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**中國秦發集團有限公司**  
**CHINA QINF A GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(St c c de: 00866)**

**INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2022**

The Directors refer to the profit warning announcement of the Company dated 12 August 2022. The financial highlights of the Group for the six months ended 30 June 2022 are set out as follows:

- Revenue for the six months ended 30 June 2022 was RMB2,057.0 million, representing an increase of 28.1% as compared to the corresponding period in 2021.
- Coal handling and trading volume and commercial coal production volume for the six months ended 30 June 2022 was approximately 2.6 million tonnes and 2.5 million tonnes respectively, representing a decrease of 5.5% and a decrease of 7.4% as compared to the corresponding period in 2021.
- Gross profit margin for the six months ended 30 June 2022 was 34.2% as compared with 32.6% for the corresponding period in 2021. The increase in gross profit margin was mainly due to the increase in average selling price of thermal coal.
- Operating profit was RMB615.9 million for the six months ended 30 June 2022 as compared with RMB644.1 million for the corresponding period in 2021.
- Profit after taxation was RMB371.2 million for the six months ended 30 June 2022 as compared with RMB478.6 million for the corresponding period in 2021.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2022 was RMB327.4 million, as compared with RMB472.8 million for the corresponding period in 2021.
- Basic earnings per share of the Company was RMB13.03 cents for the six months ended 30 June 2022, representing a decrease of RMB5.84 cents as compared with RMB18.87 cents for the corresponding period in 2021.
- Diluted earnings per share of the Company was RMB12.54 cents for the six months ended 30 June 2022, representing a decrease of RMB5.57 cents as compared with RMB18.11 cents for the corresponding period in 2021.

The board does not recommend the payment of any interim dividend for the six months ended 30 June 2022.

The board (the “**B oard**”) of directors (the “**D irectors**”) of China Qinf a Group Limited (the “**C ompany**”) refers to the profit warning announcement of the Company dated 12 August 2022. The Board hereby announces the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 with comparative figures for the six months ended 30 June 2021.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2022*

		Six months ended 30 June	
		2022	2021
	Notes	<b>RMB’000</b> (Unaudited)	<b>RMB’000</b> (Unaudited)
<b>Revenue</b>	5	2,056,954	1,605,452
Cost of sales		<u>(1,353,355)</u>	<u>(1,081,489)</u>
<b>Gross profit</b>		<b>703,599</b>	523,963
Other income, gains and losses	6	<b>61,531</b>	252,581
Distribution expenses		<b>(1,050)</b>	(2,409)
Administrative expenses		<b>(133,266)</b>	(117,422)
Reversal of impairment losses on trade receivables, net			11,476
Reversal of impairment losses on prepayments and other receivables, net		<b>927</b>	1,425
Other expenses		<u>(15,877)</u>	<u>(25,553)</u>
<b>Operating profit</b>		<u><b>615,864</b></u>	<u>644,061</u>
Finance income		<b>7,600</b>	632
Finance costs		<u>(141,711)</u>	<u>(171,344)</u>
<b>Net finance cost</b>	7	<u><b>(134,111)</b></u>	<u>(170,712)</u>
<b>Profit before tax</b>	8	<b>481,753</b>	473,349
Income tax (expense)/credit	9	<u>(110,567)</u>	<u>5,232</u>
<b>Profit for the period</b>		<u><b>371,186</b></u>	<u>478,581</u>
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences for foreign operations		<u><b>3,213</b></u>	<u>5,117</u>
<b>Other comprehensive income for the period, net of tax</b>		<u><b>3,213</b></u>	<u>5,117</u>
<b>Total comprehensive income for the period</b>		<u><b>374,399</b></u>	<u>483,698</u>

	Statement ended 30 June	
	2022	2021
Note	<b>RMB'000</b>	<b>RMB'000</b>
	(Unaudited)	(Unaudited)
<b>Profit for the period attributable to:</b>		
Equity shareholders of the Company	<b>327,374</b>	472,815
Non-controlling interests	<b>43,812</b>	5,766
	<u><b>371,186</b></u>	<u>478,581</u>
<b>Profit for the period</b>		
<b>Total comprehensive income for the period attributable to:</b>		
Equity shareholders of the Company	<b>330,587</b>	477,932
Non-controlling interests	<b>43,812</b>	5,766
	<u><b>374,399</b></u>	<u>483,698</u>
<b>Total comprehensive income for the period</b>		
Basic earnings per share attributable to the equity shareholders of the Company at the end of the period	<b>RMB13.03 cents</b>	RMB18.87 cents
10		
Basic earnings per share	<u><b>RMB13.03 cents</b></u>	<u>RMB18.87 cents</u>
Diluted earnings per share	<u><b>RMB12.54 cents</b></u>	<u>RMB18.11 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		At 30 June 2022	At 31 December 2021
	<i>Notes</i>	<b>RMB'000</b> (Unaudited)	<b>RMB'000</b> (Restated)
<b>Non-current assets</b>			
Coal mining rights	<i>11</i>	2,656,230	2,990,264
Property, plant and equipment		3,075,945	2,978,330
Right-of-use assets	<i>3</i>	446,511	319,226
Financial assets at fair value through profit and loss		27,064	23,153
Other deposits	<i>13</i>	28,846	23,503
Pledged and restricted deposits		—	—
Interest in an associate		—	—
		<u>5,786,085</u>	<u>6,024,659</u>

		At 30 June 2022	At 31 December 2021
	Note	<b>RMB'000</b> (Unaudited)	<b>RMB'000</b> (Restated)
<b>Non-current liabilities</b>			
Accrued reclamation obligations		(149,287)	(144,090)
Lease liabilities		(5,842)	(6,925)
Borrowings	16	(2,049,368)	(2,216,782)
Deferred taxation		<u>(602,407)</u>	<u>(631,278)</u>
		<u><b>(2,806,904)</b></u>	<u><b>(2,999,075)</b></u>
<b>Net assets</b>		<u><b>688,487</b></u>	<u><b>316,515</b></u>
<b>Capital and reserves</b>			
Share capital		211,224	211,224
Perpetual subordinated convertible securities		156,931	156,931
Deficit		<u>(490,093)</u>	<u>(818,253)</u>
<b>Total deficit attributable to shareholders of the Company</b>		<b>(121,938)</b>	<b>(450,098)</b>
<b>Non-current financial assets</b>		<u><b>810,425</b></u>	<u><b>766,613</b></u>
<b>Total</b>		<u><b>688,487</b></u>	<u><b>316,515</b></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

## 1. COMPANY BACKGROUND AND BASIS OF PREPARATION

### 1.1 General information

China Qinfa Group Limited (the “Company”) was incorporated in the Cayman Islands on 4 March 2008 as an exempted company with limited liability under the Companies Law (2007 revision) of the Cayman Islands. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effective 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 People’s 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 condensed 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.

### 1.2 Basis of preparation

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

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the IASB, except for the adoption of the amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2022 as disclosed in note 2.

The condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory information. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2021. The condensed consolidated financial statements and information thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2021.

The condensed consolidated financial statements are unaudited.

## **Group's current liabilities**

As at 30 June 2022, the Group had net current liabilities of approximately RMB2,290,694,000 (31 December 2021: RMB2,709,069,000). As at 30 June 2022, borrowings and accrued interest (including default interest) that had been due for immediate payment amounted to approximately RMB1,352,134,000 (31 December 2021: RMB1,428,514,000) and approximately RMB253,507,000 (31 December 2021: RMB274,265,000) respectively, in which short-term bank borrowings of RMB612,490,000 (31 December 2021: RMB638,000,000) are short-term bank facilities that have been rolled over upon respective maturities in the past several years, other borrowing of RMB492,444,000 (31 December 2021: RMB492,444,000) and related interest payable of RMB212,282,000 (31 December 2021: RMB226,479,000) classified as current liabilities in respect of Settlement Agreement of Loan III (as defined and detailed in note 16) have total carrying amount of RMB51,035,000 (31 December 2021: RMB51,575,000) payable within twelve months from 30 June 2022 (31 December 2021: twelve months from 31 December 2021) if only based on the revised scheduled repayment terms set out in the Settlement Agreement of Loan III (as explained in note 16), and other borrowings of RMB247,200,000 (31 December 2021: RMB298,070,000) are due to an asset management company or other lenders with the status as detailed in below note 1.2(ii).

In addition, pursuant to the settlement agreements (as detailed in note 16) entered into during the years ended 31 December 2018 and 2021, there are default clauses that the asset management companies can require the Group to pay the outstanding balance of the original borrowings and interest payable in the event of default. As at 30 June 2022, in respect of the settlement agreements, other borrowings, which had no event of default occurred so far up to the end of the reporting period, with carrying amounts of RMB2,642,947,000 (31 December 2021: RMB2,756,562,000) and related interest payable of RMB212,282,000 (31 December 2021: RMB226,479,000) were recognised in the Group's condensed consolidated statement of financial position. Please see note 16 to the condensed consolidated financial statements for details.

Moreover, there are a number of litigations against the Group of which the details are set out in note 20 to the condensed consolidated financial statements, mainly requesting the Group to settle long outstanding payables with interest. And the Group's bank deposits of approximately RMB41,000 (31 December 2021: RMB2,103,000) 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.





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 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 condensed consolidated financial statements.

## 2. CHANGES IN ACCOUNTING POLICIES

### (a) Overview

In the current interim period, the Group has applied, for the first time, a number of amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021.

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2022 as a result of the adoption of the amendments to IAS 16:

	Increase/ (decrease) RMB'000
<b>Assets</b>	
Property, plant and equipment	<u>31,923</u>
<b>Equity</b>	
Deficit	<u>(31,923)</u>

## 3. ESTIMATES

The preparation of the condensed consolidated 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 the condensed consolidated financial statements, the significant judgements made by managementes

#### 4. SEGMENT REPORTING

##### (a) Segment reporting

The Group has two reportable segments – coal business and shipping transportation – 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 credit items not specifically attributable to individual segments, such as unallocated head office and corporate expenses are further adjusted.
- Segment assets include all tangible assets, coal mining rights, right-of-use assets, interest in an associate and current assets with the exception of unallocated corporate assets. Segment liabilities include trade payables, other payables attributable to activities of the individual segments, accrued reclamation obligations and borrowings managed directly by the segments.
- Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments.

	Coal business		Shipping transportation		Total	
	S 31 December 2022	S 31 December 2021	S 31 December 2022	S 31 December 2021	S 31 December 2022	S 31 December 2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	<u>2,056,954</u>	<u>1,572,535</u>	<u>                    </u>	<u>32,917</u>	<u>2,056,954</u>	<u>1,605,452</u>
Reportable segment profit before taxation	<u>621,674</u>	<u>649,859</u>	<u>                    </u>	<u>687</u>	<u>621,674</u>	<u>650,546</u>
Reversal of impairment losses on trade receivables		11,476		-		11,476
Reversal of impairment losses on prepayments and other receivables	<u>927</u>	<u>1,425</u>	<u>                    </u>	<u>-</u>	<u>927</u>	<u>1,425</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021	At 31 December 2022	At 31 December 2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Restated)	(Unaudited)	(Restated)	(Unaudited)	(Restated)
Reportable segment assets (including interest in an associate)	<u>8,182,418</u>	<u>8,665,205</u>	<u>37,283</u>	<u>75,422</u>	<u>8,219,701</u>	<u>8,740,627</u>
Reportable segment liabilities	<u>(6,313,582)</u>	<u>(6,876,293)</u>	<u>(587,193)</u>	<u>(391,289)</u>	<u>(6,900,775)</u>	<u>(7,267,582)</u>

(b) Reportable segment revenue and consolidated revenue, profit before taxation, assets and liabilities

**Revenue**

	Statement ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reportable segment revenue and consolidated revenue	<u>2,056,954</u>	<u>1,605,452</u>

**Profit before taxation**

	Statement ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Reportable segment profit before taxation	621,674	650,546
Unallocated head office and corporate expenses	(5,810)	(6,485)
Net finance costs	<u>(134,111)</u>	<u>(170,712)</u>
Consolidated profit before taxation	<u>481,753</u>	<u>473,349</u>

**Assets**

	At	At
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Restated)
Reportable segment assets	8,219,701	8,740,627
Elimination of inter-segment receivables	(692,481)	(917,326)
Unallocated corporate assets	<u>109,098</u>	<u>73,212</u>
Consolidated total assets	<u>7,636,318</u>	<u>7,896,513</u>

## Liabilities

	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Reportable segment liabilities	6,900,775	7,267,582
Elimination of inter-segment payables	(933,702)	(807,570)
Tax payable	346,486	469,921
Deferred taxation	602,407	631,278
Unallocated corporate liabilities	31,865	18,787
	<u>6,947,831</u>	<u>7,579,998</u>
Consolidated total liabilities	<u>6,947,831</u>	<u>7,579,998</u>

## 5. REVENUE

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

	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Sales of coal	2,056,954	1,572,535
Charter hire income		32,917
	<u>2,056,954</u>	<u>1,605,452</u>

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

	Six months ended 30 June	
	2022	2021
	<b>RMB'000</b>	<b>RMB'000</b>
	(Unaudited)	(Unaudited)
Foreign exchange gain/(loss), net	12,284	(5,511)
Net loss on disposal of property, plant and equipment	(2)	(1,112)
Government subsidies <i>(note)</i>	5,112	20,051
Gain on substantial modification upon loan restructuring <i>(Note 16)</i>	11,321	–
Net gain on non-substantial modification upon loan restructuring <i>(Note 16)</i>	31,203	238,673
Other service income	880	–
Others	733	480
	<u>61,531</u>	<u>252,581</u>

*Note:* During the current interim period, the government subsidies of RMB5,112,000 (six months ended 30 June 2021: RMB20,051,000) were granted by the PRC local government and received/receivable by the Group as financial subsidies on the Group's business development with conditions that the respective entities would maintain their principal places of businesses for the same period, which were fulfilled.

## 7. NET FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	<b>RMB'000</b>	<b>RMB'000</b>
	(Unaudited)	(Unaudited)
Interest income	(7,600)	(632)
Interest on borrowings	40,400	51,190
Penalty interest	23,308	13,916
Interest charge on unwinding of discounts <i>(note(ii))</i>	80,009	106,238
Less: interest capitalised into property, plant and equipment <i>(note (i))</i>	(2,006)	–
Finance costs	<u>141,711</u>	<u>171,344</u>
Net finance costs	<u>134,111</u>	<u>170,712</u>

*Notes:*

- (i) The finance costs have been capitalised at a rate of 6.79% (2021: nil) per annum.
- (ii) This item represents the unwinding of discount for the following liabilities using the effective interest rate:

	<b>Schedule attached 30 June</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Borrowings	<b>74,277</b>	101,048
Lease liabilities	<b>535</b>	105
Accrued reclamation obligations	<b>5,197</b>	5,085

*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 (six months ended 30 June 2021: 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 both periods.
- (iii) Provision for the PRC Corporate Income Tax was based on the statutory rate of 25% (six months ended 30 June 2021: 25%) of the assessable profits of subsidiaries which carried on businesses in the PRC.
- (iv) Provision for the Indonesia Corporate Income Tax was based on the statutory rate of 22% (six months ended 30 June 2021: 22%) of the assessable profits of subsidiaries which carried on businesses in the Indonesia. No provision for Indonesia Corporate Income Tax has been made in the condensed consolidated financial statements as the Group had no assessable profits in Indonesia during both periods.

## 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 period.

The calculations of basic earnings per share attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2022 and 2021 are based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the period attributable to equity shareholders of the Company	<b>327,374</b>	472,815
Less: Distribution relating to perpetual subordinated convertible securities classified as equity	<u><b>(2,427)</b></u>	<u>(2,409)</u>
Profit for the period attributable to ordinary equity shareholders of the Company	<u><b>324,947</b></u>	<u>470,406</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u><b>2,493,413,985</b></u>	<u>2,493,413,985</u>

## Diluted earnings per share

The calculations of diluted earnings per share attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2022 and 2021 respectively are based on the following data:

	Six months ended 30 June 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit for the period attributable to ordinary equity shareholders of the Company used in calculating basic earnings per share	324,947	470,406
Add: Distribution relating to perpetual subordinated convertible securities classified as equity	<u>2,427</u>	<u>2,409</u>
Adjusted profit for the period attributable to equity shareholders of the Company used in calculating diluted earnings per share	<u><u>327,374</u></u>	<u><u>472,815</u></u>
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	<u>118,000,000</u>	<u>118,000,000</u>
Adjusted weighted average number of shares classified as equity for the purpose of diluted earnings per share	<u><u>2,611,413,985</u></u>	<u><u>2,611,413,985</u></u>

For the six months ended 30 June 2022 and 2021, 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 six months ended 30 June 2022 and 2021.



## 11. COAL MINING RIGHTS

The balance represents the rights to conduct mining activities in Shanxi Province, PRC and South Kalimantan, Indonesia. The Group has no formal title of ownership over the lands where the PRC mine sites are located, hence none of the carrying amount of right-of-use assets relates to these lands located in the PRC. The Department of Land Resources of Shanxi Province, PRC and Kalimantan Province, Indonesia issued and renewed several mining rights certificates to the Group. Details of the Group's coal mining rights are as follows:

Coal mining rights	Expiry date
<i>Shanxi Province, PRC</i>	
Xingtao Coal Mine	15 September 2022
Fengxi Coal Mine	24 January 2034
Chongsheng Coal Mine	09 December 2022
Xinglong Coal Mine	29 November 2019
Hongyuan Coal Mine	13 July 2030
<i>South Kalimantan, Indonesia</i>	
SDE Coal Mine	14 May 2024

During the six months ended 30 June 2021, the Group completed the acquisition of the coal mining right of SDE Coal Mine located in South Kalimantan, Indonesia through acquisition of SDE which was accounted for as asset acquisition as detailed in note 17.

As at 30 June 2022, the Group's coal mining rights of coal mines located in the PRC with net carrying amount of RMB2,622,035,000 (31 December 2021: RMB2,956,393,000) were pledged for the Group's borrowings (note 16).

In respect of the expiry of coal mining rights of Xinglong Coal Mine, the directors of the Company are of the opinion that the renewal of mining rights certificates by the relevant government authorities is highly probable as long as the Group submits the relevant regulation documents and fully settles the mineral exploration and mining right expense, and the renewal of the mining rights certificates can be completed at minimal cost. In addition, with reference to the legal opinion from an external lawyer engaged by the Group, the Group will be able to continuously renew the mining rights and the business licenses of the respective mining subsidiaries at minimal charges.

## 12. TRADE RECEIVABLES

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Trade receivables	155,661	218,723
Less: allowance for credit loss	<u>(36,302)</u>	<u>(36,302)</u>
	<b><u>119,359</u></b>	<b><u>182,421</u></b>

All of the trade receivables are expected to be recovered within one year from the end of reporting period.

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

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Within 2 months	60,041	123,103
Over 2 months but within 6 months	-	-
Over 6 months but within 1 year	-	-
Over 1 year but within 2 years	-	-
Over 2 years ( <i>note</i> )	<u>59,318</u>	<u>59,318</u>
	<b><u>119,359</u></b>	<b><u>182,421</u></b>

*Note:* As at 30 June 2022, trade receivables aged over 2 years amounting to approximately RMB59,318,000 (31 December 2021: RMB59,318,000) 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. The directors of the Company believe that no impairment allowance is necessary in respect of these balances.

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

Credit terms granted to customers mainly range from 0 to 60 days (31 December 2021: 0 to 60 days) depending on customers' relationship with the Group, their creditworthiness and past settlement records.

During the current reporting period, the Group provided impairment loss allowance on trade receivables amounting to nil (six months ended 30 June 2021: RMB516,000) in profit or loss based on the provision matrix.

### 13. PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2022 <b>RMB'000</b> (Unaudited)	At 31 December 2021 <b>RMB'000</b> (Audited)
<b>Impaired, deductible non-current receivable asset</b>		
Other deposits ( <i>note (v)</i> )	<u>26,846</u>	<u>25,503</u>
<b>Impaired, deductible current receivable asset</b>		
Other deposits and prepayments ( <i>note (i)</i> )	321,558	230,491
Amounts due from non-controlling shareholders ( <i>note (ii)</i> )	322,703	322,703
Other non-trade receivables ( <i>note (iii)</i> )	<u>143,135</u>	<u>207,660</u>
	787,396	760,854
Less: allowance for credit losses ( <i>note (iv)</i> )	<u>(340,882)</u>	<u>(341,608)</u>
	<u><b>446,514</b></u>	<u><b>419,246</b></u>

*Notes:*

- (i) Prepayments for purchase of coal and transportation fee amounting to approximately RMB120,177,000 (31 December 2021: RMB104,957,000) and RMB4,715,000 (31 December 2021: RMB30,810,000) respectively was included in other deposits and prepayments. The remaining amount of RMB196,666,000 (31 December 2021: RMB94,724,000) are mainly prepayments for the supplier services to support the Group's ordinary business.
- (ii) Amounts due from non-controlling shareholders are unsecured, interest free and have no fixed term of repayment. As at 30 June 2022, the carrying amount of RMB322,703,000 (31 December 2021: RMB322,703,000) were fully impaired in prior years.
- (iii) Other non-trade receivable mainly represented the government grant receivables of RMB3,949,000 (31 December 2021: RMB106,700,000) and value added tax recoverable of RMB63,363,000 (31 December 2021: RMB70,391,000).

(iv) Allowance for credit losses of prepayments and other receivables are as follows:

	<b>At 30 June 2022 RMB'000 (Unaudited)</b>	<b>At 31 December 2021 RMB'000 (Audited)</b>
Other deposits and prepayments	<b>2,954</b>	2,954
Amounts due from non-controlling shareholders	<b>322,703</b>	322,703
Other non-trade receivables	<b><u>15,225</u></b>	15,951

#### 14. TRADE PAYABLES

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

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Within 1 year	236,766	126,026
Over 1 year but within 2 years	1,859	96,357
Over 2 years	95,646	98,081
	<u>334,271</u>	<u>320,464</u>

#### 15. OTHER PAYABLES AND CONTRACT LIABILITIES

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
<b>Current</b>		
Accrued expenses	494,423	463,276
Contract liabilities	37,733	42,248
Amount due to ultimate controlling shareholder	161	161
Amount due to ultimate holding company	18,518	15,216
Amount due to an associate	215,276	215,276
Amounts due to directors of the Company	1,148	1,382
Amount due to a related party	141	141
Amount due to a related company	-	100
Other payables ( <i>note</i> )	1,231,287	1,568,055
	<u>1,998,687</u>	<u>2,305,855</u>

*Note:* Construction payables of approximately RMB578,766,000 (31 December 2021: RMB653,297,000) and payables relating to mineral exploration and mining rights of approximately RMB257,578,000 (31 December 2021: RMB260,785,000) respectively are included in other payables.

The amounts due to ultimate holding company of the Company, ultimate controlling shareholder of the Company, an associate, directors of the Company and a related party are unsecured, interest-free and have no fixed term of repayment.

## 16. BORROWINGS

		At 30 June 2022 <b>RMB'000</b> (Unaudited)	At 31 December 2021 <b>RMB'000</b> (Audited)
Bank loans			
– Unsecured	(i)	<u>612,490</u>	<u>638,000</u>
		<u>612,490</u>	<u>638,000</u>
Other borrowings	(ii)		
– Secured Loan I (as defined below)		2,041,563	2,145,073
– Secured Loan II (as defined below)		108,940	119,045
– Secured Loan III (as defined below)		492,444	492,444
– Unsecured		<u>247,200</u>	<u>298,070</u>
		<u>2,890,147</u>	<u>3,054,632</u>
Total borrowings		<u><u>3,502,637</u></u>	<u><u>3,692,632</u></u>

### Notes:

- (i) Unsecured bank loans bear interest at rates ranging from 5.7% to 7.8% (31 December 2021: 5.7% to 8.8%) per annum as at 30 June 2022.
- (ii) Other borrowings bear interest at rates ranging from 5.66% to 7.28% (31 December 2021: 5.66% to 7.28%) per annum as at 30 June 2022.

As at 30 June 2022, borrowings of the Group were repayable as follows:

	At 30 June 2022 <b>RMB'000</b> (Unaudited)	At 31 December 2021 <b>RMB'000</b> (Audited)
Within 1 year or on demand	----- <u>1,453,269</u>	----- <u>1,475,850</u>
Over 1 year but within 2 years	<u>2,049,368</u>	<u>2,216,782</u>
Over 2 years but within 5 years	-----	-----
	<u><u>2,049,368</u></u>	<u><u>2,216,782</u></u>
	<u><u>3,502,637</u></u>	<u><u>3,692,632</u></u>

Due to breach of loan covenants and/or occurrence of default events (including the breach of cross default clauses), certain bank and other borrowings with the aggregate carrying amount of approximately RMB1,352,134,000 (31 December 2021: RMB1,428,514,000), in which the aggregate amount of RMB739,644,000 (31 December 2021: RMB790,514,000) was past due, and aggregate amounts of RMB555,990,000 (31 December 2021: RMB577,000,000) and RMB56,500,000 (31 December 2021: RMB61,000,000) were repayable within one year and after one year respectively from the end of reporting period based on the agreed scheduled repayments set out in the respective loan agreements, had been due for immediate payment.

The interest payables of borrowings not yet past due but due for immediate payment due to occurrence of default events (including the breach of cross default clauses) and of borrowings that have become past due amounting to approximately RMB97,000 (31 December 2021: RMB176,000) and RMB253,410,000 (31 December 2021: RMB274,089,000) respectively were included in the other payables.

As at 30 June 2022, unsecured bank loans, secured other borrowings and unsecured other borrowings of approximately RMB612,490,000 (31 December 2021: RMB638,000,000), RMB492,444,000 (31 December 2021: RMB492,444,000) and RMB247,200,000 (31 December 2021: RMB298,070,000) respectively, had been due for immediate payment (including those overdue or those due to breach of loan covenants and/or occurrence of default events (e.g. breach of cross default clauses)). These borrowings carried interest at rates 4.91% to 7.8% (31 December 2021: 4.91% to 8.80%) per annum and also carried additional penalty interest at rate 2.26% to 3.5% (31 December 2021: 2.26% to 3.50%) per annum after past due. Those secured borrowings that had been due for immediate payment are secured by coal mining rights and property, plant and equipment with a carrying amount of approximately RMB2,622,035,000 and RMB302,718,000 as at 30 June 2022 respectively (31 December 2021: coal mining rights and property, plant and equipment with RMB2,956,393,000 and RMB377,517,000 respectively).

#### **Settlement Agreement of Loan I (a defaulted bank loan) and the settlement agreement**

During the year ended 31 December 2018, the Group entered into a legally binding settlement agreement (the “**Settlement Agreement of Loan I**” or “**L a I**”) with an asset management company in the PRC, to reduce the outstanding principal amounts of bank loans assigned by two banks and the relevant outstanding interests (including penalty interests) 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 of Loan I 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, and the Settlement Agreement of Loan I (with revised repayment schedules, revised loan principal amounts, default clauses, change of lender, etc.) superseded the respective original bank loan agreements. 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 and interest payables outstanding and recognised new borrowings measured at fair value as at the date of extinguishment. The difference between the aggregate carrying amount of the borrowings and interest payables of RMB4,609,216,000 derecognised and the fair value of RMB2,704,363,000 of the new borrowings recognised amounting to approximately RMB1,904,853,000 was recognised in profit or loss for the year ended 31 December 2018.

In March 2020, in respect of the above-mentioned borrowings, the Group further entered into a legally binding supplemental agreement (the “**Supplemental Settlement Agreement I**”) with the asset management company to revise and extend the repayment schedule for year of 2020 and 2021. The repayment schedule for year of 2022 remained unchanged. The management of the Group considers that the terms of the Supplemental Settlement Agreement of Loan I are not substantially different from the Settlement Agreement of Loan I as the discounted present value of the cash flows under the revised 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 less than 10 per cent. Accordingly, such modification of terms was accounted for as non-substantial modification, and the adjustment of approximately RMB10,700,000 to the carrying amount of the financial liability was recognised as other losses at the date of modification during the year ended 31 December 2020.

In December 2020, the Group further entered into a legally binding supplemental agreement (the “**Supplemental Settlement Agreement II**”) with the asset management company to revise and extend the repayment schedule for December 2020 and year of 2021. The repayment schedule for December 2020 has been changed to 2023. The management of the Group considers that the terms of the Supplemental Settlement Agreement II of Loan I are not substantially different from the Supplemental Settlement Agreement of Loan I as the discounted present value of the cash flows under the revised 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 less than 10 per cent. Accordingly, such modification of terms was accounted for as non-substantial modification, and the adjustment of approximately RMB183,651,000 to the carrying amount of the financial liability was recognised as other losses at the date of modification during the year ended 31 December 2020.

In March 2022, the Group further entered into a legally binding supplemental agreement (the “**Supplemental Settlement Agreement III**”) with the asset management company to revise the repayment schedule for year of 2022 and 2023. The management of the Group considers that the terms of the Supplemental Settlement Agreement III of Loan I are not substantially different from the Supplemental Settlement Agreement II of Loan I as the discounted present value of the cash flows under the revised 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 less than 10 per cent. Accordingly, such modification of terms was accounted for as non-substantial modification, and the adjustment of approximately RMB33,261,000 to the carrying amount of the financial liability was recognised as other gain at the date of modification during the period ended 30 June 2022.

As at 30 June 2022, the carrying amount of the Group’s borrowings from the asset management company in respect of Loan I was approximately RMB2,041,563,000 (31 December 2021: RMB2,145,073,000).

The Settlement Agreement of Loan I 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 RMB395,038,000 (31 December 2021: RMB4,027,188,000 and RMB373,014,000) respectively if the Group fails to repay the borrowings by instalments in accordance with the respective revised repayment schedule as stipulated in the Supplement Settlement Agreement III of Loan I. There is no occurrence of event of default under the Settlement Agreement of Loan I, Supplemental Settlement Agreement of Loan I, Supplemental Settlement Agreement II of Loan I and Supplemental Settlement Agreement III of Loan I so far up to the end of the reporting period (31 December 2021: no occurrence of event of default).



## Settlement Agreement of Loan II (a<sub>1</sub> defined below) and the settlement agreement

In May 2021, the Group entered into another legally binding settlement agreement (the “Settlement Agreement of Loan II” or “Loan II”) with the asset management company to reduce the outstanding principal amounts of bank loans assigned by two banks and the relevant outstanding interests (including penalty interests) amounting to approximately RMB295,739,000 and RMB108,647,000 in total respectively. The management of the Group considers that the terms of the Settlement Agreement of Loan II 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, and the Settlement Agreement of Loan II (with revised repayment schedules, revised loan principal amounts, default clauses, change of lender, etc.) superseded the respective original bank loan agreements. Accordingly, such modification of terms was 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 of RMB295,739,000 and interest payable of RMB108,647,000 outstanding, and recognised new borrowings measured at fair value amounting to RMB165,713,000 as at the date of extinguishment. The difference between the aforesaid carrying amounts of the borrowings and interest payables derecognised and the aforesaid fair value of the new borrowings recognised amounting to approximately RMB238,673,000 was recognised as other gains as set out in note 6 at the date of modification during the six months ended 30 June 2021.

In February 2022, in respect of the above-mentioned borrowings, the Group further entered into a legally binding supplemental agreement (the “Supplemental Settlement Agreement of Loan II”) with the asset management company to revise the repayment schedule for year of 2022 and 2023. The management of the Group considers that the terms of the Supplemental Settlement Agreement of Loan II are not substantially different from the Settlement Agreement of Loan II as the discounted present value of the cash flows under the revised 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 less than 10 per cent. Accordingly, such modification of terms was accounted for as non-substantial modification, and the adjustment of approximately RMB2,058,000 to the carrying amount of the financial liability was recognised as other losses at the date of modification during the period ended 30 June 2022.

As at 30 June 2022, the carrying amount of the Group’s borrowings from the asset management company in respect of Loan II was approximately RMB108,940,000 (31 December 2021: RMB119,045,000).

The Settlement Agreement of Loan II contained a default clause which the Group will be required to repay the outstanding balance of the original borrowings and interest payable of approximately RMB295,206,000 and RMB100,708,000 (31 December 2021: RMB295,206,000 and RMB104,027,000) respectively if the Group fails to repay the borrowings by instalments in accordance with the respective revised repayment schedule as stipulated in the Supplemental Settlement Agreement of Loan II. There is no occurrence of event of default under the Settlement Agreement of Loan II and Supplemental Settlement Agreement of Loan II so far up to the end of the reporting period (31 December 2021: no occurrence of event of default).

**Settlement Agreement of Loan III (as defined below)**

In December 2021, the Group entered into a legally binding settlement agreement (the “**Settlement Agreement of Loan III**” or “**Loan III**”) with an asset management company to reduce the outstanding principal amounts of bank loans assigned by a bank and the relevant outstanding interests (including penalty interests in arrears) amounting to approximately RMB492,444,000 and RMB261,645,000 in total respectively. The management of the Group considers that the terms of the Settlement Agreement of Loan III are substantially different as the Settlement Agreement of Loan III (with revised repayment schedules, default clauses, change of lender, etc.) superseded the respective original bank loan agreement. Accordingly, such modification of terms was 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 of RMB492,444,000 and interest payables of RMB261,645,000 outstanding, and recognised new borrowings and interest payables amounting to RMB492,444,000 and RMB261,645,000 respectively based on the terms of Loan III, as at the date of extinguishment during the year ended 31 December 2021. Therefore, no gain or loss arising from the loan restructuring was recognised at the date of modification during the year ended 31 December 2021.

As at 30 June 2022, the carrying amounts of the Group’s borrowings from the asset management company in respect of Loan III and the related interest payable were approximately RMB492,444,000 and RMB212,282,000 (31 December 2021: RMB492,444,000 and RMB226,479,000) respectively, which are included in current liabilities.

The Settlement Agreement of Loan III contained a conditional clause which the Group, unless otherwise notified by the asset management company to repay the outstanding balance of the original borrowings and interest payable or the Group fails to repay in accordance with the revised repayment schedule, should repay the borrowings by instalment in accordance with the respective revised repayment schedule, should relevant spe

Due to the above-mentioned conditional clause and the conditions have not been satisfied so far up to the end of the reporting period, new borrowing and interest payable with carrying amounts of RMB492,444,000 and RMB212,282,000 respectively in respect of Settlement Agreement of Loan III were recognised in the Group's condensed consolidated statement of financial position as at 30 June 2022 (31 December 2021: RMB492,444,000 and RMB226,479,000 respectively).

There is no occurrence of event of default under the Settlement Agreement of Loan III so far up to the end of the reporting period (31 December 2021: no occurrence of event of default).

#### **Other**

During the six month ended 30 June 2022, the Group entered into a legal binding settlement agreement (the "Settlement Agreement of Loan IV" or "Loan IV") with an asset management company in the PRC, to reduce the outstanding principal amounts of bank loans assigned by a bank and the relevant outstanding interests (including penalty interests) amounting to approximately RMB50,870,000 and RMB22,641,000 in total respectively. The management of the Group considers that the terms of the Settlement Agreement of Loan IV 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, and the Settlement Agreement of Loan IV (with revised repayment schedules, revised loan principal amounts, default clauses, change of lender, etc.) superseded the respective original bank loan agreements. 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 and interest payables outstanding and recognised new borrowings measured at fair value as at the date of extinguishment. The difference between the aggregate carrying amount of the borrowings and interest payables of RMB50,870,000 and RMB22,641,000 derecognised and the fair value of RMB62,190,000 of the new borrowings recognised amounting to approximately RMB11,321,000 was recognised as other gain at the date of modification during the six month ended 30 June 2022. During the six months ended 30 June 2022, the outstanding principal amount and relevant interest (including penalty interests) of Loan IV was fully settled by the Group.

Of the Group's borrowings, aggregate principal amounts of RMB247,200,000 as at 30 June 2022 (31 December 2021: RMB298,070,000) had been defaulted with lawsuit filed by banks and asset management companies 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.

During the year ended 31 December 2020, certain banks assigned their bank loans and interests (including penalty interests) due from the Group with aggregate amounts of RMB295,739,000 and RMB101,313,000 respectively, which had been past due and with lawsuit for one of the loans, to an asset management company in the PRC.

During the year ended 31 December 2021, a bank assigned its bank loans and interests (including penalty interests) due from the Group with aggregate amounts of RMB247,200,000 and RMB27,873,000 respectively, which had been past due and with lawsuit to an asset management company in the PRC.

During the six months ended 30 June 2022, the asset management company assigned its loans and interests (including penalty interests) due from the Group with aggregate amounts of RMB247,200,000 and RMB41,128,000 respectively, which had been past due and with lawsuit to other lenders in the PRC.

As at 30 June 2022, 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/lenders to renew the terms (including the repayment schedule) of the outstanding loans and loans assigned.

The Group's secured borrowings (including those due for immediate payment and those not due for immediate payment) are secured by the following assets of the Group:

	At 30 June 2022 <i>RMB'000</i> (Unaudited)	At 31 December 2021 <i>RMB'000</i> (Audited)
Property, plant and equipment	302,718	377,517
Coal mining rights	2,622,035	2,956,393
Inventories	—	—
	<b>2,924,753</b>	<b>3,333,910</b>

As at 30 June 2022 and 31 December 2021, the Group's total borrowings are also secured by other receivables of a related company of which Mr. Xu Jihua (“Mr. Xu”) is the shareholder, a property held by Mr. Xu, Fortune Pearl International Limited's (“Fortune Pearl”, the ultimate holding company of the Company) equity interest in the Company and the Group's equity interest in Huameiao Energy, Xingtao Coal, Fengxi Coal, Chongsheng Coal, Xinglong Coal, Hongyuan Coal and Shuo Zhou Guangfa. As at 30 June 2022, total borrowings of approximately RMB3,502,637,000 (31 December 2021: RMB3,692,632,000) were guaranteed by the Company, certain subsidiaries of the Company, related parties and/or Mr. Xu.

## 17. ACQUISITION OF SUBSIDIARY

As disclosed in the Company's announcements dated 3 January 2020, 7 August 2020 and 25 May 2021, a series of agreements, including heads of agreement (“HOA”) dated 31 December 2019, and conditional sale and purchase agreement (the “CSPA”) dated 6 August 2020 (collectively, the “Acquisition Agreements”) were entered by the Group. Under the CSPA, the Group would acquire 70% equity shareholding of PT Sumber Daya Energi (“SDE”), a company duly established under the laws of Republic of Indonesia that is engaged in coal mining and trading in Indonesia, from two independent third parties (the “Sellers”) at a consideration of IDR385,000,000 (equivalent to approximately RMB171,000). Meanwhile, pursuant to the Acquisition Agreements, deposits of USD4,000,000 and USD1,000,000 were paid by the Group to one of the Sellers, who held 99.82% of SDE before completion of the acquisition. After completion of the acquisition on 25 May 2021 (“Acquisition Date”), PT Widyanusa Mandiri (“WM”), substantially owned by one of the Sellers, became the non-controlling shareholder of SDE and is entitled to 15% of the total saleable coal production of SDE as profit distributions and such entitlement are secured by the aforesaid deposits of aggregate USD5,000,000 (equivalent to RMB33,133,000 and RMB34,264,000 as at 30 June 2022 and 31 December 2021 respectively). The directors of the Company were of the opinion that the aforesaid deposits of USD5,000,000 had become non-refundable after the completion of the acquisition, and will only be offset with profit distributions to WM for its 15% of the total saleable coal production of SDE until the aforesaid deposits are fully offset, and therefore such deposits of USD5,000,000 should be considered as part of the purchase consideration of the acquisition. Accordingly, the aggregate purchase consideration of the acquisition amounted to the sum of IDR385,000,000 and USD5,000,000 (equivalent to RMB33,304,000 in total).

The primary reason for the acquisition was for the expansion of the Group's business and to increase returns to its shareholders.

The directors of the Company were of the opinion that the acquisition of SDE did not constitute a business combination as defined in IFRS 3 (Revised) "Business Combinations", and therefore the acquisition was accounted for as asset acquisition. The amounts of the assets acquired and liabilities assumed upon Acquisition Date include coal mining right amounting to approximately RMB33,780,000 and other assets and liabilities amounting to a net liability balance of RMB476,000.

## **18. DIVIDEND**

No dividends were paid, declared or proposed during the current and prior periods. The directors of the Company have determined that no dividend will be paid for the current and prior periods.

( ) *Litigation claim relating to the settlement of the former shareholders of Xinglong Coal Mine and Hongyuan Coal Mine against the Group*

In February 2021, the Group received notice from the Shuozhou City Intermediate People's Court that a lawsuit was filed by one of the former shareholders of Xinglong Coal Mine and Hongyuan Coal Mine against the Group to claim for unsettled consideration payment amounting to RMB30,469,000 for acquisition of Xinglong Coal Mine and Hongyuan Coal Mine and related compensation amounting to RMB3,000,000. Up to the date when the condensed consolidated financial statements are authorised for issue, the litigation claim is still in progress. The directors of the Company are of the opinion that the provision for the above litigation is sufficient in the condensed consolidated statement of financial position as at 30 June 2022.

( ) *Litigation claim relating to the economic losses of the contract between Yu Lin Zhong Kuang and the Group*

During the year ended 31 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 RMB10,121,000. Up to the date when the condensed consolidated financial statements are authorised for issue, the litigation claim is still in progress. The directors of the Company are of the opinion that the provision for the above litigation is sufficient in the condensed consolidated statement of financial position as at 30 June 2022.

( ) *Litigation claim relating to the economic losses of the contract between Shanxi Yunxin and the Group*

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 equipment by the Group. The overall claim amount of approximately RMB76,175,000, which including the aforesaid payable to this supplier of approximately RMB54,124,000 and late penalty interest of approximately RMB22,051,000. Up to the date when the condensed consolidated financial statements are authorised for issue, the litigation claim is still in progress. The directors of the Company are of the opinion that the provision for the above litigation is sufficient in the condensed consolidated statement of financial position as at 30 June 2022.

Other than the disclosure of above, as at 30 June 2022, the Group was not involved in any other material litigation or arbitration. As far as the Group was aware up to the date when the condensed consolidated financial statements are authorised for issue, the Group had no other material litigation or claim which was pending or threatened against the Group. As at 30 June 2022, the Group was the defendant of certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business, in which the amounts disputed are immaterial. 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 another borrowing creditor in respect of borrowings made by Tongmei Qinfu, an associate of the Group. Under

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading non-state owned thermal coal supplier in China, and it operates an integrated coal supply chain, including coal mining, processing and sales, (including storage and blending of coal in the PRC). During the six months ended 30 June 2022, the Group continued to focus on these business activities in China and expanded its international supply chain to overseas. The following sets forth detailed analysis of the principal components of the operating results of the Group:

Revenue from coal business and coal handling and trading volume	Six months ended 30 June	
	2022	2021
Revenue from coal business (RMB'000)	2,056,954	1,572,535
Coal handling and trading volume ('000t)	120,277	103,291



## **Gross profit and gross profit margin**

The Group's gross profit was RMB703.6 million during the six months ended 30 June 2022 as compared with gross profit of RMB524.0 million during the same period in 2021. Due to increased average selling prices of thermal coal, gross profit margin for the six months ended 30 June 2022 was 34.2% as compared with gross profit margin of 32.6% for the corresponding period in 2021.

## **Net finance costs**

Net finance costs of the Group during the six months ended 30 June 2022 amounted to RMB134.1 million, representing a decrease of RMB36.6 million or 21.4% from RMB170.7 million during the corresponding period in 2021. The net finance costs decreased due to the decrease in borrowings.

## **Operating profit**

Operating profit of the Group during six months ended 30 June 2022 amounted to RMB615.9 million, representing a decrease of RMB28.2 million or 4.4% from RMB644.1 million during the corresponding period in 2021. Operating profit decreased due to the decreased one-off gain on substantial/non-substantial modification of borrowings and increased depreciation and amortisation.

## **Profit after taxation**

Profit after taxation of the Group during six months ended 30 June 2022 amounted to RMB371.2 million, representing a decrease of RMB107.4 million or 22.4% from RMB478.6 million during the corresponding period in 2021. Profit after taxation decreased due to the decreased one-off gain on substantial/non-substantial modification of borrowings and increased depreciation and amortisation.

## **Profit attributable to the equity shareholders of the Company**

Profit attributable to the equity shareholders of the Company for the six months ended 30 June 2022 was RMB327.4 million, as compared with profit attributable to the equity shareholders of the Company of RMB472.8 million for the corresponding period in 2021. The decrease in profit attributable to equity shareholders of the Company was mainly attributable to the decreased one-off gain on the substantial/non-substantial modification of borrowings and increased depreciation and amortisation.

## **BUSINESS REVIEW**

### **Impact of International Situation on Thermal Coal Price**

During the first half of 2022, the supply side of global energy was directly impacted by international affairs. The management will continue to keep abreast of political and economic developments around the globe, so as to formulate the best operating strategy for the Group.

In January 2022, Indonesia, the world's largest exporter of thermal coal, issued a ban on coal exports, which disrupted the global coal supply chain considerably. However, in the face of international pressure, the ban was lifted one month after its issuance. The subsequent Russia-Ukraine war resulted in sanctions imposed on Russia by the Western world. The sanctions have greatly affected the coal exports of Russia, one of the major coal suppliers of the international community. To fill the huge supply-and-demand gap, countries around the world are now actively seeking new sources of coal supply.

The considerable uncertainty in the export policies of major international coal suppliers has led to coal shortages and a tight global supply of thermal coal. According to the National Bureau of Statistics of China, from January to June 2022, the volume of imported coal amounted to 115 million tonnes, down 17.5% from the same period last year. Owing to the tight supply, the domestic thermal coal price remained high in the first quarter of 2022. With the gradual recovery of domestic economic activities, and the Chinese government's continuous implementation of safeguard measures such as "Ensuring Supply and Stabilizing Prices", China's production and supply of thermal coal grew rapidly, thus being able to meet the needs of downstream industries.

**Addendum to the Heads of Agreement relating to the Indonesia Projects**

As set out in the announcement of the Group dated 3 January 2022, Qinfra Mining and Qinfra Overseas Investment Limited (“Qinfra Overseas”), both wholly-owned subsidiaries of the Company, entered into addendums to the heads of agreements in relation to the Indonesian projects which had been entered into on 12 May 2021. In view of the new government regulation in relation to mining rights promulgated by the Government of Indonesia on 9 September 2021, the parties to the heads of agreements agreed to modify the transaction structure to reduce steps involving government approvals, thereby minimizing the time required for the approval process.

Under the original arrangements, the Group would acquire 70% shareholding of the new mining companies to be established by the relevant sellers after the transfer of the mining business licenses to the relevant new mining companies. Under the modified arrangements, the Group and the sellers will establish new mining companies, which will be owned as to 75% by the Group and 25% by the respective sellers, and the mining business licenses will subsequently be transferred from the sellers to the new mining companies within a specific period.

It is expected that the modification will streamline the approval process by the Indonesian authorities so that the mining business licenses in relation to the Indonesian projects will be transferred to the Group as soon as practicable.

**Update to the transfer of Mining Business License A to New Mining Company A**

As disclosed in the announcement of the Company dated 22 August 2022, New Mining Company A (owned as to 75% and 25% by a wholly-owned subsidiary of the Group and heirs of Kokos Jiang, respectively) has been established pursuant to the terms of Addendum A entered into between Qinfra Mining and other parties. However, as more time is required on obtaining the approval from the relevant government authorities of the Republic of Indonesia in connection with the transfer of the Mining Business License A to New Mining Company A, the parties of Addendum A have agreed in writing to extend the deadline for the transfer of the Mining Business License A to New Mining Company A to February 2023.

**Termination of the transfer of Mining Business License F to New Mining Company F**

As disclosed in the announcement of the Company dated 22 August 2022, the seller of the Mining Business License F, TME, received notice on the revocation of the Mining Business License F from the Minister of Energy and Mineral Resources in Indonesia on 10 January 2022. The registration of the Mining Business License F has been removed from government system. Since then, TME had applied for the restoration of the Mining Business License F and the outcome was unfavorable and unsuccessful. As such, after due and careful consideration, Qinfra Overseas and TME mutually agreed not to proceed with the proposed transaction in respect of the Mining Business License F.

## Construction Work of SDE Coal Mine

In preparation for coal production and the mining of underground coal reserves in relation to the SDE project, the Group has been working hard to expedite the related construction works, including the construction of main shafts, auxiliary shafts and ventilation shafts. We have also been actively engaged in the repairment and construction of roads and wharfs, which will be used for coal transportation when the SDE Coal Mine is officially put into operation. The Group will continue the necessary preparatory work, thereby ensuring that everything is ready before the SDE Coal Mine is officially put into operation. We expect that the SDE Coal Mine will create a positive impact on the Group's profitability, and we believe that the stable production scale of the Indonesian mines will enable the Group to capture growing market demand and opportunities.

As of 30 June 2022, the Group owned five coal mines in China and one coal mine in Indonesia. The table sets forth certain information about these coal mines.

	Location	Ownership	Reserve area (sq. km)	Production capacity (million tonnes)	Operational status
Huameiao Energy – Xingtao Coal	Shuozhou Shanxi, China	80%	4.25	1.5	Under operation
Huameiao Energy – Fengxi Coal	Shuozhou Shanxi, China	80%	2.43	0.9	Under operation
Huameiao Energy – Chongsheng Coal	Shuozhou Shanxi, China	80%	2.88	0.9	Under operation
Shenda Energy – Xinglong Coal	Xinzhou Shanxi, China	100%	4.01	0.9	Under development (Temporarily suspended)
Shenda Energy – Hongyuan Coal	Xinzhou Shanxi, China	100%	1.32	0.9	Under development (Temporarily suspended)
Sumber Daya Energi – SDE Coal	South Kalimantan, Indonesia	70%	185	N/A	Under development

## COAL CHARACTERISTICS

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

Coal Quality Characteristics	Huaibei	Huaibei	Huaibei	Shendong	Shendong	Shenbei
	Energy Grade	Energy Grade	Energy Grade	Energy Grade	Energy Grade	Energy Grade
	Xingtai	Feiqing	Changhe	Xingtai	Huogai	Energy Grade
	Coal	Coal	Coal	Coal	Coal	SDE Coal
Coal Seam	4, 8, 9, 10, 11	4, 9, 11	4, 9, 11	2, 5	2, 5, 6	B, D
Moisture (%)	7-10	8-12	8-12	8.5	8.5	8-11
Ash (db, %)	20-28	20-28	20-28	21.45	30-72	22-25
Sulfur (db, %)	1.4-1.9	1.2-1.6	1.6-2.5	1.52	1.45	0.18-1.2
Calorific Value (average, kcal/kg, net, ar)	4,650-5,200	4,600-5,150	4,600-5,150	4,838	4,187	5,300

## OPERATING DATA

### Reserves and Reserves

Reserves	Huaibei	Huaibei	Huaibei	Shendong	Shendong	Shenbei	Total
	Energy Grade	Energy Grade	Energy Grade	Energy Grade	Energy Grade	Energy Grade	
	Xingtai	Feiqing	Changhe	Xingtai	Huogai	Energy Grade	
	Coal	Coal	Coal	Coal	Coal	SDE Coal	
Reserves as at 1 January 2022 (Mt)							
- Proven reserves	13.07	1.61	1.56	-	-	-	16.24
- Probable reserves	1.18	3.46	3.61	13.50	10.46	293.00	325.21
Total reserves as at 1 January 2022 (Mt)	14.25	5.07	5.17	13.50	10.46	293.00	341.45
Less: Total raw coal production for the period from 1 January 2022 to 30 June 2022 (Mt)	(0.8)	(1.26)	(1.74)	-	-	-	(3.80)
Reserves at 30 June 2022 (Mt)	<u>13.45</u>	<u>3.81</u>	<u>3.43</u>	<u>13.50</u>	<u>10.46</u>	<u>293.00</u>	<u>337.65</u>

	Huameiao Energy Xingtao Coal	Huameiao Energy Fengxi Coal	Huameiao Energy Chongsheng Coal	Shendao Energy Xingtao Coal	Shendao Energy Fengxi Coal	Shendao Energy SDE Coal	Total
Resources as at 1 January 2022 (Mt)	46.67	16.14	17.48	35.08	20.87	589.22	725.46
Less: Total raw coal production for the period from 1 January 2022 to 30 June 2022 (Mt)	(0.8)	(1.26)	(1.74)	-	-	-	(3.80)
<b>Resources at 30 June 2022 (Mt)</b>	<b><u>45.87</u></b>	<b><u>14.88</u></b>	<b><u>15.74</u></b>	<b><u>35.08</u></b>	<b><u>20.87</u></b>	<b><u>589.22</u></b>	<b><u>721.66</u></b>

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

Raw coal production	Statistics ended 30 June	
	2022	2021
	('000 tonnes)	('000 tonnes)
Huameiao Energy – Xingtao Coal	805	1,221
Huameiao Energy – Fengxi Coal	1,262	1,735
Huameiao Energy – Chongsheng Coal	<u>1,738</u>	<u>1,154</u>
<b>Total</b>	<b><u>3,805</u></b>	<b><u>4,110</u></b>
Coking coal production	Statistics ended 30 June	
	2022	2021
	('000 tonnes)	('000 tonnes)
Huameiao Energy – Xingtao Coal	523	794
Huameiao Energy – Fengxi Coal	820	1,128
Huameiao Energy – Chongsheng Coal	<u>1,130</u>	<u>750</u>
<b>Total</b>	<b><u>2,473</u></b>	<b><u>2,672</u></b>

Note: According to the competent person's report as at cut-off date of 31 December 2020, the historical operation of the Xingtao Coal, Fengxi Coal and Chongsheng Coal achieved an average of 65% of mixed marketable raw coal yield.

## Exploration, Mining and Development Expenses

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

	Statement ended 30 June	
	2022	2021
	RMB'000	RMB'000
Materials and consumables	63,486	40,112
Staff cost	213,196	142,192
Other direct cost	32,302	23,987
Amortisation and depreciation	498,929	319,615
Overhead and others	118,821	117,207
Evaluation fee	460	113
	<u>927,194</u>	<u>643,226</u>
Total		

## Net Current Liabilities and Current Ratio

As of 30 June 2022, the Group had net current liabilities of RMB2,290.7 million, compared with RMB2,709.1 million as of 31 December 2021. The Group's current ratio as of 30 June 2022 was 0.45, compared with 0.41 as of 31 December 2021. The current ratio slightly improved due to the decrease in current liabilities.

## Capital Expenditure and Current

## L i a b i l i t i e s , F i n a n c i a l R e s o u r c e s

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 and other borrowings. As at 30 June 2022, the Group recorded net current liabilities of RMB2,290.7 million (as at 31 December 2021: RMB2,709.1 million).

The Group has taken initiative to enhance its financial flexibility by diversifying the funding bases and obtain 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 at 30 June 2022, cash and cash equivalents of the Group amounted to RMB1,016.4 million (as at 31 December 2021: RMB1,030.4 million), representing a decrease of 1.4%.

As at 30 June 2022, the bank and other borrowings of the Group amounting to RMB1,453.3 million (2021: RMB1,475.9 million) were classified as current liabilities. Due to breach of loan covenants and/or occurrence of default events (including the breach of cross default clauses), certain bank and other borrowings with the aggregate carrying amount of approximately RMB1,352.1 million (31 December 2021: RMB1,428.5 million), in which the aggregate amount of RMB739.6 million (31 December 2021: RMB790.5 million) was past due, and aggregate amounts of RMB556.0 million (31 December 2021: RMB577.0 million) were repayable within one year and after one year respectively from the end of reporting date based on the agreed scheduled repayments set out in the respective loan agreements, had become due for immediate repayment. The bank and other borrowings carried interest at rates ranging from 5.66% to 7.8% (as at 31 December 2021: 5.66% to 8.8%) per annum.

As at 30 June 2022, the Group had total banking facilities of RMB3,502.6 million (as at 31 December 2021: RMB3,962.6 million), of which RMB3,502.6 million (as at 31 December 2021: RMB3,962.6 million) were utilised.

As at 30 June 2022, the Group's cash and cash equivalents, except amounts of RMB0.8 million and RMB76.1 million which were held in Hong Kong dollars (“**HKD**”) and United States dollars (“**USD**”), respectively, were held in RMB. All the Group's bank and other borrowings were made in RMB.

The gearing ratio (calculated as bank and other borrowings netted off sum of cash and cash equivalents and pledged and restricted deposits divided by total assets) of the Group as of 30 June 2022 was 32.6% (as at 31 December 2021: 33.8%). The gearing ratio remained relatively constant.



## **Exchange Rate**

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

## **Pledge of Assets of the Group and Guarantee**

As at 30 June 2022, the Group's assets in an aggregate amount of RMB2,924.8 million (as of 31 December 2021: RMB3,333.9 million) were in forms of property, plant and equipment, coal mining rights and inventories.

## **CONTINGENT LIABILITIES**

Except for certain matters disclosed in the note 20 to the interim financial statements, the Group did not have any material contingent liabilities as at 30 June 2022.

## **BUSINESS OUTLOOK**

Against the backdrop of an uncertain international situation, global energy supply is tight. It is expected that the volume of imported coal will continue to decline in the second half of 2022. Due to coal shortages, the international community has been actively seeking new sources of coal imports, which has prompted more downstream industries in China to increase their purchases of domestic coal. As a result, the strong demand for thermal coal from downstream industries will support domestic coal sales.

Moreover, the peak season for coal consumption in China (what the coal industry calls the "winter peak") is from November to December. Therefore, the downstream demand for coal is expected to rise in the second half of the year. The Chinese government will also continue to implement measures such as "Ensuring Supply and Stabilizing Prices", thereby accelerating the release of high-quality production capacity of coal mines located in the country's major coal-producing regions. As a result, the domestic coal supply should remain on a high level. The supply-and-demand balance of thermal coal is expected to remain tight, with coal prices staying relatively high.

During the second half of the year, we will continue to develop our Indonesian coal mine business. Our expert team has already commenced construction works in relation to the coal mines in Indonesia and has been providing small group instruction and training in respect of, among others, the Group's vision, core values, and occupational safety to our local frontline staff.

While actively expanding our coal business in Indonesia, the Group is committed to giving back to society. In the second half of the year, we will continue to provide training to our Indonesian frontline staff to help them become professional technicians, provide the locals with employment opportunities, and help to build the local community.

## **AUDIT COMMITTEE**

An audit committee was established by the Board on 12 June 2009 with written terms of reference in compliance with the Corporate Governance 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"). 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 interim financial statements for the six months ended 30 June 2022.

## **CORPORATE GOVERNANCE**

The Company has complied with the applicable code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2022.

## **EMPLOYEES AND REMUNERATION**

As at 30 June 2022, the Group employed 2,945 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 labor 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 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.

### **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

During the six months ended 30 June 2022, 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](http://www.qinfagroup.com)) and the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)). The interim report for the six months ended 30 June 2022 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 Qifa Group Limited**  
**XU Da**  
*Chairman*

Guangzhou, 29 August 2022

*As at the date of this announcement, the Board comprises Mr. XU Da, Mr. BAI Tao and Mr. TAN Yingzhong as the executive Directors, and Mr. LAU Sik Yuen, Prof. SHA Zhenquan and Mr. JING Dacheng as the independent non-executive Directors.*