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The board (the "**Board**") of directors (the "**Directors**") of China Qinfa Group Limited (the "**Company**") is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 with comparative figures for the year ended 31 December 2018 as follows:

Unaudited Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	**2019** *RMB'000* **(Unaudited)**	2018 *RMB'000* *(Audited)*
Revenue	5	**2,799,520**	3,652,869
Cost of sales		**(2,392,962)**	(3,262,195)
Gross profit		**406,558**	390,674
Other income, gains and losses	6	**27,744**	1,950,177
Distribution expenses		**(4,462)**	(60,472)
Administrative expenses		**(140,758)**	(240,473)
Reversal of impairment losses on property, plant and equipment, net		**—**	81,892
Reversal of impairment losses/(impairment losses) on trade receivables, net		**8,001**	(34,897)
Reversal of impairment losses/(impairment losses) on prepayments and other receivables, net		**21,544**	(3,614)
Other expenses		**(31,556)**	(59,087)
Results from operating activities		**287,071**	2,024,200
Finance income		**1,446**	49
Finance costs		**(293,023)**	(265,167)
Net finance costs	7	**(291,577)**	(265,118)
(Loss)/profit before taxation	8	**(4,506)**	1,759,082
Income tax credit/(expense)	9	**85,229**	(75,614)
Profit for the year		**80,723**	1,683,468

	Notes	2019 *RMB'000* *(Unaudited)*	2018 *RMB'000* *(Audited)*
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**1,695**	10,147
Other comprehensive income for the year, net of tax		**1,695**	10,147
Total comprehensive income for the year		**82,418**	1,693,615
Profit for the year attributable to:			
Equity shareholders of the Company		**81,421**	1,504,509
Non-controlling interests		**(698)**	178,959
Profit for the year		**80,723**	1,683,468
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**83,116**	1,514,656
Non-controlling interests		**(698)**	178,959
Total comprehensive income for the year		**82,418**	1,693,615
Earnings per share attributable to the equity shareholders of the Company during the year	10		
Basic earnings per share		**RMB3.1 cents**	RMB60.1 cents
Diluted earnings per share		**RMB3.1 cents**	RMB57.6 cents

Unaudited Consolidated Statement of Financial Position

31 December 2019

	Notes	**2019** **RMB'000** ***(Unaudited)***	2018 *RMB'000* *(Audited)*
Non-current assets			
Property, plant and equipment		**4,669,115**	4,793,147
Coal mining rights		**4,017,884**	4,250,347
Right-of-use assets		**10,828**	—
Lease prepayments		**—**	4,793
Interest in an associate		**—**	—
		8,697,827	9,048,287
Current assets			
Inventories		**59,520**	61,850
Trade receivables	12	**129,128**	313,728
Prepayments and other receivables		**293,234**	335,181
Pledged and restricted deposits		**15,229**	43
Cash and cash equivalents		**159,695**	115,680
		656,806	826,482
Current liabilities			
Trade payables	13	**(333,947)**	(557,578)
Other payables and contract liabilities		**(2,576,696)**	(2,652,846)
Lease liabilities		**(3,819)**	—
Borrowings	14	**(2,163,276)**	(1,987,770)
Tax payable		**(219,054)**	(275,298)
		(5,296,792)	(5,473,492)
Net current liabilities		**(4,639,986)**	(4,647,010)
Total assets less current liabilities		**4,057,841**	4,401,277

	Notes	**2019** ***RMB'000*** ***(Unaudited)***	2018 *RMB'000* *(Audited)*
Non-current liabilities			
Other payables		**(20,550)**	(47,155)
Accrued reclamation obligations		**(124,010)**	(114,465)
Lease liabilities		**(1,495)**	—
Borrowings	14	**(2,172,848)**	(2,505,622)
Deferred taxation		**(1,173,674)**	(1,251,189)

1. GENERAL

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, Cap. 22 (2007 Revision) of the Cayman Islands. The directors of the Company consider the immediate and ultimate holding companies of the Group to be Fortune Pearl International Limited ("**Fortune Pearl**"), a company incorporated in the British Virgin Islands and the ultimate controlling shareholder to be Mr. Xu Jihua ("**Mr. Xu**"), the sole shareholder of Fortune Pearl. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 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 Unit Nos. 2201 to 2208, level 22, South Tower, Poly International Plaza, No. 1 Pazhou Avenue East, Haizhu District, Guangzhou City, the Peoples Republic of China (the "**PRC**").

The principal activities of the Company and its subsidiaries (together, the "**Group**") are coal mining, purchases and sales, filtering, storage, blending of coal in the PRC and shipping transportation.

The Company's functional currency is the Hong Kong dollars ("**HKD**"). However, the presentation currency of the unaudited consolidated financial statements is Renminbi ("**RMB**") in order to present the operating results and financial position of the Group based on the economic environment in which the operating subsidiaries of the Group operate.

2. BASIS OF PREPARATION OF THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2019, the Group's current liabilities exceeded its current assets by approximately RMB4,639,986,000 (2018: RMB4,647,010,000). As at 31 December 2019, borrowings and accrued interest (including default interest) amounting to approximately RMB1,005,361,000 and approximately RMB264,318,000 respectively (2018: RMB750,362,000 and RMB194,205,000 respectively) that had been past due and hence had become due for immediate payment were not renewed or rolled over upon maturity. Besides, the Group had breached loan covenants of certain borrowings and certain borrowings contained cross-default clauses. The aggregate borrowings and accrued interest amounting to approximately RMB66,440,000 and RMB178,000 respectively as at 31 December 2019 (2018: RMB260,100,000 and RMB7,986,000 respectively) which the lenders could require the Group to make immediate payment (but not repayable within one year from the end of reporting date based on the agreed scheduled repayments set out in the loan agreements). These borrowings and interest payables were classified as current liabilities at the end of the reporting period. Please see note 14 to the unaudited consolidated financial statements for details.

In addition, pursuant to the Settlement Agreement entered into for the year ended 31 December 2018 (defined in note 6 to the unaudited consolidated financial statements), there is a default clause that can require the Group to pay the outstanding balance of the original borrowings and interest payable of approximately RMB4,027,188,000 and RMB582,028,000 respectively if the Group fails to settle the new borrowings by instalments in accordance with the revised repayment schedule. As at 31 December 2019, other borrowings with carrying amount of only RMB2,505,623,000 were recognised in the Group's unaudited consolidated statement of financial position. Please see note 14 to the unaudited consolidated financial statements for details.

As at the date of this announcement, the Group has not obtained waivers from the relevant banks/lenders on these cross default clauses, and, as represented by the management of the Group, the banks/lenders have not demanded immediate repayment from the Group except for those as disclosed in note 14.

Moreover, there are a number of litigations against the Group of which the details are set out in note 15 to the unaudited consolidated financial statements, mainly requesting the Group to settle long outstanding payables with interest. And the Group's bank deposits of approximately RMB723,000 were restricted for use in relation to the litigation proceeding.

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 unaudited 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 2019 and subsequently thereto up to the date when the unaudited consolidated financial statements are authorised for issue. In order to improve the Group's financial position, 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 when the unaudited consolidated financial statements are authorised for issue, but not limited to, the followings:

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

(ii) Given the stability of coal market and steady coal prices, the Group is expected to generate operating cash inflows in coming years from its existing production facilities continuously. The Group recorded a net operating cash inflow of RMB515,510,000 during the year, and the directors of the Company are of the opinion that the Group has sufficient working capital to its present requirements for the next twelve months from 31 December 2019;

(iii) In relation to those borrowings that have been past due or those borrowings that became immediately repayable due to cross-default clauses set out in the respective loan agreements, the Group is in the process of negotiating with the relevant banks and other lenders to extend the repayment dates and to obtain waivers from banks;

(iv) For borrowings which will be maturing before 31 December 2020, the Group will actively negotiate with banks before they fall due to secure their renewals so as to ensure that the necessary funds to meet the Group's working capital and financial requirements in the future will continue to be met. In view that there have been no history of which the banks and other lenders exercised their rights to call for immediate repayment of borrowings and their respective interests in similar cases in the past, the directors of the Company are of the opinion that the Group has good relationship with banks which would enhance the Group's ability to renew the existing short-term borrowings upon maturity; and

(v) The Group has appointed external lawyers and/or assigned internal lawyers to handle the outstanding litigations, and to mitigate the risk exposure from any invalid legal claims. In respect of some of the litigations, the directors of the Company are in the opinion that the Group has valid grounds to defend for the charges.

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 2019. Accordingly, the unaudited 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 carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities that may 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 these unaudited consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time in the current year:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these unaudited consolidated financial statements.

3.1 IFRS 16 "Leases"

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 "Leases", and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application of IFRS 16.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect (if any) recognised at the date of initial application of IFRS 16, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening balance of equity and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application of IFRS 16;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining term for a similar class of underlying assets in a similar economic environment;

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied was 5.38%.

	At 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	9,082
Lease liabilities discounted at relevant incremental borrowing rates	8,249
Less: Recognition exemption — short-term leases	(1,011)
Lease liabilities as at 1 January 2019	7,238
Analysed as	
Current	3,134
Non-current	4,104
	7,238

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	**At 1 January 2019**
		RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		7,238
Reclassified from lease prepayments	(a)	4,793
		12,031

By class:
Leasehold lands

4. SEGMENT REPORTING

(a) Segment results, assets and liabilities

The Group has two operating and reportable segments which are the Group's strategic business units, as follows:

	Coal business		Shipping transportation		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	*(Audited)*	***(Unaudited)***	*(Audited)*	***(Unaudited)***	*(Audited)*
Revenue from external customers	**2,720,845**	3,482,441	**78,675**	170,428	**2,799,520**	3,652,869
Inter-segment revenue	**—**	—	**—**	14,774	**—**	14,774
Reportable segment revenue	**2,720,845**	3,482,441	**78,675**	185,202	**2,799,520**	3,667,643
Reportable segment profit/ (loss) before taxation	**316,533**	109,811	**(18,444)**	20,522	**298,089**	130,333
Depreciation and amortisation	**(529,412)**	(416,302)	**(6,975)**	(14,407)	**(536,387)**	(430,709)
Reversal of impairment losses/(Impairment losses) on property, plant and equipment, net	**—**	108,176	**—**	(26,284)	**—**	81,892
Net gain on disposal of property, plant and equipment	**1,800**	3,537	**—**	11,144	**1,800**	14,681
Reversal of impairment losses/ (Impairment losses) on trade receivables, net	**8,001**	(34,491)	**—**	(406)	**8,001**	(34,897)
Reversal of impairment losses/(Impairment losses) on prepayments and other receivables, net	**21,544**	(3,614)	**—**	—	**21,544**	(3,614)
Recovery of trade and other receivables previously written off	**7,356**	11,908	**—**	—	**7,356**	11,908
Additions to property, plant and equipment	**205,587**	392,548	**752**	322	**206,339**	392,870
Reportable segment assets	**9,506,136**	10,114,474	**259,507**	307,667	**9,765,643**	10,422,141
Reportable segment liabilities	**(7,699,230)**	(8,187,828)	**(100,707)**	(812,935)	**(7,799,937)**	(9,000,763)

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

Revenue

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Total of reportable segments revenue	**2,799,520**	3,667,643
Elimination of inter-segment revenue	**—**	(14,774)
Consolidated revenue	**2,799,520**	3,652,869

(Loss)/Profit before taxation

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Total of reportable segments profit before taxation	**298,089**	130,333
Unallocated other income	**—**	1,904,853
Unallocated head office and corporate expenses	**(11,018)**	(10,986)
Net finance costs	**(291,577)**	(265,118)
Consolidated (loss)/profit before taxation	**(4,506)**	1,759,082

Assets

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Total of reportable segments assets	**9,765,643**	10,422,141
Elimination of inter-segment receivables	**(528,082)**	(617,893)
Unallocated assets	**117,072**	70,521
Consolidated total assets	**9,354,633**	9,874,769

Liabilities

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Total of reportable segments liabilities	**7,799,937**	9,000,763
Elimination of inter-segment payables	**(407,524)**	(1,144,464)
Tax payable	**219,054**	275,298
Deferred taxation	**1,173,673**	1,251,189
Unallocated liabilities	**4,229**	9,137
Consolidated total liabilities	**8,789,369**	9,391,923

(c) Geographic information

As at 31 December 2019, 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 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 areas. Accordingly, geographical segment information is only presented for revenue, which is based on the geographical location of customers.

Revenue from external customers

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
PRC	**2,738,204**	3,610,638
Other countries	**61,316**	42,231
Total	**2,799,520**	3,652,869

(d) Information about major customers

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Customer A	**777,462**	727,014
Customer B	**402,110**	N/A*
Customer C	**388,895**	388,511
Customer D	**N/A***	429,200

* Revenue from relevant customer was less than 10% of the Group's total revenue for the respective year.

5. REVENUE

Disaggregation of revenue from contracts with customers by service lines is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Sales of coal	**2,720,845**	3,482,441
Charter hire income	**78,675**	170,428
	2,799,520	3,652,869

Revenue from sales of goods are recognised when the goods are transferred at a point in time. The performance obligation is satisfied upon the delivery of the goods. Revenue from rendering of time charter services is recognised on a straight-line basis over the period of each charter. Revenue from rendering of voyage charter services is recognised over time by reference to the progress of the voyage charter services provided by the Group. The performance obligation is satisfied upon the completion of the voyage charter services.

6. OTHER INCOME, GAINS AND LOSSES

		2019	2018
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	*(Audited)*
Foreign exchange gain, net		**404**	70
Gain on the extinguishment of borrowings (note 14)	(i)	**—**	1,904,853
Net gain on disposal of property, plant and equipment		**1,800**	14,681
Sublease income		**—**	331
Recovery of trade and other receivables previously written off		**7,356**	11,908
Government subsidies		**5,792**	—
Others		**12,392**	18,334
		27,744	1,950,177

Note:

(i) During the year ended 31 December 2018, the Group entered into a legally binding settlement agreement (the "Settlement Agreement") with an asset management company in the PRC, to reduce the amount of outstanding bank loans assigned by two banks and interest and penalty interest amounting to approximately RMB4,027,188,000 and RMB582,028,000 in total respectively. The fair value of new borrowings recognised on extinguishment of the original borrowings amounted to RMB2,704,363,000 and such reduction has been accounted for as gain on the extinguishment of borrowings upon loan restructuring for the year ended 31 December 2018. Detail of the loan restructuring is disclosed in note 14.

7. NET FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Interest income	**(1,446)**	(49)
Interest on borrowings	**133,205**	205,412
Penalty interest	**23,684**	20,058
Interest charge on unwinding of discounts *(note (ii))*	**181,027**	78,608
Less: Interest capitalised into property, plant and equipment *(note (i))*	**(44,893)**	(38,911)
Finance costs	**293,023**	265,167
Net finance costs	**291,577**	265,118

Notes:

(i) The finance costs have been capitalised at a rate of 6.83% (2018: 6.66%) per annum.

(ii) This item represents the unwinding of discount for the following liabilities using the effective interest rate:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Borrowings (note 14)	**171,092**	69,423
Lease liabilities	**390**	—
Accrued reclamation obligations	**9,545**	9,185
	181,027	78,608

8. (LOSS)/PROFIT BEFORE TAXATION

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Cost of inventories *(note (i))*	**1,588,969**	2,238,260
Minimum lease payments under operating lease:		
— properties	**—**	3,541
— vessels	**—**	60,734
Short-term leases expenses	**460**	—
Depreciation of property, plant and equipment	**300,473**	263,550
Amortisation of coal mining rights (included in cost of sales)	**232,463**	167,019
Amortisation of lease prepayments (included in administrative expenses)	**—**	140
Depreciation of right-of-use assets	**3,451**	—
Property, plant and equipment written-off	**2,211**	6,886
Auditors remuneration		
— audit services	**2,144**	2,156
— non-audit services	**735**	700
Employee benefit expenses (excluding directors and chief executives remuneration		
— Salaries, allowances and benefits in kind	**441,424**	377,524
— Contributions to retirement benefit schemes	**23,991**	26,383
— Share-based payments	**—**	—
	465,415	403,907

Note:

(i) Cost of inventories included approximately RMB809,371,000 (2018: RMB622,339,000) relating to employee benefit expenses, depreciation of property, plant and equipment and amortisation of coal mining rights which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

9. INCOME TAX EXPENSE

Income tax expense in the unaudited consolidated statement of comprehensive income represents:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Current tax expense		
— PRC Corporate Income Tax	**21,690**	47,107
— Overprovision of PRC Corporate Income Tax in prior years *(note (iv))*	**(29,404)**	(44,168)
	(7,714)	2,939
Deferred tax	**(77,515)**	72,675
Income tax expense	**(85,229)**	75,614

Notes:

(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 (2018: nil).

(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 (2018: nil).

(iii) Provision for the PRC Corporate Income Tax was based on the statutory rate of 25% (2018: 25%) of the assessable profits of subsidiaries which carried on businesses in the PRC.

(iv) During the year, the directors of the Company reviewed the subsidiaries' provision for the PRC Corporate Income Tax made in previous years and they are of the opinion that the likelihood of utilisation of certain tax provision had become remote and therefore decided to release those tax provision of RMB29,404,000(2018: RMB48,980,000) to profit and loss.

10. EARNINGS PER SHARE

Basic earnings per share

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

The calculations of basic earnings per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2019 and 2018 respectively are based on the following data:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Profit for the year attributable to equity shareholders of the Company	**81,421**	1,504,509
Less: Distribution relating to perpetual subordinated convertible securities classified as equity	**(5,208)**	(4,966)
Profit for the year attributable to ordinary equity shareholders of the Company used in calculating basic earnings per share	**76,213**	1,499,543
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,493,413,985**	2,493,413,985

Diluted earnings per share

The calculations of diluted earnings per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2019 and 2018 respectively are based on the following data:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Profit for the year attributable to ordinary equity shareholders of the Company used in calculating basic earnings per share	**76,213**	1,499,543
Add: Distribution relating to perpetual subordinated convertible securities classified as equity	**N/A**	4,966
Adjusted profit for the year attributable to ordinary equity shareholders of the Company used in calculating diluted earnings per share	**76,213**	1,504,509
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,493,413,985**	2,493,413,985
Adjustments for calculation of diluted earnings per share:		
Perpetual subordinated convertible securities	**N/A**	118,000,000
Adjusted weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,493,413,985**	2,611,413,985

For the years ended 31 December 2019 and 2018, the computation of diluted earnings per share has not assumed the exercise of the Company's outstanding share options since the adjusted exercise prices of these options were higher than the average market prices of shares for the outstanding period during the years ended 31 December 2019 and 2018.

The calculation of diluted earnings per share for the year ended 31 December 2019 has not been taken into account of the potential ordinary shares on potential subordinated convertible securities as assumed conversion would result in an increase in earnings per share.

11. DIVIDENDS

The directors of the Company do not recommend the payment of any dividends to its ordinary shareholders for the year ended 31 December 2019 (2018: nil).

12. TRADE RECEIVABLES

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade receivables	**261,423**	567,462
Less: allowance for credit loss	**(132,295)**	(253,734)
	129,128	313,728

Ageing analysis

An ageing analysis of trade receivables (net of allowance for credit losses) of the Group is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 2 months	**14,149**	126,600
Over 2 months but within 6 months	**27,891**	3,755
Over 6 months but within 1 year	**1,253**	2,326
Over 1 year but within 2 years	**1,297**	56,695
Over 2 years *(note)*	**84,538**	124,352
	129,128	313,728

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

Note:

As at 31 December 2019, trade receivables aged over 2 years amounting to approximately RMB83,318,000 (2018: RMB119,959,000) were due from customers which the Group has trade and other payable balances with the same amount as at the end of the reporting period. Based on past experience and repayment history of the trade debtors, the directors of the Company believe that no impairment allowance is necessary in respect of these balances.

Credit terms granted to customers mainly range from 0 to 60 days (2018: 0 to 60 days) depending on customers relationship with the Group, their creditworthiness and past settlement record.

13. TRADE PAYABLES

An ageing analysis of trade payables of the Group based on invoice date is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 1 year	**149,380**	46,519
Over 1 year but within 2 years	**15,084**	132,826
Over 2 years	**169,483**	378,233

During the year ended 31 December 2018, the Group entered into the Settlement Agreement with an asset management company in the PRC, to reduce the amounts of outstanding bank loans assigned by two banks and the relevant interest and penalty interest amounting to approximately RMB4,027,188,000 and RMB582,028,000 in total respectively. The management of the Group considers that the terms of the Settlement Agreement are substantially different as the discounted present value of the cash flows under the new terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by more than 10 per cent. Accordingly, such modification of terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Therefore, the Group derecognised the original borrowings outstanding and recognised new borrowings measured at fair value as at the date of extinguishment. The difference between the carrying amount of the borrowings derecognised and the fair value of the new borrowings recognised amounting to approximately RMB1,904,853,000 is recognised in profit or loss for the year ended 31 December 2018. No other settlement agreement was entered by the Group during the year ended 31 December 2019.

The Settlement Agreement contained a default clause which the Group will be required to repay the outstanding balance of the original borrowings and interest payable of approximately RMB4,027,188,000 and RMB582,028,000 respectively if the Group fails to repay the new borrowings by instalments in accordance with the respective repayment schedule. The directors of the Company are of the opinion that there is no event of default as at the end of the reporting period.

Of the Group's borrowings, aggregate principal amounts of RMB691,848,000 (2018: RMB691,848,000) as at 31 December 2019 had been defaulted with lawsuits filed by banks against the Group to demand immediate repayment. Pursuant to the final court judgements in prior years, the Group was ordered to make immediate repayment of the aforesaid balances. In respect of the aforesaid balances with lawsuit, certain banks assigned their bank loans and interests (including penalty interests) due from the Group with aggregate amounts of RMB543,314,000 and RMB112,023,000 respectively, which had been past due, to certain asset management companies in the PRC during the year ended 31 December 2018. Also, in 2017 a bank assigned its bank loan and interest (including penalty interests) of RMB148,952,000 and RMB6,925,000 respectively, which had been past due but without any lawsuit, to an asset management company in the PRC.

During the year ended 31 December 2019, no loans, interests and penalty interest were assigned from bank to asset management company.

At 31 December 2019, the terms of the above assigned loans remained unchanged. The Group is still in the process of negotiating with the banks and asset management companies to renew the terms (including the repayment schedule) of the outstanding loans and loans assigned.

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

	2019 ***RMB'000*** ***(Unaudited)***	2018 *RMB'000* *(Audited)*
Property, plant and equipment	**1,017,438**	1,167,451
Coal mining rights	**4,017,884**	4,250,347
Inventories	**11,274**	34,543

As at 31 December 2019 and 2018, the Group's total borrowings are also secured by other receivables of a related company of which Mr. Xu is the shareholder, a property held by Mr. Xu, Fortune Pearls equity interest in the Company and the Group's equity interest in Huameiao Energy, Xingtao Coal, Fengxi Coal, Chongsheng Coal, Xinglong Coal, Hongyuan Coal, Shuozhou Guangfa and Super Grace. As at 31 December 2019, total borrowings of approximately RMB4,336,124,000 (2018: RMB4,493,392,000) were guaranteed by the Company, certain subsidiaries of the Company, related parties and/or Mr. Xu.

15. CONTINGENT LIABILITIES

(a) Outstanding litigations

(i) Litigation claims relating to repayment to non-controlling shareholders

During the year ended 31 December 2018, there were litigation claims initiated by the non-controlling shareholders of Xingtao Coal mine, Fengxi Coal mine and Chongsheng Coal mine against the Group to demand immediate repayment of funds provided to the Group in 2011 with an aggregate amount of approximately RMB134,414,000 before the acquisition of these coal mines by the Group. The amount of approximately RMB134,414,000 had already been recognised and offset with the amounts due from respective non-controlling shareholders in the unaudited consolidated statement of financial position as at 31 December 2018. The directors of the Company are in the opinion that the Group has a valid ground to defend for the charge. Up to the date of this announcement, these litigation claims are still in progress.

As at 31 December 2019, the directors of the Company are of the opinion that the provision for the above litigation is sufficient in the unaudited consolidated statement of financial position as at 31 December 2019.

(ii) Litigation claims relating to the performance of the contract execution between Yu Lin Zhong Kuang Wan Tong Construction Limited Company (Yu Lin Zhong Kuang) and Hongyuan Coal

On 16 December 2019, Yu Lin Zhong Kuang initiated a litigation claim against the Group to demand for economic losses in relation to the suspension of construction project of coal mining infrastructure, of which amount are related to compensation to the staff costs and equipment costs incurred during the implementation of the project. The claim amount is approximately RMB19,899,000. The directors of the Company are in the opinion that the Group has a valid ground to defend for the charge, and no provision for the litigation claims has been provided in the unaudited consolidated statement of financial position as at 31 December 2019. Up to the date of this announcement, these litigation claims are still in progress.

(iii) Litigation claims relating to the performance of the purchase contract execution between Shanxi Yunxin International Trade Co., Ltd ("Shanxi Yunxin") and Huameiao Energy, Xingtao Coal, Fengxi Coal and Chongsheng Coal

During the year ended 31 December 2019, there was a litigation claim initiated by Shanxi Yunxin against the Group to demand immediate repayment of overdue payable in relation to purchases of consumables and equipments by the Group. The overall claim amount of approximately RMB78,643,000, which including the aforesaid payable to this supplier of approximately RMB68,855,000 and late penalty interest of approximately RMB9,788,000. Pursuant to the judgement issued by Pinglu District People's Court of Zhangzhou City dated 20 November 2019, the Group was ordered to make immediate repayment of part of the payable, which are part of the aforesaid payable to this supplier of approximately RMB14,730,000 and late penalty interest of approximately RMB2,033,000. The remaining part of the aforesaid payable have not yet been ordered up to the date of this announcement, and the directors of the Company are of the opinion that the provision for the above litigation is sufficient in the unaudited consolidated statement of financial position as at 31 December 2019.

Other than the disclosure of above, as at 31 December 2019, 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 2019, 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 directors of the Company believe 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 each reporting period, the Group has issued the guarantees to certain banks and an other borrowing creditor 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 and an other borrowing creditor.

The maximum liability of the Group at 31 December 2019 under the guarantees issued is a portion of the outstanding amount of the borrowings of Tongmei Qinfa amounting to approximately RMB619,090,000 (2018: RMB637,710,000).

(c) Borrowing default clause

The Settlement Agreement entered into between the Group and an asset management company contained a default clause which the Group will be required to repay the outstanding balance of the original borrowings in the event of default. Particulars of the Settlement Agreement are disclosed in note 14.

16. EVENT AFTER THE REPORTING PERIOD

The outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020 is considered a non-adjusting subsequent event and its related financial impact has not been reflected in the unaudited consolidated financial statements of the Group as at and for the year ended 31 December 2019. A series of precautionary and control measures have been and continued to be implemented across the country including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements and quarantine of certain residents etc. As a result, the coal mines of the Group were suspended in February 2020. The production was fully resumed on 1 March 2020. The outbreak is expected to affect the financial results of the Group and the macro-economic environment in the PRC, the effect of which cannot be estimated as of the date of this announcement. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

In respect of the other borrowings as set out in the Settlement Agreement, the Group entered into a legally binding supplemental agreement with the asset management company in March 2020 for revised repayment schedule. According to the revised repayment schedule, the original instalment repayment due on 20 March 2020 was extended. The original total repayments in 2020 and 2021 of RMB534,157,000 and RMB746,087,000 were revised to RMB557,879,000 and RMB797,328,000 respectively. The repayment in 2022 remained unchanged.

Stock-taking and Resource Allocation

In 2019, the Company took measures to improve its internal control. It focused on optimizing the warehouse management system by making thorough stock-taking and system updating, and made storage resource integration and management optimization in respect of the type, specification and actual quantity of each of the exiting materials in the updated computer system, so as to increase materials turnover efficiency and overall benefits.

In addition, the management formulated the strict application process for the purchase and collection of materials, set the quota for material consumption, and demanded that waste and old materials need to be recovered and disposed in time. Materials were shared among coal mines with information system, leading to a decrease in the unnecessary purchases.

Ranking among Guangdong Top 500 Enterprises

In 2019, Zhuhai Qinfa Logistics Co., Ltd. ("Qinfa Logistics"), a subsidiary of the Group, was awarded the tiles of "Guangdong Top 500 Enterprises" (廣東省企500強) and "Guangdong Top 100 Logistic Enterprises" (廣東流通行業百強). Qinfa Logistics was ranked 318th and 52nd respectively on the lists of "Guangdong Top 500 Enterprises" and "Guangdong Top 100 Logistic Enterprises" in 2019, which were issued by GuangDong Provincial Enterprise Confederation (廣東省企業聯合會) and Guangdong Provincial Association of Entrepreneurs (廣東省企業家協會) on 29 August 2019. With such achievements, Qinfa Logistics made steady progress under the economic situations of a new era, and became one of the important pillars for the fast economic growth of Guangdong province.

As of 31 December 2019, the Group owned and operated five coal mines in the PRC. The table sets forth certain information about these coal mines.

	Location	**Ownership**	**Site area** *(sq. km)*	**Production capacity** *(million tonnes)*	**Operation status**
Huameiao Energy — Xingtao Coal	Shuozhou Shanxi	80%	4.3	1.5	Under operation
Huameiao Energy — Fengxi Coal	Shuozhou Shanxi	80%	2.4	0.9	Under operation
Huameiao Energy — Chongsheng Coal	Shuozhou Shanxi	80%	2.9	0.9	Under operation
Shenda Energy — Xinglong Coal	Xinzhou Shanxi	100%	4.0	0.9	Under development (Temporarily suspended)
Shenda Energy — Hongyuan Coal	Xinzhou Shanxi	100%	4.1	0.9	Under development

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.

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	Shenda Energy — Xinglong Coal	Shenda Energy — Hongyuan Coal	Total
Reserves						
Reserves as of 1 January 2019 *(Mt)*						
— Proven reserves	59.94	14.53	27.20	22.49	30.16	154.32
— Probable reserves	9.28	24.95	18.09	9.53	1.13	62.98
Total reserves as of 1 January 2019 *(Mt)*	69.22	39.48	45.29	32.02	31.29	217.30
Less: Total raw coal production for the year *(Mt)*	(3.60)	(3.30)	(3.12)	—	—	(10.02)
Reserves as of 31 December 2019 *(Mt)*	**65.62**	**36.18**	**42.17**	**32.02**	**31.29**	**207.28**
Resources						
Resources as of 1 January 2019 *(Mt)*	105.60	63.61	68.99	45.96	41.74	325.90
Less: Total raw coal production for the year *(Mt)*	(3.60)	(3.30)	(3.12)	—	—	(10.02)
Resources as of 31 December 2019 *(Mt)*	102.00	60.31	65.87	45.96	41.74	315.88

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

Raw coal production volume	Year ended 31 December **2019** ***('000 tonnes)***	2018 *('000 tonnes)*
Huameiao Energy – Xingtao Coal	**3,601**	2,975
Huameiao Energy – Fengxi Coal	**3,303**	2,477
Huameiao Energy – Chongsheng Coal	**3,125**	1,423
Shenda Energy – Hongyuan Coal	**—**	42
Total	**10,029**	6,917

Commercial coal production volume *(Note)*	Year ended 31 December **2019** ***('000 tonnes)***	2018 *('000 tonnes)*
Huameiao Energy – Xingtao Coal	**2,341**	1,934
Huameiao Energy – Fengxi Coal	**2,147**	1,610
Huameiao Energy – Chongsheng Coal	**2,031**	925
Total	**6,519**	4,469

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 **2019** ***RMB'000***	2018 *RMB'000*
Materials and consumables	**110,386**	69,101
Staff cost	**255,977**	204,376
Other direct cost	**49,986**	43,606
Overhead and others	**719,608**	618,075
Evaluation fee	**417**	955
Total	**1,136,374**	936,113

FINANCIAL REVIEW

Revenue

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Coal business	**2,720,845**	3,482,441
Shipping transportation	**78,675**	170,428
	2,799,520	3,652,869

Coal business

	Year ended 31 December	
	2019	2018
	'000 tonnes	*'000 tonnes*
Coal Handling and Trading Volume of Coal Business	**7,602**	10,167

During the year ended 31 December 2019, the volume of the Group's coal handling and trading recorded a 25.2% decrease as compared with 2018. The coal selling prices during the year ended 31 December 2019 were in range between RMB221 per tonne and RMB536 per tonne, which were less fluctuated when compared to the range between RMB127 per tonne and RMB597 per tonne in 2018.

The average coal selling price and the average monthly coal handling and trading volume for each of the three years ended 31 December 2019 are set forth in the table below:

	Year ended 31 December		
	2019	2018	2017
Average selling price *(RMB per tonne)*	**358**	343	405
Average monthly coal handling and trading volume *('000 tonnes)*	**634**	847	589

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 2019 and 2018:

	Year ended 31 December			
	2019		2018	
	Revenue	**Percentage of revenue**	Revenue	Percentage of revenue
	RMB'000	***% of total***	*RMB'000*	*% of total*
Power plants	**251,580**	**9.2**	1,088,788	31.3
Coal traders	**2,469,265**	**90.8**	2,365,204	67.9
Cement plants and others	**—**	**—**	28,449	0.8
Total	**2,720,845**	**100.0**	3,482,441	100.0

Shipping transportation

The segment revenue for shipping transportation from external customers for the year ended 31 December 2019 was RMB78.7 million as compared with RMB170.4 million for the same period in 2018. The Group has recorded 54.0% decrease in shipping transportation revenue principally because of disposal of vessel and decrease in freight rates and charter hire rates during the year.

Cost of Sales

Cost of sales of the Group in 2019 amounted to RMB2,393.0 million, representing a decrease of 26.6% compared with RMB3,262.2 million in 2018. The decrease was due to the decrease in coal handling and trading volume during the year of 2019.

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

	Year ended 31 December	
	2019	2018
	RMB million	*RMB million*
Cost of coal purchased	**417.9**	1,450.8
Cost of coal transportation	**727.8**	745.3
Cost of self-produced coal	**1,136.0**	935.2
Materials, fuel, power	**110.4**	69.1
Staff costs	**256.0**	204.4
Depreciation and amortisation	**523.2**	418.0
Others	**246.4**	243.7
Total cost of sales of coal business segment	**2,281.7**	3,131.3

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 2019 and 2018:

	Year ended 31 December			
	2019		2018	
	Sales volume	**Revenue**	Sales volume	Revenue
Origins of coal	***'000 tonnes***	***RMB'000***	*'000 tonnes*	*RMB'000*
China	**7,602**	**2,720,845**	10,112	3,469,104
Overseas	**—**	**—**	55	13,337
Total	**7,602**	**2,720,845**	10,167	3,482,441

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

The Group has reliable coal production and has established stable cooperative relationships with its key PRC domestic coal suppliers. This enables the Group to obtain a reliable supply of quality coal.

Gross Profit

The Group's gross profit was RMB406.6 million during the year ended 31 December 2019 as compared with gross profit of RMB390.7 million during the same period in 2018. Gross profit increased mainly due to the decrease in cost of sale. In 2019, trading volume was mainly derived from the Group's coal mine production, and the cost of production was much lower than purchase cost from external suppliers.

Other Income, Gains and Losses

During the year ended 31 December 2019, the Group's other income, gains and losses amounted to a net gain of RMB27.7 million, representing a decrease of approximately of RMB1,922.5 million, as compared with a net gain of RMB1,950.2 million in 2018. The decrease in other income, gains and losses in 2019 was mainly due to the absence of the one-off gain on the extinguishment of borrowings recorded for the year ended 31 December 2018.

Distribution Expenses

Distribution expenses decrease by 92.6% to RMB4.5 million for the year ended 31 December 2019, as compared with RMB60.5 million in 2018. The decrease in distribution expenses was due to the decrease in coal handling and trading volume during the year.

Administrative Expenses

During the year ended 31 December 2019, the Group's administrative expenses amounted to RMB140.8 million, representing a decrease of 41.5%, as compared with RMB240.5 million in 2018. The decrease was mainly attributable to the decrease in administrative staff cost and other costs resulted from cost control measures.

Other Expenses

During the year ended 31 December 2019, the Group's other expenses amounted to RMB31.6 million, representing a decrease of 46.5%, as compared with RMB59.1 million in 2018. The decrease was mainly attributable to decrease in penalty interests on litigation.

Net Finance Costs

Net finance costs of the Group in 2019 amounted to RMB293.0 million, representing an increase of 10.5%, as compared with RMB265.2 million in 2018. The increase was mainly due to the increase in borrowing rates.

Profit Attributable to Equity Shareholders

Profit attributable to equity shareholders of the Company during the year ended 31 December 2019 was RMB81.4 million, representing a decrease of approximately of RMB1,423.1 million as compared with profit of RMB1,504.5 million in the same period in 2018. The decrease in profit attributable to equity shareholders of the Company was mainly attributable to the absence of the one-off gain on the extinguishment of borrowings recorded for the year ended 31 December 2018.

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 at 31 December 2019, the Group recorded net current liabilities of RMB4,640.0 million (2018: RMB4,647.0 million).

The Group has taken initiative to enhance the financial flexibility by diversifying the funding bases and seek medium term loans to replace short term loans. The Group is currently negotiating with financial institutions to renew and extend bank borrowings and consider ways to improve the Group's working capital. As of 31 December 2019, the cash and cash equivalents of the Group amounted to RMB159.7 million (2018: RMB115.7 million), representing an increase of 38.0%.

As at 31 December 2019, the total bank and other borrowings of the Group were RMB2,163.3 million (2018: RMB1,987.8 million), which were classified as current liabilities. As a333028ulof b

As at 31 December 2019, the Group's cash and cash equivalents, except amount of RMB8.6 million in United States dollars ("**USD**") and amount of RMB0.2 million in HKD, were held in RMB. All the Group's bank and other borrowings were made in RMB.

The gearing ratio (calculated as 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 2019 was 44.5% (2018: 44.3%). The gearing ratio remained stable.

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 2019, the Group's assets in an aggregate amount of RMB5,046.6 million (2018: RMB5,452.3 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 and asset management companies for credit facilities granted to the Group.

CONTINGENT LIABILITIES

Except for certain matters disclosed in the Note 15 to the unaudited consolidated financial statements in this announcement, the Group did not have any material contingent liabilities as at 31 December 2019.

FINAL DIVIDEND FOR THE YEAR ENDED 31 DECEMBER 2019

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

EMPLOYEES AND REMUNERATION

As of 31 December 2019, the Group employed 2,221 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.

Subsidiaries of the Company established in the PRC are also subject to central pension scheme operated by the local municipal government. In accordance with the relevant national and local labour and social welfare laws and regulations, subsidiaries of the Company 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. Subsidiaries of the Company incorporated in Hong Kong have participated in mandatory provident fund scheme, if applicable, in accordance with Mandatory Provident Fund Schemes Ordinance.

Moreover, the Company adopted a pre-IPO share option scheme and a post-IPO share option scheme 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

It is expected that the supply and demand in coal market will maintain an overall balance in 2020, and coal prices will be basically stable at current levels. Coal production is always a firm foundation for the development of the Company. "Enhanced Safety Management, Increased Production and Cost Reduction" will be three major assessment indicators during this year. Meanwhile, the Company will fully accomplish these indicators set for the year.

Looking forward, under the national policy framework of "One Belt, One Road", the Company keeps deeply in mind that market expansion is critical to the Group's sustainable development, in addition to continuously consolidating the sound development trend for domestic business, the Company will further expand the overseas business. Meanwhile, the Company will deeply explore the fast-growing coal market in Indonesia to achieve the strategic transformation of the Company.

The project in Indonesia will be our development priority in 2020. The team responsible for the coal project should flexibly apply the domestic advanced production technology and the refined management model to the new coal mine project in Indonesia. The Company will exert efforts to introduce and train professional talents to strengthen excellent team-building. Besides, on-the-job training throughout the chain will be provided to all the staff, so as to ensure that our dedicated team responsible for the project in Indonesia can fully grasp the upstream and downstream markets and the process plan.

As for the domestic business, strengthened production and distribution management is required to ensure the smooth and stable development of the existing domestic business, so as to improve the economic efficiency for the Group and continuously finance its new business development. We will continue to consolidate our favorable development momentum, fully release our competitive capacity, reduce our inefficient capacity, and improve our overall operational performance. Meanwhile, our sales department, coal production plants, coal washing plants and transportation stations are required to proactively and closely cooperate with each other, to reasonably allocate the resources of each coal mine, to improve the market control and competitiveness, to seize market share of thermal coal both at home and abroad and to strengthen pricing power.

Apart from controlling production costs through clean-up of warehouses and utilisation of inventories, reducing daily operating expenses is also a major task of this year's operation. Leaders of various departments should take the lead in establishing cost awareness, and aim to further reduce daily expenses such as transportation, office, travel, business entertainment expenses and low-value consumables to an extent larger than that of last year. The expense index should be subdivided item by item and implemented throughout the departments, and the corresponding cost budget should be prepared.

As in the past, coal mine production safety is the top priority of the Company. Adhering to the concept of safety and efficient development, the Company will improve safety management in an all-round way by strengthening the implementation of safety measures. Without exception, each safety code must be firmly followed. In the future, the Company will continue to promote the intelligent construction of coal mines, accelerate the development of high-quality transformation and build China Qinfa into a safe, green and efficient coal enterprise.

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 2019.

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. LAU Sik Yuen, Prof. SHA Zhenquan and Mr. JING Dacheng. Mr. LAU Sik Yuen is the chairperson of the audit committee of the Board.

The audit committee has reviewed the unaudited consolidated financial statements of the Group for the financial year ended 31 December 2019.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed on or before 7 May 2020.

AUDITOR

The Company appointed Moore Stephens CPA Limited as its auditor for the year ended 31 December 2019. The Company will submit a resolution in the coming Annual General Meeting to re-appoint Moore Stephens CPA Limited as the auditor of the Company.

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

During the year ended 31 December 2019, 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 2019 (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. The Company will publish and dispatch the annual report as and when appropriate, according to the guidance released by the Stock Exchange and the Listing Rules. The Company expects that annual report will be published on or before 7 May 2020.

CLOSURE OF THE REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Tuesday, 30 June 2020. To determine