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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)*

**(Stock code: 00866)**

**FINAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

The Directors refer to the profit warning announcement of the Company dated 1 March 2019 and set forth below the final results of the Group for the year ended 31 December 2018:

- Revenue was RMB3,652.9 million in 2018, representing an increase of 21.5% from RMB3,005.7 million in 2017.
- Coal handling and trading volume and commercial coal production volume in 2018 were approximately 10.17 million tonnes and 4.47 million tonnes respectively, representing an increase of 44.0% and 3.4% as compared to 2017.
- Gross profit margin in 2018 was 10.7%. As compared with gross profit margin of 22.8% in 2017, the gross profit margin decrease was mainly due to increase in depreciation and amortisation arising from the reversal of impairment losses on property, plant and equipment and coal mining rights.
- Profit attributable to equity shareholders of the Company for the year decreased to RMB1,504.5 million in 2018, as compared with profit attributable to equity shareholders of the Company of RMB3,158.3 million in 2017.
- Basic earnings per share of the Company was RMB60 cents in 2018, representing a decrease of RMB66 cents as compared with basic earnings per share of RMB126 cents in 2017.
- Diluted earnings per share of the Company was RMB58 cents in 2018, representing a decrease of RMB63 cents as compared with diluted earnings per share of RMB121 cents in 2017.

The Board does not recommend the payment of final dividends for the year 2018.

The board (the “**Board**”) of directors (the “**Directors**”) of China Qinfafa Group Limited (the “**Company**”) is pleased to announce the annual consolidated results and financial position of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2018 with comparative figures for the year ended 31 December 2017 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
<b>Revenue</b>	5	<b>3,652,869</b>	3,005,671
Cost of sales		<u>(3,262,195)</u>	<u>(2,319,043)</u>
<b>Gross profit</b>		<b>390,674</b>	686,628
Other income, gains and losses	6	<b>1,956,977</b>	195,771
Distribution expenses		<b>(60,472)</b>	(51,908)
Administrative expenses		<b>(260,630)</b>	(178,989)
Reversal of impairment losses on property, plant and equipment, net		<b>81,892</b>	2,087,848
Reversal of impairment losses on coal mining rights (Impairment losses)/reversal of impairment losses on trade receivables, net		<b>–</b>	2,206,456
(Impairment losses)/reversal of impairment losses on prepayments and other receivables, net		<b>(34,897)</b>	147,436
Other expenses		<b>(3,614)</b>	6,409
		<u>(45,730)</u>	<u>(34,498)</u>
<b>Results from operating activities</b>		<b>2,024,200</b>	5,065,153
Finance income		<b>49</b>	205
Finance costs		<b>(265,167)</b>	(378,917)
<b>Net finance costs</b>	7	<b>(265,118)</b>	(378,712)
<b>Profit before taxation</b>	8	<b>1,759,082</b>	4,686,441
Income tax expense	9	<b>(75,614)</b>	(962,091)
<b>Profit for the year</b>		<b>1,683,468</b>	3,724,350

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

*For the year ended 31 December 2018*

	<i>Note</i>	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Other comprehensive income/(expenses)</b>			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		<b>10,147</b>	(13,822)
Item that was reclassified to profit or loss:			
Foreign currency translation differences reclassified to profit or loss upon disposal of subsidiaries		<u>—</u>	<u>(180)</u>
<b>Other comprehensive income/(expenses) for the year, net of tax</b>		<u><b>10,147</b></u>	<u>(14,002)</u>
<b>Total comprehensive income for the year</b>		<u><b>1,693,615</b></u>	<u>3,710,348</u>
<b>Profit for the year attributable to:</b>			
Equity shareholders of the Company		<b>1,504,509</b>	3,158,349
Non-controlling interests		<u><b>178,959</b></u>	<u>566,001</u>
<b>Profit for the year</b>		<u><b>1,683,468</b></u>	<u>3,724,350</u>
<b>Total comprehensive income for the year attributable to:</b>			
Equity shareholders of the Company		<b>1,514,656</b>	3,144,347
Non-controlling interests		<u><b>178,959</b></u>	<u>566,001</u>
<b>Total comprehensive income for the year</b>		<u><b>1,693,615</b></u>	<u>3,710,348</u>
<b>Earnings per share attributable to the equity shareholders of the Company during the year</b>	<i>10</i>		
Basic earnings per share		<b>RMB60 cents</b>	RMB126 cents
Diluted earnings per share		<u><b>RMB58 cents</b></u>	<u>RMB121 cents</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	<i>Notes</i>	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		4,793,147	4,683,766
Coal mining rights		4,250,347	4,417,366
Lease prepayments		4,793	4,933
Interest in an associate		—	—
		<u>9,048,287</u>	<u>9,106,065</u>
<b>Current assets</b>			
Inventories		61,850	99,155
Trade and bills receivables	12	313,728	782,884
Prepayments and other receivables		335,181	229,495
Pledged and restricted deposits		43	294
Cash and cash equivalents		115,680	80,349
		<u>826,482</u>	<u>1,192,177</u>
<b>Current liabilities</b>			
Trade payables	13	(562,454)	(949,950)
Other payables and contract liabilities		(2,647,970)	(2,765,989)
Borrowings	14	(1,987,770)	(6,045,885)
Tax payable		(275,298)	(282,638)
		<u>(5,473,492)</u>	<u>(10,044,462)</u>
<b>Net current liabilities</b>		<u>(4,647,010)</u>	<u>(8,852,285)</u>
<b>Total assets less current liabilities</b>		<u>4,401,277</u>	<u>253,780</u>
<b>Non-current liabilities</b>			
Other payables		(47,155)	(174,603)
Accrued reclamation obligations		(114,465)	(105,280)
Borrowings	14	(2,505,622)	—
Deferred taxation		(1,251,189)	(1,178,514)
		<u>(3,918,431)</u>	<u>(1,458,397)</u>
<b>Net assets/(liabilities)</b>		<u>482,846</u>	<u>(1,204,617)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2018

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
<b>Capital and reserves</b>		
Share capital	<b>211,224</b>	211,224
Perpetual subordinated convertible securities	<b>156,931</b>	156,931
Deficit	<u><b>(793,627)</b></u>	<u>(2,302,131)</u>
<b>Total deficit attributable to equity shareholders of the Company</b>	<b>(425,472)</b>	(1,933,976)
<b>Non-controlling interests</b>	<u><b>908,318</b></u>	<u>729,359</u>
<b>Total equity/(deficit)</b>	<u><b>482,846</b></u>	<u>(1,204,617)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2018

### 1. GENERAL

China Qinfu 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 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 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 CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018, the Group’s current liabilities exceed its current assets by approximately RMB4,647,010,000 (2017: RMB8,852,285,000). As at 31 December 2018, borrowings and accrued interest amounting to approximately RMB750,362,000 and approximately RMB194,472,000 respectively (2017: RMB2,805,712,000 and RMB435,551,000 respectively) that have been past due and due for immediate payment were not renewed or rolled over upon maturity. Besides, certain borrowings of approximately RMB260,100,000 as at 31 December 2018 (2017: RMB1,499,842,000) in total which are subject to cross default clauses that the lenders could required 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) have been classified as current liabilities at the end of the reporting period.

As at the date when the consolidated financial statements are authorised for issue, the Group has not obtained waivers from the relevant banks on these cross default clauses, and the banks have not taken any action against the Group to demand immediate repayment except for as disclosed in note 15(a)(i). In addition, as at 31 December 2018, there were several pending litigations mainly requesting repayment of long outstanding payables with interest against the Group, as set out in note 15(a). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

The consolidated financial statements have been prepared on the assumptions that the Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 31 December 2018 and subsequently thereto up to the date when the 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 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) The Group is maximising its sales efforts including seeking long term orders from power plants and coal trading companies in the PRC with a view to improving operating cash flows. Considering 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;
- (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; and
- (iv) For borrowings which will be maturing before 31 December 2019, 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.

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 2018. Accordingly, the consolidated financial statements of the Group have been prepared on the going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the 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 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 IFRSs and amendments to IFRSs issued by International Accounting Standard Board (“IASB”) that are relevant to the Group for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration

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

#### 3.1 IFRS 9 “Financial Instruments”

In the current year, the Group has applied IFRS 9 “Financial Instruments” and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and 2) expected credit losses (“ECL”) for financial assets.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application of IFRS 9) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 “Financial Instruments: Recognition and Measurement”.



## *Summary of effects arising from initial application of IFRS 9*

### (a) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. Except for those which had been determined as credit impaired, trade receivables are grouped based on past due analysis.

ECL for other financial assets at amortised cost, including other receivables, pledged and restricted deposits and cash and cash equivalents, are assessed on 12-month ECL (“**12m ECL**”) basis as the Group concluded that there had been no significant increase in credit risk since initial recognition.

For outstanding financial guarantee provided to an associate of the Group, the Group considers that there has been no significant increase in credit risk since initial recognition and hence the loss allowance is assessed on 12m ECL basis. In the opinion of the directors of the Company, the amounts of the loss allowance determined as at 1 January 2018 and 31 December 2018 are immaterial.

As at 1 January 2018, additional credit loss allowance of approximately RMB6,152,000 has been recognised against accumulated losses. The additional loss allowance is charged against the trade receivables.

The loss allowance of trade receivables as at 31 December 2017 reconciled to the opening loss allowance as at 1 January 2018 are as follows:

	<i>RMB'000</i>
At 31 December 2017 under IAS 39	251,347
Additional credit loss recognised on trade receivables	<u>6,152</u>
At 1 January 2018 under IFRS 9	<u><u>257,499</u></u>

The management of the Group considered that there was no material impact on the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018. In addition, the credit losses calculated pursuant to the new requirements under IFRS 9 are not significantly different from the amount recognised under the Group’s current practices for assessing impairment on the Group’s financial assets except for trade and bills receivables at the date of initial application.

### **3.2 IFRS 15 “Revenue from Contracts with Customers”**

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 “Revenue”, IAS 11 “Construction Contracts” and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- sales of coal
- charter hire income

*Summary of effects arising from initial application of IFRS 15*

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017 <i>RMB'000</i>	Reclassification <i>RMB'000</i>	<b>Carrying amounts under IFRS 15 at 1 January 2018 <i>RMB'000</i></b>
<b>Current liabilities</b>			
Other payables and contract liabilities			
Receipt in advance from customers	29,559	(12,298)	<b>17,261</b>
Contract liabilities	–	12,298	<b>12,298</b>

As at 1 January 2018, receipt in advance from customers of RMB12,298,000 previously included in other payables were reclassified to contract liabilities which are also included in other payables and contract liabilities.

The application of IFRS 15 has had no material impact on the Group's accumulated losses as at 1 January 2018.

### 3.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position as at 1 January 2018 had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	At 31 December 2017 <i>RMB'000</i>	Impact of application of IFRS 9 <i>RMB'000</i>	Impact of application of IFRS 15 <i>RMB'000</i>	At 1 January 2018 <i>RMB'000</i>
Trade and bills receivables	782,884	(6,152)	–	<b>776,732</b>
<b>Current assets</b>	<b>1,192,177</b>	<b>(6,152)</b>	<b>–</b>	<b>1,186,025</b>
Other payables and contract liabilities				
– Receipts in advance from customers	29,559	–	(12,298)	<b>17,261</b>
– Contract liabilities	–	–	12,298	<b>12,298</b>
<b>Current liabilities</b>	<b>(10,044,462)</b>	<b>–</b>	<b>–</b>	<b>(10,044,462)</b>
<b>Net current liabilities</b>	<b>(8,852,285)</b>	<b>(6,152)</b>	<b>–</b>	<b>(8,858,437)</b>
<b>Total assets less current liabilities</b>	<b>253,780</b>	<b>(6,152)</b>	<b>–</b>	<b>247,628</b>
<b>Net liabilities</b>	<b>(1,204,617)</b>	<b>(6,152)</b>	<b>–</b>	<b>(1,210,769)</b>
Deficit	(2,302,131)	(6,152)	–	<b>(2,308,283)</b>
<b>Total deficit attributable to equity shareholders of the Company</b>	<b>(1,933,976)</b>	<b>(6,152)</b>	<b>–</b>	<b>(1,940,128)</b>
<b>Total deficit</b>	<b><u>(1,204,617)</u></b>	<b><u>(6,152)</u></b>	<b><u>–</u></b>	<b><u>(1,210,769)</u></b>

#### 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: Coal mining, purchases and sales, filtering, storage and blending of coal in the PRC.
- Shipping transportation: Time charter and voyage charter of vessels.

These strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chief Executive Officer (the "CEO") reviews internal management reports on a monthly basis.

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

- The measure used for reporting segment profit is adjusted profit before net finance costs and income tax expense. 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, lease prepayments, interest in an associate and current assets with the exception of other 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 sales generated by those segments and the expenses incurred by those segments.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

	Coal business		Shipping transportation		Total	
	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Revenue from external customers	3,482,441	2,857,163	170,428	148,508	3,652,869	3,005,671
Inter-segment revenue	<u>-</u>	<u>-</u>	<u>14,774</u>	<u>20,130</u>	<u>14,774</u>	<u>20,130</u>
<b>Reportable segment revenue</b>	<b><u>3,482,441</u></b>	<b><u>2,857,163</u></b>	<b><u>185,202</u></b>	<b><u>168,638</u></b>	<b><u>3,667,643</u></b>	<b><u>3,025,801</u></b>
<b>Reportable segment profit before taxation</b>	<b>109,811</b>	5,036,222	<b>20,522</b>	40,811	<b>130,333</b>	5,077,033
Depreciation and amortisation	416,302	221,964	14,407	19,404	430,709	241,368
Impairment losses/(Reversal of impairment losses) on property, plant and equipment, net	(108,176)	(2,087,848)	26,284	-	(81,892)	(2,087,848)
Net gain on disposal of property, plant and equipment	(3,537)	(1,454)	(11,144)	-	(14,681)	(1,454)
Reversal of impairment losses on coal mining rights	-	(2,206,456)	-	-	-	(2,206,456)
Impairment losses/(Reversal of impairment losses) on trade receivables, net	34,491	(147,436)	406	-	34,897	(147,436)
Impairment losses/(Reversal of impairment losses) on prepayments and other receivables, net	3,614	(6,409)	-	-	3,614	(6,409)
Recovery of other receivables previously written off	(11,908)	-	-	-	(11,908)	-
Recovery of bad debts previously written off	-	(8,403)	-	-	-	(8,403)
Wavier of management fee payables and safety supervision fee payables	<u>-</u>	<u>(160,753)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(160,753)</u>
Additions to property, plant and equipment	392,548	164,753	322	310	392,870	165,063
<b>Reportable segment assets</b>	<b><u>10,114,474</u></b>	<b><u>10,413,230</u></b>	<b><u>307,667</u></b>	<b><u>434,901</u></b>	<b><u>10,422,141</u></b>	<b><u>10,848,131</u></b>
<b>Reportable segment liabilities</b>	<b><u>(8,187,828)</u></b>	<b><u>(10,417,611)</u></b>	<b><u>(812,935)</u></b>	<b><u>(927,113)</u></b>	<b><u>(9,000,763)</u></b>	<b><u>(11,344,724)</u></b>

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

*Revenue*

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Total of reportable segments revenue	3,667,643	3,025,801
Elimination of inter-segment revenue	<u>(14,774)</u>	<u>(20,130)</u>
Consolidated revenue	<u><u>3,652,869</u></u>	<u><u>3,005,671</u></u>

*Profit before taxation*

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Total of reportable segments profit before taxation	130,333	5,077,033
Unallocated other income	1,904,853	–
Unallocated head office and corporate expenses	(10,986)	(11,880)
Net finance costs	<u>(265,118)</u>	<u>(378,712)</u>
Consolidated profit before taxation	<u><u>1,759,082</u></u>	<u><u>4,686,441</u></u>

*Assets*

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Total of reportable segments assets	10,422,141	10,848,131
Elimination of inter-segment receivables	(617,893)	(611,511)
Unallocated assets	<u>70,521</u>	<u>61,622</u>
Consolidated total assets	<u><u>9,874,769</u></u>	<u><u>10,298,242</u></u>

*Liabilities*

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Total of reportable segments liabilities	9,000,763	11,344,724
Elimination of inter-segment payables	(1,144,464)	(1,308,551)
Tax payable	275,298	282,638
Deferred taxation	1,251,189	1,178,514
Unallocated liabilities	<u>9,137</u>	<u>5,534</u>
Consolidated total liabilities	<u><u>9,391,923</u></u>	<u><u>11,502,859</u></u>

(c) **Geographic information**

As at 31 December 2018, 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*

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
PRC	<b>3,610,638</b>	2,927,911
Other countries	<u><b>42,231</b></u>	<u>77,760</u>
Total	<u><b>3,652,869</b></u>	<u>3,005,671</u>

(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:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Customer A	<b>727,014</b>	N/A*
Customer B	<b>429,200</b>	360,310
Customer C	<b>388,511</b>	N/A*
Customer D	<u><b>N/A*</b></u>	<u>320,011</u>

\* 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:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Sales of coal	3,482,441	2,857,163
Charter hire income	<u>170,428</u>	<u>148,508</u>
	<u><b>3,652,869</b></u>	<u><b>3,005,671</b></u>

Revenue from contracts with customers for sales of coal are recognised at a point in time, while revenue from contracts with customers for charter hire income are recognised over time.

The performance obligation is a part of a contract that has an original expected duration of one year or less.

## 6. OTHER INCOME, GAINS AND LOSSES

	<i>Note</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Foreign exchange gain/(loss), net		6,870	(5,052)
Gain on the extinguishment of borrowings ( <i>note 14</i> )	(i)	1,904,853	–
Net gain on disposal of property, plant and equipment		14,681	1,454
Sublease income		331	297
Recovery of other receivables previously written off		11,908	–
Government subsidies		–	30,352
Recovery of bad debts previously written off		–	8,403
Waiver of management fee payables and safety supervision fee payables		–	160,753
Net losses on disposal of subsidiaries		–	(3,025)
Others		<u>18,334</u>	<u>2,589</u>
		<u><b>1,956,977</b></u>	<u><b>195,771</b></u>

*Note:*

- (i) During the year ended 31 December 2018, the Group entered into a legally binding settlement agreement (“**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 (2017: nil). Detail of the loan restructuring is disclosed in note 14.



## 7. NET FINANCE COSTS

	<b>2018</b>	2017
	<b>RMB'000</b>	<b>RMB'000</b>
Interest income	(49)	(205)
Interest on borrowings	<b>205,412</b>	338,742
Penalty interest on overdue borrowings	<b>20,058</b>	53,116
Interest charge on unwinding of discounts ( <i>note (ii)</i> )	<b>78,608</b>	8,822
Less: interest capitalised into property, plant and equipment ( <i>note (i)</i> )	<b>(38,911)</b>	(21,763)
Finance costs	<b>265,167</b>	378,917
Net finance costs	<b>265,118</b>	378,712

### Notes:

- (i) The finance costs have been capitalised at a rate of 6.66% (2017: 6.63%) per annum.
- (ii) This item represents the unwinding of discount for the following liabilities using the effective interest rate:

	<b>2018</b>	2017
	<b>RMB'000</b>	<b>RMB'000</b>
Borrowings	<b>69,423</b>	–
Accrued reclamation obligations	<b>9,185</b>	8,822
	<b>78,608</b>	8,822

## 8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Cost of inventories ( <i>Note</i> )	3,187,954	2,208,013
Minimum lease payments under operating lease:		
– properties	3,541	2,452
– vessels	60,734	43,283
Depreciation of property, plant and equipment	263,550	159,589
Amortisation of coal mining rights (included in cost of sales)	167,019	81,678
Amortisation of lease prepayments (included in administrative expenses)	140	140
Property, plant and equipment written-off	6,886	5,318
Auditor's remuneration		
– audit services	2,156	1,972
– non-audit services	700	700
Employee benefit expenses (excluding directors' and chief executive's remuneration)		
– Salaries, allowances and benefits in kind	377,524	334,717
– Contributions to retirement benefit schemes	26,383	13,303
– Share-based payments	–	973
	<u>403,907</u>	<u>348,993</u>

*Note:* Cost of inventories included approximately RMB622,339,000 (2017: RMB421,379,000) 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 consolidated statement of comprehensive income represents:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Current tax expense		
– PRC Corporate Income Tax	47,107	7,945
– Overprovision of PRC Corporate Income Tax in prior years	(44,168)	(18,695)
	2,939	(10,750)
Deferred tax	<u>72,675</u>	<u>972,841</u>
Income tax expense	<u>75,614</u>	<u>962,091</u>

*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 (2017: 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 (2017: nil).
- (iii) Provision for the PRC Corporate Income Tax was based on the statutory rate of 25% (2017: 25%) of the assessable profits of subsidiaries which carried on businesses in the PRC.

## 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 2018 and 2017 respectively are based on the following data:

	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>
Profit for the year attributable to equity shareholders of the Company	1,504,509	3,158,349
Less: Distribution relating to perpetual subordinated convertible securities classified as equity	<u>(4,966)</u>	<u>(5,024)</u>
Profit for the year attributable to ordinary equity shareholders of the Company used in calculating basic earnings per share	<u>1,499,543</u>	<u>3,153,325</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>2,493,413,985</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 years ended 31 December 2018 and 2017 respectively are based on the following data:

	<b>2018</b> <i>RMB'000</i>	2017 <i>RMB'000</i>
Profit for the year attributable to ordinary equity shareholders of the Company used in calculating basic earnings per share	<b>1,499,543</b>	3,153,325
Add: Distribution saving relating to perpetual subordinated convertible securities classified as equity	<u><b>4,966</b></u>	<u>5,024</u>
Adjusted profit for the year attributable to ordinary equity shareholders of the Company used in calculating diluted earnings per share	<u><b>1,504,509</b></u>	<u>3,158,349</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,493,413,985</b>	2,493,413,985
Adjustments for calculation of diluted earnings per share:		
Perpetual subordinated convertible securities	<u><b>118,000,000</b></u>	<u>118,000,000</u>
Adjusted weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>2,611,413,985</b></u>	<u>2,611,413,985</u>

For the year ended 31 December 2018 and 2017, the computation of diluted earnings per share has not assume the exercise 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 years ended 31 December 2018 and 2017.

## 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 2018 (2017: nil).

## 12. TRADE AND BILLS RECEIVABLES

	<b>31 December 2018 RMB'000</b>	<b>1 January 2018 RMB'000</b>	31 December 2017 RMB'000
Trade and bills receivables	567,462	1,034,231	1,034,231
Less: allowance for credit loss	<u>(253,734)</u>	<u>(257,499)</u>	<u>(251,347)</u>
	<b><u>313,728</u></b>	<b><u>776,732</u></b>	<b><u>782,884</u></b>

Upon the adoption of IFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade and bills receivable (see note 3.1).

### Ageing analysis

All of the trade and bills receivables are expected by the Group's management to be recovered within one year from the end of the reporting period.

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

	<b>2018 RMB'000</b>	2017 RMB'000
Within 2 months	126,600	339,148
Over 2 months but within 6 months	3,755	350,501
Over 6 months but within 1 year	2,326	1,610
Over 1 year but within 2 years	56,695	3,509
Over 2 years	<u>124,352</u>	<u>88,116</u>
	<b><u>313,728</u></b>	<b><u>782,884</u></b>

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

Credit terms granted to customers mainly range from 0 to 60 days (2017: 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 is as follows:

	<b>2018 RMB'000</b>	2017 RMB'000
Within 1 year	31,519	295,919
Over 1 year but within 2 years	3	345,694
Over 2 years	<u>530,932</u>	<u>308,337</u>
	<b><u>562,454</u></b>	<b><u>949,950</u></b>

## 14. BORROWINGS

	<i>Notes</i>	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
Bank loans			
– Secured	<i>(i)</i>	<b>296,033</b>	788,825
– Unsecured	<i>(ii)</i>	<b>961,370</b>	<u>1,017,222</u>
		<b>1,257,403</b>	1,806,047
Other borrowings	<i>(iii)</i>	<b>3,235,989</b>	<u>4,239,838</u>
Total borrowings		<b><u>4,493,392</u></b>	<b><u>6,045,885</u></b>

### *Notes:*

- (i) Secured bank loans bear interest at rates ranging from 4.35% to 6.72% (2017: 4.35% to 7.28%) per annum as at 31 December 2018.
- (ii) Unsecured bank loans bear interest at rates ranging from 4.75% to 7.00% (2017: 4.35% to 7.20%) per annum as at 31 December 2018.
- (iii) Other borrowings bear interest at rates ranging from 4.86% to 7.28% (2017: 4.75% to 7.01%) per annum as at 31 December 2018.

As at 31 December 2018, borrowings of the Group were repayable as follows:

	<b>2018</b> <b>RMB'000</b>	2017 <i>RMB'000</i>
Within 1 year or on demand	<b>1,987,770</b>	6,045,885
Over 1 year but within 2 years	<b>332,774</b>	–
Over 2 years but within 5 years	<b>2,172,848</b>	–
	<b>2,505,622</b>	–
	<b><u>4,493,392</u></b>	<b><u>6,045,885</u></b>

Bank loans amounting to approximately RMB260,100,000 (2017: RMB1,499,842,000) in aggregate due for repayment after one year which contain cross default clauses that demands immediate repayment when there is default in any bank loans repayment had become repayable on demand and hence are classified as current liabilities.

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

	<b>2018</b>	2017
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 1 year or on demand	<b>1,727,670</b>	4,546,043
Over 1 year but within 2 years	<b>524,274</b>	1,352,342
Over 2 years but within 5 years	<b><u>2,241,448</u></b>	<u>147,500</u>
	<b><u>4,493,392</u></b>	<u>6,045,885</u>

Interest payables on the borrowings are included in other payables.

As at 31 December 2018, a secured bank loan and other borrowings of approximately RMB148,534,000 (2017: RMB641,326,000) and RMB601,828,000 (2017: RMB2,164,386,000) respectively, that have been past due and due for immediate payment were not renewed or rolled over upon maturity. These borrowings carried interest at rates ranging from 4.86% to 7.28% (2017: 4.75% to 6.83%) per annum. These borrowings are secured by coal mining rights and property, plant and equipment with a carrying amount of approximately RMB528,104,000 and RMB120,827,000 as at 31 December 2018 respectively (2017: Coal mining rights, property, plant and equipment and inventories with RMB1,392,654,000, RMB221,627,000 and RMB2,896,000 respectively).

The above-mentioned borrowings are also secured by 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 Chongsheng Coal, Xinglong Coal, Hongyuan Coal, Super Grace and Oriental Wise and guaranteed by the Company, certain subsidiaries of the Company, related parties and Mr. Xu, the controlling shareholder. In addition, no bank deposit (2017: RMB171,000) was restricted for use as a result of the bank borrowings were not renewed or rolled over upon maturity.

During the year ended 31 December 2017, several banks assigned their bank loans due from the Group amounting to approximately RMB4,239,838,000 interest and penalty interest due from the Group amounting to approximately RMB490,089,000 to an asset management companies in the PRC.

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.

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 in the event of default. The directors of the Company are of the opinion that there is no event of default as at the end of the reporting period.

During the year ended 31 December 2018, certain banks assigned their bank loans, interests and penalty interests due from the Group amounting to approximately RMB543,314,000 in total and RMB112,023,000 in total to certain asset management companies in the PRC. The Group is still in the process of negotiating with the asset management companies to renew the terms of the loans assigned.

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

	<b>2018</b>	2017
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Property, plant and equipment	<b>1,167,451</b>	1,373,638
Coal mining rights	<b>4,250,347</b>	4,417,366
Inventories	<b><u>34,543</u></b>	<u>2,896</u>

As at 31 December 2018 and 2017, 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 Pearl's 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, Super Grace and Oriental Wise. As at 31 December 2018, total borrowings of approximately RMB4,493,692,000 (2017: RMB6,045,885,000) 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 default of repayment of bank borrowings*

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

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



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

In 2017, two banks filed lawsuit in Zhuhai Municipal Intermediate People's Court against the Group to demand immediate repayment of the bank borrowings of approximately RMB210,771,000 and interest charges of approximately RMB11,110,000 respectively. The principal of approximately RMB210,771,000 and respective interest charges of approximately RMB11,110,000 had already been recognised as borrowings and accrued expenses included in other payables respectively in the consolidated statement of financial position as at 31 December 2017. Pursuant to the judgement by Shenzhen Court of International Arbitration dated 28 June 2018, the Group was ordered to make immediate repayment of bank borrowings of approximately RMB62,970,000 and interest charges of approximately RMB2,700,000 due to one of the banks. Pursuant to the judgment issued by Zhuhai Principal Intermediate People's Court dated 7 July 2018, the other bank withdrawn the lawsuit. Accordingly, such litigation claim was released.

Up to the date when the consolidated financial statements are authorised for issue, the remaining litigation claims are still in progress. The Group is still in the progress of negotiating with the four banks to renew its loans outstanding.

(ii) ***Litigation claim relating to the performance of the contract execution between Beijing Zhongkuang Wantong Technology Development Company Limited (Beijing Zhongkuang) and Huameiao Energy and Hongyuan Coal***

During the year ended 31 December 2017, there was a litigation claim initiated by Beijing Zhongkuang against the Group to demand immediate repayment of overdue payable in relation to production of coal and maintenance of coal mining system with an aggregate amount of approximately RMB10,547,000 and late penalty charges of approximately RMB2,084,000. The amount of approximately RMB10,547,000 had already been recognised as payable to this supplier included in other payables in the consolidated statement of financial position as at 31 December 2017.

Pursuant to the judgement of the Shenchu County Peoples Court dated 20 December 2017, the Group was ordered to make immediate repayment of payable to Beijing Zhongkuang, with additional late penalty charges of approximately RMB2,084,000. As a result of the foregoing, the Group further recognised the late penalty charges of approximately RMB2,084,000 in the consolidated financial statements for the year ended 31 December 2017. Subsequently, the Group appealed to Shanxi Provincial High Peoples Court. Pursuant to the judgement of the Shanxi Provincial Xinzhou Municipal Intermediate People's Court date 16 April 2018, the Group was ordered to make immediate repayment of payable to Beijing Zhongkuang, with additional corresponding legal costs. As a result of the foregoing, the Group further recognised the corresponding legal costs of approximately RMB149,000 in the consolidated financial statements for the year ended 31 December 2018.

In the opinion of the directors of the Company, no further provision for this litigation claim was required to be made in the consolidated financial statements for the year ended 31 December 2018.

**(iii) *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 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 when the consolidated financial statements are authorised for issue, these litigation claims are still in progress.

As at 31 December 2018, the directors of the Company are of the opinion that the provision for the above litigation is sufficient in the consolidated statement of financial position as at 31 December 2018.

**(iv) *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 Xinglong Coal and Hongyuan Coal***

During the year ended 31 December 2016, there was a litigation claim initiated by Yu Lin Zhong Kuang against the Group to demand immediate repayment of overdue payable in relation to construction of coal mining infrastructure. The amount of approximately RMB101,323,000 had already been recognised as payable to this supplier included in other payables in the consolidated statement of financial position as at 31 December 2016.

Pursuant to the judgement issued by Shanxi Provincial Xinzhou City Intermediate People’s Court dated 9 January 2017, the Group was ordered to make immediate repayment of payable of approximately RMB130,769,000, which including the aforesaid payable to this supplier of approximately RMB101,323,000 and late penalty charges of approximately RMB16,345,000 and interest of approximately RMB13,101,000. As a result of the foregoing, the Group further recognised the late penalty charges of approximately RMB16,345,000 and interest of approximately RMB13,101,000 in the consolidated financial statements for the year ended 31 December 2016.

On 22 February 2017, the Group appealed to Shanxi Provincial High People’s Court. Pursuant to the judgement dated 21 July 2017, Shanxi Provincial High People’s Court concluded that in the absence of reliable evidence on the valuation of construction work performed by the plaintiff, the original judgement was overturned and a retrial was ordered. Up to the date when the consolidated financial statements are authorised for issue, the retrial has yet been arranged. In the opinion of the directors of the Company, no further provision for these litigation claims was required to be made in the consolidated statement of financial position as at 31 December 2018.

Other than the disclosure of above, as at 31 December 2018, 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 2018, 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 2018 under the guarantees issued is approximately RMB637,710,000 (2017: RMB656,832,000).

**(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 noted 14.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group is a leading non-state owned thermal coal supplier in China, and it operates an integrated coal supply chain, including coal mining, purchase and sales, filtering, storage, blending of coal in the PRC and shipping transportation business. During the year ended 31 December 2018, the Group continued to focus on these business activities and expanded its integrated coal supply chain through upward vertical integration.

### **BUSINESS REVIEW**

Looking back at 2018, the coal business maintained steady and positive growth momentum with relatively stable coal price. The Company captured the prevailing favourable environment and expanded its business.

#### **Expansion of Coal Trading Business to Inner Mongolia**

In the first quarter of 2018, the Company acquired Ordos Lianhang Trading Limited and expanded its coal trading business to Inner Mongolia, the PRC. In addition, it successfully expanded the procurement channel in Inner Mongolia and re-sell coal to other state-owned energy companies to achieve a highly integrated and comprehensive coal supply chain from production, transportation to sales. Apart from Inner Mongolia, the Company continued to procure coal from other cities locally and abroad.

Against the backdrop of shifting state policy from “total capacity reduction” to “structural capacity reduction and system-based capacity optimisation”, coal supply in the PRC gradually tightened and caused a gap in the coal supply in some cities in the PRC. The Company seized the opportunities arising from increasing market demand for imported coal and maintained a relatively high level of foreign trade during the year. At the same time, leverage on the fast growing foreign trade, the Group’s market share of quality coal capacity in the PRC was expanded.

#### **Asset Optimisation and Liabilities Reduction**

After careful consideration, to maximise the interest of shareholders, the Company sold a vessel named MV “Oriental Wise” built in 2011 to an independent third party in 2018 and the net proceeds amounted to RMB113 million. The purpose of the disposal was to reduce operating costs, effectively utilise various resources and strengthen the Group’s cash flow with a view to achieving a sound financial position.

#### **Debt Restructuring**

As set out in the announcement of the Company dated 9 August 2018, the Group and a current creditor reached a loan restructuring proposal for the repayment of the original debt.

## Implementation of Financial Budget and Optimisation of Internal Control System

During the year, the Company upgraded the accounting system and internal information system, and established a target cost management system. The optimised financial statements made the daily accounting work of the management of the Company and various department heads more convenient, while enhancing the work efficiency of employees and the transparency of the internal governance of the Company.

As of 31 December 2018, the Group owned and operated five coal mines in the PRC. The table sets forth certain information about these coal mines.

	<b>Location</b>	<b>Ownership</b>	<b>Site area</b> <i>(sq. km)</i>	<b>Production capacity</b> <i>(million tonnes)</i>	<b>Operation status</b>
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 operation

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
<b>Reserves</b>						
Reserves as of 1 January 2018 (Mt)						
– Proven reserves	59.94	14.53	27.20	22.49	30.16	154.32
– Probable reserves	12.26	27.43	19.51	9.53	1.17	69.90
Total reserves as of 1 January 2018 (Mt)	72.20	41.96	46.71	32.02	31.33	224.22
Less: Total raw coal production for the year (Mt)	(2.98)	(2.48)	(1.42)	n.a.	(0.04)	(6.92)
<b>Reserves as of 31 December 2018 (Mt)</b>	<b>69.22</b>	<b>39.48</b>	<b>45.29</b>	<b>32.02</b>	<b>31.29</b>	<b>217.30</b>
<b>Resources</b>						
Resources as of 1 January 2018 (Mt)	108.58	66.09	70.41	45.96	41.78	332.82
Less: Total raw coal production for the year (Mt)	(2.98)	(2.48)	(1.42)	n.a.	(0.04)	(6.92)
<b>Resources as of 31 December 2018 (Mt)</b>	<b>105.60</b>	<b>63.61</b>	<b>68.99</b>	<b>45.96</b>	<b>41.74</b>	<b>325.90</b>

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

	Year ended 31 December	
	2018	2017
<b>Raw coal production volume</b>	<b>( '000 tonnes)</b>	<b>( '000 tonnes)</b>
Huameiao Energy – Xingtao Coal	2,975	2,767
Huameiao Energy – Fengxi Coal	2,477	1,898
Huameiao Energy – Chongsheng Coal	1,423	1,984
Shenda Energy – Hongyuan Coal	42	–
Total	<u>6,917</u>	<u>6,649</u>

	Year ended 31 December	
	2018	2017
<b>Commercial coal production volume (Note)</b>	<b>( '000 tonnes)</b>	<b>( '000 tonnes)</b>
Huameiao Energy – Xingtao Coal	1,934	1,798
Huameiao Energy – Fengxi Coal	1,610	1,234
Huameiao Energy – Chongsheng Coal	925	1,289
Total	<u>4,469</u>	<u>4,321</u>

*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	
	2018	2017
	<b>RMB'000</b>	<b>RMB'000</b>
Materials and consumables	69,101	85,157
Staff cost	204,376	199,054
Other direct cost	43,606	44,329
Overhead and others	618,075	361,264
Evaluation fee	955	1,347
Total	<u>936,113</u>	<u>691,151</u>

## FINANCIAL REVIEW

### Revenue

	Year ended 31 December	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Coal business	3,482,441	2,857,163
Shipping transportation	<u>170,428</u>	<u>148,508</u>
	<u><b>3,652,869</b></u>	<u><b>3,005,671</b></u>

### Coal business

	Year ended 31 December	
	2018	2017
	<i>'000 tonnes</i>	<i>'000 tonnes</i>
Coal Handling and Trading Volume of Coal Business	<u><b>10,167</b></u>	<u><b>7,062</b></u>

During the year ended 31 December 2018, the volume of the Group's coal handling and trading recorded a 44% increase as compared with 2017. The coal selling prices during the year ended 31 December 2018 were in range between RMB127 per tonne and RMB597 per tonne, which were lower when compared to the range between RMB201 per tonne and RMB650 per tonne in 2017.

The average coal selling price and the average monthly coal handling and trading volume for each of the three years ended 31 December 2018 are set forth in the table below:

	Year ended 31 December		
	2018	2017	2016
Average selling price ( <i>RMB per tonne</i> )	<b>343</b>	405	287
Average monthly coal handling and trading volume ( <i>'000 tonnes</i> )	<b>847</b>	589	177



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 2018 and 2017:

	<b>Year ended 31 December</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Revenue</b>	<b>Percentage</b>	<b>Revenue</b>	<b>Percentage</b>
	<b><i>RMB'000</i></b>	<b><i>of revenue</i></b>	<b><i>RMB'000</i></b>	<b><i>of revenue</i></b>
		<b><i>% of total</i></b>		<b><i>% of total</i></b>
Power plants	<b>1,088,788</b>	<b>31.3</b>	1,641,106	57.5
Coal traders	<b>2,365,204</b>	<b>67.9</b>	1,115,412	39.0
Cement plants and others*	<b>28,449</b>	<b>0.8</b>	100,645	3.5
<b>Total</b>	<b><u>3,482,441</u></b>	<b><u>100.0</u></b>	<b><u>2,857,163</u></b>	<b><u>100.0</u></b>

\* Others mainly represented large State-owned coal suppliers.

### ***Shipping transportation***

The segment revenue for shipping transportation from external customers for the year ended 31 December 2018 was RMB170.4 million as compared with RMB148.5 million for the same period in 2017. The Group has recorded 14.8% increase in shipping transportation revenue principally because of increase in freight rates and charter hire rates during the year.

## Cost of Sales

Cost of sales of the Group in 2018 amounted to RMB3,262.2 million, representing an increase of 40.7% compared with RMB2,319.0 million in 2017. The increase was due to the increase in coal handling and trading volume during the year of 2018.

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

	Year ended 31 December	
	2018	2017
	<i>RMB million</i>	<i>RMB million</i>
Cost of coal purchased	1,450.8	898.5
Cost of coal transportation	745.3	621.1
Cost of self-produced coal	935.2	689.9
Materials, fuel, power	69.1	85.1
Staff costs	204.4	199.1
Depreciation and amortisation	418.0	222.3
Others	243.7	183.4
Total cost of sales of coal business segment	<u>3,131.3</u>	<u>2,209.5</u>

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 2018 and 2017:

	Year ended 31 December			
	2018		2017	
Origins of coal	Sales volume '000 tonnes	Revenue RMB'000	Sales volume '000 tonnes	Revenue RMB'000
China	10,112	3,469,104	6,205	2,631,073
Overseas	<u>55</u>	<u>13,337</u>	<u>857</u>	<u>226,090</u>
Total	<u>10,167</u>	<u>3,482,441</u>	<u>7,062</u>	<u>2,857,163</u>

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

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

### **Gross Profit**

The Group's gross profit was RMB390.7 million during the year ended 31 December 2018 as compared with gross profit of RMB686.6 million during the same period in 2017. Gross profit decreased mainly due to the increase in depreciation and amortisation arising from the reversal of impairment losses on property, plant and equipment and coal mining rights.

### **Other Income, Gains and Losses**

During the year ended 31 December 2018, the Group's other income, gains and losses amounted to a net gain of RMB1,957.0 million, representing an increase of approximately of RMB1,761.2 million, as compared with a net gain of RMB195.8 million in 2017. The increase in other income, gains and losses in 2018 was mainly due to the one-off gain arising from the debt deduction. Detail of the gain on the extinguishment of borrowings is disclosed in note 6.

### **Distribution Expenses**

Distribution expenses increase by 16.5% to RMB60.5 million for the year ended 31 December 2018, as compared with RMB51.9 million in 2017. The increase in distribution expenses was due to the increase in coal handling and trading volume during the year.

### **Administrative Expenses**

During the year ended 31 December 2018, the Group's administrative expenses amounted to RMB260.6 million, representing an increase of 45.6%, as compared with RMB179.0 million in 2017. The increase was mainly attributable to the increase in staff cost and the increase in the rent on coal conveying station.

### **Other Expenses**

During the year ended 31 December 2018, the Group's other expenses amounted to RMB45.7 million, representing an increase of 32.6%, as compared with RMB34.5 million in 2017. The increase was mainly attributable to increase in penalty interests on litigation.

## **Net Finance Costs**

Net finance costs of the Group in 2018 amounted to RMB265.1 million, representing a decrease of 30%, as compared with RMB378.7 million in 2017. The decrease was mainly due to the debt restructuring in 2018.

## **Profit Attributable to Equity Shareholders**

Profit attributable to equity shareholders of the Company during the year ended 31 December 2018 was RMB1,504.5 million, representing a decrease of approximately of RMB1,653.8 million as compared with profit of RMB3,158.3 million in the same period in 2017. The decrease in profit attributable to equity shareholders of the Company was mainly attributable to decrease in reversal of impairment loss on property, plant and equipment and coal mining rights.

## **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 2018, the Group recorded net current liabilities of RMB4,647.0 million (2017: RMB8,852.3 million).

The Group has taken initiative to enhance the financial flexibility by diversifying the funding bases and obtain medium term loans to replace short term loans. The Group is currently negotiating with financial institutions to renew and extend bank borrowings and consider ways to improve the Group's working capital. As of 31 December 2018, the cash and cash equivalents of the Group amounted to RMB115.7 million (2017: RMB80.3 million), representing an increase of 44.0%.

As at 31 December 2018, the total bank and other borrowings of the Group were RMB1,987.8 million (2017: RMB6,045.9 million), which were classified as current liabilities. As a result of the non-payment of loan principal and interests of RMB750.4 million and RMB194.5 million respectively, borrowings amounting to RMB260.1 million (2017: RMB1,499.8 million) due for repayment after one year which contain a cross default clause that demands immediate repayment when there is default in any bank loans repayment are classified as current liabilities. The bank and other borrowings carried interest at rates ranging from 4.35% to 7.28% (2017: 4.35% to 7.28%) per annum.

As at 31 December 2018, the Group had total banking facilities of RMB1,257.4 million (2017: RMB1,806.0 million), of which RMB1,257.4 million (2017: RMB1,806.0 million) were utilised. During the year ended 31 December 2018, several banks assigned their bank loans due from the Group amounting to RMB543.3 million to asset management companies in the PRC.

As at 31 December 2018, the Group's cash and cash equivalents, except amount of RMB10.1 million in United States dollars ("USD") and amount of RMB0.08 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 2018 was 44.3% (2017: 57.9%). The decrease in gearing ratio was mainly due to debt deduction. Detail of the gain on the extinguishment of borrowings is disclosed in note 6.

## **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 2018, the Group's assets in an aggregate amount of RMB5,469.3 million (2017: RMB5,794.0 million) in forms of property, plant and equipment, coal mining rights, lease prepayments, inventories, trade and bill receivables and bank deposits were pledged to banks for credit facilities granted to the Group.

## **CONTINGENT LIABILITIES**

Except for certain matters disclosed in the Note 15 to the consolidated financial statements in this announcement, the Group did not have any material contingent liabilities as at 31 December 2018.

## **FINAL DIVIDEND FOR THE YEAR ENDED 31 DECEMBER 2018**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

## **EMPLOYEES AND REMUNERATION**

As of 31 December 2018, the Group employed 2,237 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, as disclosed in the prospectus of the Company dated 19 June 2009, the Company adopted a pre-IPO share option scheme and a post-IPO share option scheme in June 2009 to incentivise and retain staff members who have made contribution to the success of the Group. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices. The Company has terminated the 2009 Share Option Scheme and adopted a new Share Option Scheme pursuant to a resolution passed by the Shareholders at the general meeting on 27 June 2018.

## **BUSINESS OUTLOOK**

Looking ahead, the Company will focus on capacity expansion as its work focus under the state's policy framework of the Belt and Road Initiative and enter the fast-growing coal market in Indonesia. Coupled with effective marketing strategies, we expect the core businesses of the Company such as coal business and shipping transportation business will continue to improve in the coming year.

As to overseas coal market, the Company will set up a branch company in Indonesia in the coming year to explore the possibility of new development there and actively invest in the development of high calorie thermal coal. Indonesia is currently one of the major suppliers of the world's thermal coal. Based on the estimates, the thermal coal supply in Indonesia will continue to grow in the future. While the prevailing economic conditions in Indonesia remain positive, the Company endeavours to boost its development overseas by seeking out opportunities on investing in local mines, acquiring quality coal mines and exporting the techniques and management of well exploitation with a view to enhancing the Group's profitability.

In addition, as the production efficiency of Huameiao Energy improves this year, the positive impact will increase the production and therefore volume of coal production is expected to increase in the coming year. At the same time, we will closely monitor the production costs and step up efforts to enhance the level of safety management. We will fully commit ourselves to achieving the coal trading volume and production volume targets in the coming year to secure the earnings next year.

As the Group has stepped up the investment in the infrastructure of Hongyuan Coal Mine over the past two years, such mine has significantly improved its production capacity and is targeted to gradually resume production starting from the second half of 2019. In addition, as Hongyuan Coal Mine and Xinglong Coal Mine are close in terms of geographical location, the Company is in active communication with the local government to explore the possibility of merger between Hongyuan Coal Mine and Xinglong Coal Mine so that Xinglong Coal Mine can capitalise on Hongyuan Coal Mine's infrastructure in the course of production to minimise future investment needs to build infrastructure for Xinglong Coal Mine and further optimise the coal production capability of the Group.

The Company expects that the operating costs will continue to increase in the future. Accordingly, the Board will closely monitor the human resources and other expenses of the Company. Meanwhile, the management will endeavour to enhance the work efficiency of various departments. Leverage on its sound financial position and clearly-defined business strategy, the Company is well positioned to capture the growth opportunities arising from various markets to maximise returns for its shareholders.

## **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 2018.

## **AUDIT COMMITTEE OF THE BOARD**

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

The audit committee has reviewed the consolidated financial statements of the Group for the financial year ended 31 December 2018.

## **SCOPE OF WORK OF THE AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by Moore Stephens CPA Limited on the preliminary announcement.

## **EXTRACT OF INDEPENDENT AUDITOR'S REPORT**

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2018.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

## **MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

We draw attention to Note 2 to the consolidated financial statements, which highlights that the Group had net current liabilities of approximately RMB4,647,010,000. As at 31 December 2018, the borrowings and accrued interest amounting to an aggregate amount of approximately RMB750,362,000 and approximately RMB194,472,000 respectively have been past due and due for immediate payment. As at 31 December 2018, the borrowings classified as current liabilities included certain borrowings with scheduled repayment terms over one year amounting to approximately RMB260,100,000. In addition, as at 31 December 2018, there were several unsettled litigations against the Group mainly requesting the Group to repay certain payables with interest immediately as set out in note 15.



These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern. Our opinion is not modified in respect of these matters.

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

During the year ended 31 December 2018, 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 2018 (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](http://www.hkex.com.hk)) and the Company ([www.qinfagroup.com](http://www.qinfagroup.com)) in due course.

## **CLOSURE OF THE REGISTER OF MEMBERS**

The annual general meeting of the Company will be held on Tuesday, 18 June 2019. To determine the eligibility of the shareholders of the Company to attend the annual general meeting to be held on Tuesday, 18 June 2019, the register of members will be closed from Thursday, 13 June 2019 to Monday, 17 June 2019, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4 p.m. on Wednesday, 12 June 2019.

By order of the Board  
**China Qinfra Group Limited**  
**XU Da**  
*Chairman*

Guangzhou, 21 March 2019

*As at the date of this announcement, the Board comprises Mr. XU Da, Mr. BAI Tao, Ms. WANG Jianfei and Mr. FUNG Wai Shing as the executive Directors and Mr. HUANG Guosheng, Mr. LAU Sik Yuen and Professor SHA Zhenquan as the independent non-executive Directors.*