date of this announcement, the Group is in the process of negotiating with the financial institutions and the creditors to renew or roll over these borrowings.

Bank loans amounting to RMB2,473,678,000 due for repayment after one year which contain a cross default clause that demands immediate repayment when there is default in any bank loans repayment are classified as current liabilities.

Bank loans due for repayment, based on the scheduled repayment terms set out in the loan agreements and without taking into account the effect of any repayment on cross default clause are as follows:

	2016 *RMB'000*	2015 *RMB'000*
Within 1 year or on demand	**3,532,523**	3,284,777
Over 1 year but within 2 years	**1,118,336**	840,390
Over 2 years but within 5 years	**1,355,342**	1,761,935
	6,006,201	5,887,102

Other borrowings are repayable as follows:

	2016 *RMB'000*	2015 *RMB'000*
Within 1 year or on demand	**37,070**	18,220

15. CAPITAL COMMITMENTS

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

	2016 *RMB'000*	2015 *RMB'000*
Property, plant and equipment	**45,692**	48,176

16. CONTINGENT LIABILITIES

(a) Outstanding litigations

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

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

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

The principal and interest of RMB35,687,000 had already been recognised as payables to Zhonghuitong included in other payables in the consolidated statement of financial position as at 31 December 2015. As a result of the foregoing, the Group further recognised the late penalty charges of RMB3,788,000 and interest charges of RMB6,888,000 in the consolidated financial statements for the year ended 31 December 2015.

During the year ended 31 December 2016, pursuant to the judgments, the Group was ordered to make immediate repayment of payables to the plaintiffs, with additional corresponding legal costs of RMB279,000, which have been recognised in the consolidated financial statements for the year ended 31 December 2016.

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

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

During the year ended 31 December 2016, pursuant to the judgments, the Group was ordered to make immediate repayment of payables of RMB9,210,000 to the plaintiffs.

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

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

During the year ended 31 December 2016, pursuant to the judgments, the Group was ordered to make immediate repayment of payables of RMB137,118,000 to the plaintiffs. The Group is actively negotiating with the plaintiffs for settlement of the court cases. Subsequent to year end and up to the date of this announcement, the Group has successfully reached an agreement with certain plaintiffs at a PRC court on a settlement plan with an aggregated amount of RMB26,551,000 that will be repaid by monthly installment.

Up to the date of this announcement, the remaining litigation claims with an aggregate amount of RMB2,796,000 are still in progress. No further provision for litigation was required to be made in the consolidated financial statements for the year ended 31 December 2016.

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

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

During the year ended 31 December 2016, the Group has successfully reached an agreement with one of the plaintiffs on a settlement plan with an aggregated amount of RMB13,000,000 that will be repaid by monthly installment of RMB1,000,000. Accordingly, such litigation claim was released subsequently.

During the year ended 31 December 2016, another previous owner of Hongyuan Coal filed a lawsuit to Taiyuan Municipal Intermediate People's Court against the Group to demand immediate repayment of the unsettled considerations of RMB87,423,000 and the late penalty charges and interest charges of RMB14,487,000 in relation to the acquisitions of coal mining rights of Hongyuan Coal Mine.

Up to the date of this announcement, litigation claims of RMB125,761,000 is still in progress. The amount of RMB125,761,000 had already been recognised as payables to the Previous Owners included in other payables in the consolidated statement of financial position as at 31 December 2016. As a result of the foregoing, the Group further recognised the late penalty charges and interest charges of RMB14,487,000 in the consolidated financial statements for the year ended 31 December 2016.

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

In 2015, a bank filed a lawsuit in Zhuhai Municipal Intermediate People's Court against the Group to demand immediate repayment of the defaulted bank borrowings of RMB148,882,000 and interest charges of RMB328,000 respectively. The principal of RMB148,882,000 and respective interest charges of RMB328,000 had already been recognised as borrowings and accrued expenses included in other payables respectively in the consolidated statement of financial position as at 31 December 2015.

In 2016, another bank filed lawsuit in Shanxi Province High People's Court against the Group to demand immediate repayment of the defaulted bank borrowings of RMB492,444,000 and interest charges of RMB13,068,000 respectively. The principal of RMB492,444,000 and respective interest charges of RMB13,068,000 had already been recognised as borrowings and accrued expenses included in other payables respectively in the consolidated statement of financial position as at 31 December 2016.

Pursuant to the judgments, several bank accounts of the Group were frozen for one year from the date of the judgements and the coal mining rights of the Group and two properties of the Group's related companies were frozen for three years from the date of judgement. In addition, the Group was ordered to make immediate repayment of the aforesaid balances.

Up to the date of this announcement, the Group is still in the process of negotiating with these two banks to renew its loans outstanding.

(vi) ***Litigation claims relating to the performance of the contract execution Heilongjiang HengJiu Construction Limited ("HengJiu") and Chongsheng Coal and Fengxi Coal***

During the year ended 31 December 2016, there was a litigation claim initiated by HengJiu against the Group to demand immediate repayment of overdue payable in relation to down-hole construction with an aggregate amount of RMB30,000,000 and the late penalty charges of RMB9,000,000. An aggregate amount of RMB30,000,000 had already been recognised as payables to these suppliers included in other payables in the consolidated statement of financial position as at 31 December 2016. As a result of the foregoing, the Group further recognised the late penalty charges of RMB9,000,000 in the consolidated financial statements for the year ended 31 December 2016. Up to the date of this announcement, the case has yet been concluded.

(vii) ***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***

During the year ended 31 December 2016, there was a litigation claim initiated by Yu Lin Zhong Kuang against the Group to demand immediate repayment of overdue payable in relation to construction of coal mining infrastructure with an aggregate amount of RMB101,323,000. It had already been recognised included in other payables in the consolidated statement of financial position as at 31 December 2016. The case was concluded on 9 January 2017 in the Shanxi Provincial Xinzhou City Intermediate People's Court and the Group is ordered to make immediate repayment of the overdue payable, corresponding late penalty charges and interest. As a result of the foregoing, the Group further recognised the late penalty charges of RMB16,345,000 and interest of RMB13,101,000 in the consolidated financial statements for the year ended 31 December 2016. The Group appealed to Shanxi Provincial High People's Court on 22 February 2017. Up to the date of this announcement, the appeal has yet to be concluded.

As at 31 December 2016, the directors of the Company are of the opinion that the provision for the above litigation is sufficient in the consolidated statements of financial position as at 31 December 2016.

Other than the disclosure of above, as at 31 December 2016, the Group was not involved in any other material litigation or arbitration. As far as the Group was aware, the Group had no other material litigation or claim which was pending or threatened against the Group. As at 31 December 2016, the Group was the defendant of certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the management of the Group believes that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

(b) Financial guarantees issued

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

As at 31 December 2016, the directors of the Company do not consider it probable that a claim will be made against the Group under any of the guarantees. The maximum liability of the Group at 31 December 2016 under the guarantees issued is a portion of the outstanding amount of the borrowings of Tongmei Qinfa amounting to RMB640,600,000 (2015: RMB635,690,000).

17. COMPARATIVE FIGURES

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

Reclassification for the consolidated statement of comprehensive income for the year ended 31 December 2015:

Impairment losses are separately disclosed from other expenses on the consolidated statement of comprehensive income.

Reclassification for the consolidated statement of financial position as at 31 December 2015:

Borrowings with cross default clauses are reclassified as current liabilities on the consolidated statement of financial position.

18. EVENTS AFTER THE REPORTING PERIOD

On 25 April 2016 and 11 July 2016, the Group entered into a share sale and purchase agreement and a supplemental agreement with Bo Hai Investment Limited ("**Bo Hai Investment**"), a related company wholly owned by Mr. Xu Jihua, a previous director and a close family member of a director of the Company respectively in relation to the disposal of entire equity interest in Hong Kong Qinfa International Trading Limited, a wholly-owned subsidiary of the Company, and its subsidiaries ("**HK Qinfa International Group**") at a consideration of RMB176,740,000. The principal activities of HK Qinfa International Group are coal mining, purchase and sales, filtering, storage, blending of coal and shipping transportation in the PRC. The proposed transaction is yet to complete and is subject to certain conditions precedent as stated in the share sale and purchase agreement. Subsequent to the year, the Group and Bo Hai Investment agreed to further extend the long stop date to 30 April 2017 for satisfying the outstanding conditions precedent. Details of which are set out in the circular dated 26 October 2016 and the announcements of the Company dated 16 December 2016, 30 December 2016 and 28 February 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading non-State owned thermal coal supplier in China, and it operates an integrated coal supply chain, including coal mining, purchase and sales, filtering, storage, blending and shipping transportation business. During the year ended 31 December 2016, the Group continued to focus on these business activities and expanded its integrated coal supply chain through upward vertical integration.

BUSINESS REVIEW

Proposed disposal of the Group's coal business and shipping business in the PRC

As set out in the notice of the Group dated 14 July 2016, the Group has entered into a sale and purchase agreement with Bo Hai Investment Limited for the proposed disposal. Save for the condition relating to the approval of the independent shareholders to the entry of the agreement and the transaction contemplated thereunder at an extraordinary general meeting that had been fulfilled, some conditions precedent as described in the circular of the Company dated 26 October 2016 have not been fulfilled. As additional time is required to fulfill some conditions precedent and negotiate with third party financial institutions in respect of the fulfillment of the outstanding conditions precedent, the parties to the agreement agreed to further extend the long stop date for satisfying the outstanding conditions precedent to 30 April 2017.

While we see a moderate recovery in coal prices and some signs that profit is improving, there are still uncertainties in market factors. The slowdown in the growth of macro economy has resulted in a declining coal demand. Our shipping business in the PRC is also challenging. Losses may affect the direction of business and capability of finance of the Group in the future. Upon prudent consideration and acting in the best interests of the shareholders, the Company intends to dispose both the Group's coal business and shipping business in the PRC, while retaining the international shipping business which can bring a stable cash flow, in the hope of improving the financial condition of the Group, reducing costs and bringing more flexibility in resource allocation.

As of 31 December 2016, the Group owned and operated five coal mines in the PRC. The table sets forth certain information about these coal mines.

	Note	**Location**	**Ownership**	**Site area** *(sq. km)*	**Operation status**
Huameiao Energy – Xingtao Coal	1,2	Shuozhou Shanxi	80%	4.3	Under operation
Huameiao Energy – Fengxi Coal	1,3	Shuozhou Shanxi	80%	2.4	Under operation
Huameiao Energy – Chongsheng Coal	1,4	Shuozhou Shanxi	80%	2.9	Under operation
Xinglong Coal	1,5,6	Xinzhou Shanxi	100%	4.0	Under development
Hongyuan Coal	1,5,7	Xinzhou Shanxi	100%	4.1	Under operation (Temporarily suspended)

Notes:

(1) The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources as of 30 June 2016 in accordance with the JORC Code. For the period from 1 January 2016 to 30 June 2016, there was no material change in total coal reserves and resources. The total coal reserves and resources as of 31 December 2016 were derived from the estimated figures after deducting the raw coal production for the period from 1 July 2016 to 31 December 2016.

(2) The production capacity for Xingtao coal mine of Huameiao Energy is 1.5 million tonnes per annum, with a total investment budget (excluding coal washing plant) of RMB380 million. The construction was commenced in October 2011. As of 31 December 2016, the accumulated actual investment was RMB380 million. The construction of Xingtao coal mine and coal washing plant was completed and delivered a capacity of 1.5 million tonnes per year.

(3) The production capacity for Fengxi coal mine of Huameiao Energy is 0.9 million tonnes per annum, with a total investment budget of RMB400 million. The construction was commenced in September 2011. As of 31 December 2016, the accumulated actual investment was RMB397 million. The construction of Fengxi coal mine and coal washing plant was completed on 21 January 2014 and delivered a capacity of 0.9 million tonnes per annum.

(4) The production capacity for Chongsheng coal mine of Huameiao Energy is 0.9 million tonnes per annum, with a total investment budget of RMB391 million. The construction was commenced in September 2011. As of 31 December 2016, the accumulated actual investment was RMB392 million. The construction of the coal mine and coal washing plant was completed, delivering a capacity of 0.9 million tonnes per annum. It has commenced operation on 21 January 2014.

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

(6) The production capacity for Xinglong coal mine is 0.9 million tonnes per annum, with a total investment budget of RMB348 million. The construction was commenced in December 2012. As of 31 December 2016, the accumulated actual investment was RMB253 million. The operation has been suspended and pending for further investment.

(7) The production capacity for Hongyuan coal mine is 0.9 million tonnes per annum, with a total investment budget of RMB446 million. The construction was commenced in March 2013. As of 31 December 2016, the accumulated actual investment was RMB329 million. The operation has been suspended since 2015 pending for further investment.

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	9	9
Moisture (%)	9.13-12.11%	2.07-2.90%	8.70-11.84%
Ash (%)	21.07-29.94%	18.36-30.42%	21.25-23.85%
Sulfur (%)	0.76-1.81%	0.31-0.84%	1.78-2.40%
Volatile Matter (%)	21.96-27.49%	19.90-29.49%	27.54-28.88%
Energy Content (MJ/kg)	17.30-18.13	17.08-22.03	20.36-22.25

OPERATING DATA

Reserves and Resources

	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal	Xinglong Coal	Hongyuan Coal	Total
Reserves						
Reserves as of 1 January 2016 (Mt)						
– Proven reserves	63.13	17.19	30.10	22.49	30.16	163.07
– Probable reserves	12.26	27.43	19.51	9.53	1.17	69.90
Total reserves as of 1 January 2016 (Mt)	75.39	44.62	49.61	32.02	31.33	232.97
Less: Total raw coal production for the year (Mt)	(0.42)	(0.72)	(0.90)	n.a.	n.a.	(2.04)
Less: adjustment *(Note)*	–	(0.04)	(0.02)	n.a.	n.a.	(0.06)
Reserves as of 31 December 2016 (Mt)	**74.97**	**43.86**	**48.69**	**32.02**	**31.33**	**230.87**
Resources						
Resources as of 1 January 2016 (Mt)	111.94	69.09	73.70	45.96	41.78	342.47
Less: Total raw coal production for the year (Mt)	(0.53)	(0.96)	(1.20)	n.a.	n.a.	(2.69)
Less: adjustment *(Note)*	(0.06)	(0.14)	(0.11)	n.a.	n.a.	(0.31)
Resources as of 31 December 2016 (Mt)	**111.35**	**67.99**	**72.39**	**45.96**	**41.78**	**339.47**

Note: The adjustment of total coal reserves and resources represents the difference between the estimated figures for the period from 1 January 2016 to 30 June 2016 and the estimation of an independent mineral industry consultant as at 30 June 2016.

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

	Year ended 31 December	
	2016	2015
Raw coal production volume	***('000 tonnes)***	*('000 tonnes)*
Huameiao Energy – Xingtao Coal	**417**	452
Huameiao Energy – Fengxi Coal	**722**	545
Huameiao Energy – Chongsheng Coal	**905**	445
Total	**2,044**	1,442

Commercial coal production volume (Note)	Year ended 31 December **2016** ***('000 tonnes)***	 2015 *('000 tonnes)*
Huameiao Energy – Xingtao Coal	**271**	294
Huameiao Energy – Fengxi Coal	**469**	354
Huameiao Energy – Chongsheng Coal	**588**	289
Total	**1,328**	937

Note: Per the competent person's report issued on 30 September 2011, 31 May 2013 and 25 July 2016, the volume of commercial coal produced by Huameiao Energy is calculated by a yield rate of 65% raw coal.

Exploration, Mining and Development Expenses

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

	Year ended 31 December **2016** ***RMB'000***	 2015 *RMB'000*
Materials and consumables	**32,489**	45,833
Staff cost	**54,103**	139,185
Other direct cost	**33,442**	37,453
Overhead and others	**106,259**	193,776
Evaluation fee	**1,321**	2,455
Total	**227,614**	418,702

FINANCIAL REVIEW

Revenue

Revenue from continuing and discontinuing operations	**Year ended 31 December** **2016** ***RMB'000***	2015 *RMB'000*
Coal business	**608,469**	1,220,485
Shipping transportation	**107,718**	156,722
Port business (reclassified as discontinued operation)	**–**	37,317

Coal business

	Year ended 31 December **2016** ***'000 tonnes***	2015 *'000 tonnes*
Coal Handling and Trading Volume of Coal Business	**2,123**	3,952

During the year ended 31 December 2016, the volume of the Group's coal handling and trading recorded a 46.3% decrease as compared with 2015. The monthly average coal selling prices during the year ended 31 December 2016 were in range between RMB88 per tonne and RMB626 per tonne, which were more fluctuated when compared to the range between RMB206 per tonne and RMB354 per tonne in 2015.

The average coal selling price and the coal handling and trading volume for each of the three years ended 31 December 2016 are set forth in the table below:

	Year ended 31 December		
	2016	2015	2014
Average selling price *(RMB per tonne)*	**287**	309	395
Average monthly handling and trading volume *('000 tonnes)*	**177**	329	1,328

The Group sells blended coal which is sourced solely from the PRC domestic markets to customers, including power plants, cement plants and coal traders. Most of the Group's customers are located in the coastal regions of China. Power plants purchase coal for use in the combustion processes to produce steam for power and heat. Cement plants consume coal as primary fuel in their production process. The following table sets forth information regarding the Group's revenue from coal business by industry segment during the years ended 31 December 2016 and 2015:

	Year ended 31 December			
	2016		2015	
	Revenue	**Percentage of revenue**	Revenue	Percentage of revenue
	RMB'000	***% of total***	*RMB'000*	*% of total*
Power plants	**199,329**	**32.8**	273,611	22.4
Coal traders	**396,042**	**65.1**	502,924	41.2
Cement plants and others*	**13,098**	**2.1**	443,950	36.4
Total	**608,469**	**100.0**	1,220,485	100.0

* Others mainly represented large State-owned coal suppliers.

Shipping transportation

The segment revenue for shipping transportation from external customers for the year ended 31 December 2016 was RMB107.7 million as compared with RMB156.7 million for the same period in 2015. The Group has recorded 31.3% decline in shipping transportation revenue principally because of disposal of two chartering vessels during the year.

Port business

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

Cost of Sales

Cost of sales from continuing operations of the Group in 2016 amounted to RMB679.7 million, representing a decrease of 66.9% compared with RMB2,053.9 million in 2015. The decrease was due to the fall in coal handling and trading volume during the year of 2016.

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

	Year ended 31 December	
	2016	2015
	RMB million	*RMB million*
Cost of coal purchased	**262.3**	1,322.8
Cost of coal transportation	**54.4**	66.7
Cost of self-produced coal	**252.3**	445.4
Materials, fuel, power	**32.5**	45.8
Staff costs	**54.1**	139.2
Depreciation and amortisation	**83.2**	145.5
Others	**82.5**	114.9
Other costs	**11.1**	49.1
Total cost of sales of coal business segment	**580.1**	1,884.0

The Group purchases coal mainly from the PRC market. The following table sets forth information regarding the Group's origins of coal based on sales volume and revenue in 2016 and 2015:

	Year ended 31 December			
	2016		2015	
Origins of coal	**Sales volume**	**Revenue**	Sales volume	Revenue
	'000 tonnes	***RMB'000***	*'000 tonnes*	*RMB'000*
China	**2,123**	**608,469**	3,944	1,216,981
Oversea	**–**	**–**	8	3,504
Total	**2,123**	**608,469**	3,952	1,220,485

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

The Group has established stable cooperative relationships with its key PRC domestic coal suppliers and has developed business relationships with the majority of them over a period of not less than three years. This enables the Group to obtain a reliable supply of quality coal.

Gross Profit/Loss

The Group's gross profit from continuing operations was RMB36.5 million during the year ended 31 December 2016 as compared with gross loss from continuing operations of RMB676.7 million during the same period in 2015. The Group recorded gross profit from continuing operations in 2016 principally because of the rapid rising of coal selling price after several years of decline and effective implementation of cost-control measures.

Other Income, Gains and Losses

During the year ended 31 December 2016, the Group's other income, gains and losses from continuing operations amounted to a net loss of RMB56.0 million, representing a decrease of approximately of RMB73.4 million, as compared with a net gain of RMB17.4 million in 2015. The decrease in other income, gains and losses from continuing operations in 2016 was mainly due to the one-off loss arising from the net loss on disposal of property, plant and equipment, including two vessels, of RMB70.5 million in 2016.

Distribution Expenses

Distribution expenses from continuing operations decreased by 48.1% to RMB16.0 million for the year ended 31 December 2016, as compared with RMB30.8 million in 2015. The decrease in distribution expenses from continuing operations was in line with the decrease in coal handling and trading volume during the year.

Administrative Expenses

During the year ended 31 December 2016, the Group's administrative expenses from continuing operations amounted to RMB189.3 million, representing a decrease of 9.1%, as compared with RMB208.3 million in 2015. The slight decrease was mainly attributable to the Group has further launched a series of cost saving controls during the year to reduce the administrative costs.

Other Expenses

During the year ended 31 December 2016, the Group's other expenses from continuing operations amounted to RMB59.5 million, representing an increase of 28.2%, as compared with RMB46.4 million in 2015.

Net Finance Costs

Net finance costs from continuing operations of the Group in 2016 amounted to RMB447.0 million, representing an increase of RMB79.0 million or 21.5%, as compared with RMB368.0 million in 2015. The increase was principally due to the drop of interest capitalised into construction of coal mines in 2016. Construction of certain coal mines had suspended during the year.

Loss Attributable to Equity Shareholders

Loss attributable to equity shareholders of the Company during the year ended 31 December 2016 was RMB330.5 million, representing a decrease of approximately of RMB5,680.7 million as compared with RMB6,011.2 million in the same period in 2015. The decrease in loss attributable to equity shareholders of the Company was principally due to no further significant impairment on the assets and partial recovery of previous impairment amounting to RMB604.2 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

As of 31 December 2016, the Group recorded net current liabilities of RMB9,463.9 million. The Group has taken initiative to enhance the financial flexibility by diversifying the funding bases and obtain medium term loans to replace short term loans. The Group is currently negotiate with financial institutions to renew and extend bank borrowings and consider ways to improve the Group's working capital.

On 25 December 2015, the Company entered into the subscription agreement with Link Beautiful Limited ("Link Beautiful") pursuant to which Link Beautiful has agreed to subscribe 215,000,000 new shares in the capital of the Company to settle a payable of approximately RMB48,822,000 (equivalent to approximately HK$58,480,000) owed by the Company to Link Beautiful. The conditions of the subscription agreement have been fulfilled and completion of the subscription agreement took place on 6 January 2016. In this regard, the Company allotted 215,000,000 new shares to Link Beautiful as at 6 January 2016. The subscription arrangement converted the outstanding interest payable of the loan into equity capital of the Company, which reduced the amount of borrowings of the Group and improve its financial position in an efficient and effective manner. The Directors believe that it is in the interests of the Company to preserve as much liquidity as possible in order to strengthen the Group's financial position and secure a sustainable business growth.

As of 31 December 2016, the cash and cash equivalents of the Group amounted to RMB24.7 million (2015: RMB20.7 million), representing an increase of 19.3%.

As of 31 December 2016, the total bank and other borrowings of the Group were RMB6,043.3 million (2015: RMB5,905.3 million), which were classified as current liabilities. As a result of the non-payment of loan principal and interests of RMB959,229,000 and RMB361,965,000 respectively, bank loans amounting to RMB2,473,678,000 (2015: RMB2,602,325,000) due for repayment after one year which contain a cross default clause that demands immediate repayment when there is default in any bank loans repayment are classified as current liabilities. The bank and other borrowings carried interest at rates ranging from 4.35% to 13.50% (2015: 4.35% to 12.96%) per annum.

As of 31 December 2016, the Group had total banking facilities of RMB6,136.4 million (2015: RMB6,313.1 million), of which RMB6,006.2 million (2015: RMB5,887.1 million) were utilised.

As of 31 December 2016, the Group's cash and cash equivalents, except amount of RMB12.2 million in United States dollars ("**USD**") and amount of RMB0.7 million in HKD, were held in RMB. All the Group's bank and other borrowings were made in RMB.

The gearing ratio (calculated as bank and other borrowings netted off sum of cash and cash equivalents and pledged and restricted deposits divided by total assets) of the Group as at 31 December 2016 was 106.3% (2015: 109.9%). The decrease in gearing ratio was mainly due to increase of total assets as a result of reversal of impairment losses on property, plant and equipment, coal mining rights, trade receivables and prepayments and other receivables.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's cash and cash equivalents are held predominately in RMB and USD. Operating outgoings incurred by the Group's subsidiaries in the PRC are mainly denominated in RMB while overseas purchases are usually denominated in USD. The Group's subsidiaries usually receive revenue in RMB. Hence, the Directors do not consider that the Group faces significant exposure to foreign exchange fluctuation risk.

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2016, the Group's assets in an aggregate amount of RMB3,470.5 million (2015: RMB3,074.2 million) in forms of property, plant and equipment, coal mining rights, lease prepayments, inventories, trade and bill receivables and bank deposits were pledged to banks for credit facilities granted to the Group.

CONTINGENT LIABILITIES

Except for certain matters disclosed in the Note 16 to the consolidated financial statements in this announcement, the Group did not have any material contingent liabilities as at 31 December 2016.

FINAL DIVIDEND FOR THE YEAR ENDED 31 DECEMBER 2016

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

EMPLOYEES AND REMUNERATION

As of 31 December 2016, the Group employed 1,203 employees. The Group has adopted a performance-based reward system to motivate its staff and such system is reviewed on a regular basis. In addition to the basic salaries, year-end bonuses may be offered to staff members with outstanding performance.

Members of the Group established in the PRC are also subject to social insurance contribution plans organised by the PRC government. In accordance with the relevant national and local labour and social welfare laws and regulations, members of the Group established in the PRC are required to pay on behalf of their employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and other relevant insurance. Members of the Group incorporated in Hong Kong have participated in mandatory provident fund scheme, if applicable, in accordance with the applicable Hong Kong laws and regulations.

Moreover, as disclosed in the prospectus of the Company dated 19 June 2009, the Company adopted a pre-IPO share option scheme and a post-IPO share option scheme in June 2009 to incentivise and retain staff members who have made contribution to the success of the Group. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

BUSINESS OUTLOOK

The year 2016 witnessed the commencement of China's major work of cutting excessive industrial capacity. As one of the key areas of supply-side structural reform, the coal industry's priority next year remains to cut excessive capacity. During 2016, China reduced coal capacity by more than 290 million tonnes, exceeding the previous goal of 250 million tonnes. Li Keqiang, Premier of the State Council, specified China's overcapacity cutting scheme: to cut 800 million tonnes of coal capacity in 3 to 5 years, aiming to bring coal industry back to a more healthy condition.

Affected by the slowdown of global economy, against this backdrop, the Group must adjust its direction in response to market movements, policy trend and supply and demand changes to achieve various targets in the future:

– improve the Group's financial indicators and complete the disposal of the Group's coal business and shipping business in the PRC so as to reduce the gearing ratio and finance costs of the Group. If the disposal is completed after all the conditions precedent were satisfied, it is believed to greatly ease the Group's cost pressure and allow a more effective allocation and application of financial resources, which will improve the operational position and profitability of the Group while relieving operating pressures ahead;

– work hard toward the annual plan of the Group's coal business and shipping business, no matter the disposal of such businesses will be completed or not. The Group will conduct safe, effective and refined production, seek for opportunities among challenges, and try every means to achieve cost efficiency and revenue growth;

– explore a comprehensive operating model covering internet, futures trading and logistics platform, complementary to the existing coal business, to improve the value of the Group. In view of constantly changing internet information, trading platforms and operating models, the Group also insists on keeping up with the market to expand new development directions; and

– conduct research and development on supply chain finance by leveraging on its years of industry resources and experience to promote business diversification, broaden source of revenue and improve risk resistance of the Company.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the financial year ended 31 December 2016.

AUDIT COMMITTEE OF THE BOARD

An audit committee was established by the Board on 12 June 2009 with written terms of reference in compliance with the Code. The primary duties of the audit committee are to review and supervise the Group's financial reporting process and internal controls. The members of the audit committee of the Board are the three independent non-executive Directors, namely Mr. HUANG Guosheng, Mr. LAU Sik Yuen and Mr. XING Zhiying. Mr. LAU Sik Yuen is the chairperson of the audit committee of the Board.

The audit committee has reviewed the consolidated financial statements of the Group for the financial year ended 31 December 2016.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by Moore Stephens CPA Limited on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2016.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 1.2(c) to the consolidated financial statements, which indicates that the Group incurred a consolidated net loss of RMB316,727,000 during the year ended 31 December 2016 and, as of that date, the Group had net current liabilities of RMB9,463,913,000 and capital deficiency of RMB4,921,307,000. As at 31 December 2016, the borrowings and accrued interest amounting to an aggregate amount of RMB959,229,000 and RMB361,965,000 respectively have yet been renewed or rolled over upon maturity, of which, up to the date of this announcement, the banks have renewed or have agreed to renew conditionally the borrowings in an aggregate amount of RMB77,500,000. Subsequent to 31 December 2016, the Group has settled the principal and interest of such borrowings of RMB4,356,000 and RMB904,000 respectively. The non-payment of loan principal and interests in accordance with the scheduled repayment dates caused the banks having the rights to call for immediate repayment of all borrowings and their respective interest. As at 31 December 2016, the current borrowings include certain borrowings with scheduled repayment terms over one year amounting to RMB2,473,678,000. In addition, at 31 December 2016, there were several unsettled litigations against the Group mainly requesting the Group to repay certain payables with interest immediately or within one year with an aggregate amount of RMB678,136,000.

These conditions, along with other matters as set forth in Note 1.2(c) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the financial year ended 31 December 2016 (the "**Annual Report**") containing all the information required by Appendix 16 to the Listing Rules and any other applicable laws and regulations will be dispatched to the Shareholders and published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.qinfagroup.com) in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Tuesday, 27 June 2017. To determine the eligibility of the shareholders of the Company to attend the annual general meeting to be held on Tuesday, 27 June 2017, the register of members will be closed from Thursday, 22 June 2017 to Tuesday, 27 June 2017, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4 p.m. on Wednesday, 21 June 2017.

By order of the Board
China Qinfa Group Limited
XU Da
Chairman

Guangzhou, 31 March 2017

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