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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

The Board refers to the profit warning announcement dated 8 August 2014. The following sets for the financial highlights of the Group for the six months ended 30 June 2014.

- Turnover for the six months ended 30 June 2014 was RMB4,457.4 million, representing an increase of 0.3% as compared to the corresponding period in 2013.
- Coal handling and trading volume for the six months ended 30 June 2014 was 10.9 million tonnes, representing an increase of 7.3% as compared to the corresponding period in 2013.
- Gross profit margin for the six months ended 30 June 2014 decreased to 3.5% as compared to 10.3% for the corresponding period in 2013.
- Net loss for the six months ended 30 June 2014 was RMB355.5 million, as compared to a profit of RMB22.4 million for the corresponding period in 2013. The decrease was primarily attributable to (1) continuing downturn in the coal market, substantial decline in the coal prices and the continuous decreases in the average coal selling prices of the Group; (2) the increase in net finance costs of the Group; and (3) the reduction in the deferred tax assets arising from tax loss carried forward.

The board (the "**Board**") of directors (the "**Directors**") of China Qinfa Group Limited (the "**Company**") refers to the profit warning announcement of the Company dated 8 August 2014. The Board announces the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2014 with comparative figures for the six months ended 30 June 2013.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the six months ended 30 June 2014

	Notes	Six months ended 30 June 2014 RMB'000	2013 RMB'000 (Restated)
Turnover	4	**4,457,384**	4,442,661
Cost of sales		**(4,299,417)**	(3,983,026)
Gross profit		**157,967**	459,635
Other income, gains and losses	5	**64,196**	84,803
Distribution expenses		**(45,530)**	(65,183)
Administrative expenses		**(110,586)**	(123,382)
Other expenses		**(3,057)**	(120,877)
Results from operating activities		**62,990**	234,996
Finance income		**18,379**	21,093
Finance costs		**(369,133)**	(273,204)
Net finance costs	6(a)	**(350,754)**	(252,111)
Share of loss of associates		**(3,035)**	(2,170)
Loss before taxation	6	**(290,799)**	(19,285)
Income tax (expense)/credit	7	**(64,729)**	41,719
(Loss)/profit for the period		**(355,528)**	22,434
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**6,506**	(12,211)
Other comprehensive income/(loss) for the period (after tax and reclassification adjustment)		**6,506**	(12,211)
Total comprehensive (loss)/income for the period		**(349,022)**	10,223
(Loss)/profit attributable to:			
Equity shareholders of the Company		**(381,555)**	(30,118)
Non-controlling interests		**26,027**	52,552
(Loss)/profit for the period		**(355,528)**	22,434
Total comprehensive (loss)/income attributable to:			
Equity shareholders of the Company		**(375,049)**	(42,329)
Non-controlling interests		**26,027**	52,552
Total comprehensive (loss)/income for the period		**(349,022)**	10,223
Loss per share			
Basic and diluted loss per share (RMB)	8	**(0.18)**	(0.01)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 June 2014

	Notes	**At 30 June 2014** **RMB'000**	At 31 December 2013 *RMB'000*
Non-current assets			
Property, plant and equipment		**6,428,658**	6,108,676
Coal mining rights		**4,937,512**	4,971,400
Lease prepayments		**129,378**	129,448
Interests in associates		**102,543**	92,267
Deferred tax assets		**142,045**	151,409
		11,740,136	11,453,200
Current assets			
Inventories		**998,229**	400,430
Trade and bill receivables	*9*	**2,888,368**	2,699,343
Prepayments and other receivables	*10*	**1,656,039**	1,526,390
Pledged deposits		**2,984,067**	1,983,604
Cash and cash equivalents		**358,583**	483,310
		8,885,286	7,093,077
Current liabilities			
Loans and borrowings	*11*	**(7,997,980)**	(6,483,197)
Trade and bill payables	*12*	**(3,378,554)**	(1,589,768)
Other payables	*13*	**(1,952,268)**	(2,386,687)
Current taxation		**(533,803)**	(468,337)
		(13,862,605)	(10,927,989)
Net current liabilities		**(4,977,319)**	(3,834,912)
Total assets less current liabilities		**6,762,817**	7,618,288
Non-current liabilities			
Deferred tax liabilities		**(1,128,463)**	(1,139,326)
Other payables	*13*	**(115,176)**	(131,549)
Loans and borrowings	*11*	**(2,094,949)**	(2,574,906)
Accrued reclamation obligations		**(84,462)**	(81,869)
		(3,423,050)	(3,927,650)
Net assets		**3,339,767**	3,690,638
Capital and reserves			
Share capital		**176,531**	176,531
Perpetual subordinated convertible securities		**156,931**	156,931
Reserves		**1,592,002**	1,968,900
Total equity attributable to equity shareholders of the Company		**1,925,464**	2,302,362
Non-controlling interests		**1,414,303**	1,388,276
Total equity		**3,339,767**	3,690,638

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1 COMPANY BACKGROUND AND BASIS OF PREPARATION

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**"). This interim financial statements of the Company for the six months ended 30 June 2014 comprises the Company and its subsidiaries (collectively referred to as the "**Group**").

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

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

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

The interim financial statements has not been audited.

1.1 Going concern

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

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

2 CHANGES IN ACCOUNTING POLICIES

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

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

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

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

3 ESTIMATES

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

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

4 SEGMENT REPORTING

(a) Segment results, assets and liabilities

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

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

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

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

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

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

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

Turnover

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

Profit/(loss)

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

Assets

	At 30 June	At 31 December
	2014	2013
	RMB'000	*RMB'000*
Reportable segment assets	**20,569,376**	19,370,523
Elimination of inter-segment receivables and inventories	**(87,862)**	(215,434)
Elimination of receivables from head office	**–**	(760,924)
Deferred tax assets	**142,045**	151,409
Unallocated assets	**1,863**	703
Consolidated total assets	**20,625,422**	18,546,277

Liabilities

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

5 OTHER INCOME, GAINS AND LOSSES

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

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

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

6 LOSS BEFORE TAXATION

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

(a) Net finance costs

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

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

(b) Other items

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

7 INCOME TAX EXPENSE/(CREDIT)

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

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

(ii) No provision for Hong Kong Profits Tax has been made for the subsidiaries located in Hong Kong as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the period (six months ended 30 June 2013: Nil).

(iii) No provision for income tax has been made for the subsidiary located in Macau as the subsidiary did not have assessable profits subject to income tax in Macau during the period (six months ended 30 June 2013: Nil).

(iv) The provision for the PRC Corporate Income Tax was based on the statutory rate of 25% (six months ended 30 June 2013: 25%) of the assessable profits of subsidiaries which carried on businesses in the PRC.

(v) Pursuant to the Corporate Income Tax Law of the PRC, 5% (six months ended 30 June 2013: 5%) withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profits earned after 1 January 2008. As at 30 June 2014, temporary withholding tax differences relating to the undistributed profits of PRC subsidiaries amounted to approximately RMB857,211,000 (31 December 2013: RMB762,476,000). Deferred tax liabilities of RMB42,861,000 (31 December 2013: RMB38,124,000) have not been recognised in respect of the tax that would be payable upon the distribution of these retained profits as the Company controls the dividend policy of these PRC subsidiaries and it has been determined that it is probable that undistributed profits of these PRC subsidiaries will not be distributed in the foreseeable future.

(vi) During the six months ended 30 June 2013, a subsidiary of the Group reversed the provisions for PRC Corporate Income Tax of RMB20,245,000 made in previous years. The Group implemented a business plan to enhance the subsidiary's operations and the Directors believed that the likelihood of utilization of this PRC Corporate Income Tax provision had become remote and therefore had decided to release it to profit or loss.

8 LOSS PER SHARE

Basic and diluted loss per share

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

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

9 TRADE AND BILL RECEIVABLES

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

(a) Ageing analysis

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

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

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

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

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

(b) Impairment of trade and bill receivables

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

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

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

10 PREPAYMENTS AND OTHER RECEIVABLES

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

(i) Deposits and prepayments for equity investments mainly represent prepaid consideration and deposits for coal mine investments.

(ii) Other deposits and prepayments mainly represent the deposits and prepayments for coal business operation.

(iii) Included in other non-trade receivables was an amount of approximately RMB53,422,000 (2013: RMB53,422,000) owed by a PRC entity, Qinhuangdao Qinfa Industry Group Co., Ltd., which one of the Directors has beneficiary interest in this company.

11 LOANS AND BORROWINGS

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

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

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

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

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

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

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

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

Non-current unsecured bank loans were guaranteed by the Company, certain subsidiaries and/or a related party.

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

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

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

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

12 TRADE AND BILL PAYABLES

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

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

13 OTHER PAYABLES

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

(i) It represented the payable for the acquisition of coal mining rights of Xinglong Coal and Hongyuan Coal.

(ii) Included in other miscellaneous payables was an amount of approximately RMB40,426,000 (2013: RMB40,077,000), which was due to a director.

(iii) Payables for coal mining rights represent payables related to coal mining rights of Ruifeng Coal, Xingtao Coal, Fengxi Coal and Chongsheng Coal to the local government. These payables will be settled in accordance with payment schedules set out in the agreements signed between the local government and the Group.

14 CAPITAL COMMITMENTS

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Revenue and coal handling and trading volume

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

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

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

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

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

Revenue and shipping transportation

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

Gross profit margin and gross profit

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

Other income, gains and losses

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

Net finance costs

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

Net loss for the period

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

BUSINESS REVIEW

Overload test successfully conducted for Zhuhai terminal project

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

Hengqin Coal Exchange Center established

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

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

Two coal mines of Huameiao Energy obtained safe production licenses

The Fengxi Coal mine and the Chongsheng Coal mine of Huameiao Energy passed acceptance on 2 December 2013 and 26 January 2014, respectively. Hence, the two coal mines have been granted safe production licences. The upgrading and transformation works of Xingtao Coal mine are expected to be completed in 2015, while the mine construction and civil engineering work of Hongyuan Coal mine have been basically completed.

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

	Note	**Location**	**Ownership**	**Site area** *(sq. km)*	**Operation status**
Huameiao Energy – Xingtao Coal	1, 2	Shuozhou Shanxi	80%	4.3	Under operation
Huameiao Energy – Fengxi Coal	1, 3	Shuozhou Shanxi	80%	2.4	Under operation
Huameiao Energy – Chongsheng Coal	1, 4	Shuozhou Shanxi	80%	2.9	Under operation
Ruifeng Coal	5	Datong Shanxi	87.88%	2.7	Under operation
Xinglong Coal	6, 7	Xinzhou Shanxi	100%	4.0	Under development
Hongyuan Coal	6, 8	Xinzhou Shanxi	100%	4.1	Under operation
Tiaro Coal		Australia	19.88%	n.a.	Under exploration

Notes:

(1) The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources as of 30 September 2011 in accordance with the JORC Code. For the period from 1 October 2011 to 30 June 2014, there was no material change in total coal reserves and resources. The total coal reserves and resources as of 30 June 2014 were derived from the estimated figures after deducting the raw coal production for the period from 1 October 2011 to 30 June 2014.

(2) The production capacity for Xingtao coal mine of Huameiao Energy is 1.50 million tonnes per annum, with a total investment budget of (excluding coal washing plant) RMB380 million. The construction was commenced in October 2011. As of 30 June 2014, the accumulated actual investment was RMB353 million, of which RMB30 million was invested during the period from January to June 2014. The mine commenced joint trial operation on 30 June 2014. It is expected that the mine will be completed and put into production on 30 December 2014.

(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 2013, the accumulated actual investment was RMB384 million, of which RMB113 million has invested in 2013. The coal mine and coal washing plant put into production on 21 October 2013, and the construction of the coal mine and coal washing plant was completed, delivering a capacity of 0.9 million tonnes per annum.

(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 2013, the accumulated actual investment was RMB389 million, of which RMB105 million was invested in 2013. The construction of the coal mine and coal washing plant was completed, delivering a capacity of 0.9 million tonnes per annum. The mine had been put into production on 21 January 2014.

(5) As of 30 June 2014, the total estimated raw coal resources of Ruifeng Coal under PRC standard amounted to approximately 66.55 million tonnes (representing the estimated raw coal reserves (included the goaf of 5.73 million tonnes) reported by a PRC mineral industry consultant and approved by PRC local government as of 22 September 2011 and after deduction of the raw coal production volume for the period from 1 January 2013 to 30 June 2014).

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

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

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

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

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

(8) The production capacity for Hongyuan coal mine is 0.9 million tonnes per annum, with a total investment budget of RMB424 million. The construction was commenced in March 2013. As of 30 June 2014, the accumulated actual investment was RMB304 million, of which RMB134 million was invested during the period from January to June 2014.

COAL CHARACTERISTICS

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

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

OPERATING DATA

Reserves and Resources

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

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

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

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

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

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

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

Exploration, Mining and Development Expenses

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

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

Liquidity, Financial Resources and Capital Structure

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

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

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

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

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

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

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

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

Exposure to Fluctuations in Exchange Rates

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

Pledge of Assets of the Group and Guarantee

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

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

CONTINGENT LIABILITIES

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

BUSINESS OUTLOOK

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

(1) The Chinese government is committed to stabilising the economic growth and adjusting the structure of the economy. The economic restructuring efforts achieved initial results. In the future, the economic structure would further be optimised, which is important to the steady and the rapid growth of economy and the increase in coal demands.

(2) China's resource and energy consumption structure indicates that coal will remain the most important energy source for a fairly long period of time in the future. There still exists the contradiction between the relatively sufficient short-term supply and long-term insufficiency.

(3) China encourages concentration of the coal industry and accelerates the fostering of new advantages for the economic development of the coal sector. In the context of over-capacity, an integrated coal enterprise producing high quality coal with low cost will be the core competitiveness. Coal enterprises with single business model are expected to be phased out in the near future. The current market situation provides integration opportunities for comprehensive coal companies with large scale and low costs.

(4) China will continue to implement the reform of market-oriented development for the coal sector, so the relationship between the prices for coal and electricity will be further optimised and the development of the sector will be more standardised and stable.

(5) The Chinese government has promulgated measures to relieve the tax burden of coal enterprises. The People's Government of Shanxi Province has suspended the charges of the "environmental restoration fund" of RMB10 per tonne and the "coal mine transformation fund" of RMB5 per tonne. As a result, the Group's profitability is expected to be further improved.

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

– The Group will adjust the management structure to a three-tier hierarchical management model, so as to achieve a better coordination of departments and boost their motivation.

– The Group will strive to attain the annual business objectives. The Group will closely monitor market situation, continue to implement the principle of determining procurement based on sales, and reasonably arrange the production plans. The Group will further optimise the organisational coordination between and among production, transportation and sales units, strictly control costs, reduce unnecessary expenditures, and strive to attain the business objectives set for the year.

– The Group will actively explore markets, give priority to improvement in efficiency, and enhance the cooperation with high-quality customers. The Group will promote the development of the electronic trading platform for Hengqin Coal Exchange Center and deeply seek profit source.

– The Group will implement standardised and scale management for coal production departments, realise optimal allocation of production resources, and strive to yield maximum benefits and outputs with reasonable capital investments. The Group will accelerate the construction, upgrading, and acceptance of special projects, clarify safety responsibilities, ensure project quality and improve IT technology. In addition, the Group will strengthen staff training, so as to be well prepared for the release of new capacities.

– The Group will set up a financing department and audit department with a focus on enriching the financing channels and enhancing the financing capabilities. The Group will optimise financial management and strictly control financial risks by implementing budget management on an overall scale and controlling expenditures not specified in budgets. The Group will reduce costs, improve efficiency, and enhance abilities to resist risks.

– The Group will improve the coordinated development of various sectors on the integrated supply chain and further enhance the core competitiveness.

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

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**") in accordance with the requirements under the Listing Rules for the purposes of reviewing and supervising the Group's financial reporting processes and internal controls.

An Audit Committee meeting was held on 29 August 2014 to review the unaudited interim financial statements for the six months ended 30 June 2014 with the management.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company was in full compliance with the code provisions set out in the Code on Corporate Governance Practices 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**") throughout the six months ended 30 June 2014.

EMPLOYEES AND REMUNERATION

As of 30 June 2014, the Group employed 1,595 employees. The Group has adopted a performance-based reward system to motivate its staff and such system is reviewed on a regular basis. In addition to the basic salaries, year-end bonuses may be offered to staff with outstanding performance.

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

Moreover, a pre-IPO share option scheme was adopted in June 2009 to retain employees who have made contribution to the success of the Group. As of 30 June 2014, there were outstanding share options to subscribe for 14,000,000 ordinary shares of the Company ("**Shares**") in aggregate granted under the pre-IPO Share Option Scheme to an executive Director and 20 employees of the Group. On 17 January 2012, the Company has further granted share options to 15 employees to subscribe for a total of 20,751,196 Shares under the Share Option Scheme adopted on 12 June 2009. As of 30 June 2014, there are share options outstanding to subscribe for 28,422,283 Shares. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

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

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.qinfagroup.com) and the Stock Exchange (www.hkex.com.hk). The interim report for the six months ended 30 June 2014 containing all the information required by the Listing Rules will be dispatched to the Shareholders and be available on the above websites in due course.

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

Guangzhou, 29 August 2014

As of the date of this announcement, the Board comprises Mr. XU Jihua, Ms. WANG Jianfei, Ms. LIU Xiaomei and Mr. WENG Li as the executive Directors and Mr. HUANG Guosheng, Mr. LAU Sik Yuen and Mr. XING Zhiying as the independent non-executive Directors.