中國秦發集團有限公司
CHINA QINFA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00866)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors refer to the profit warning announcement of the Company dated 29 March 2021 and set forth below the final results of the Group for the year ended 31 December 2020:

- Revenue was RMB2,247.4 million in 2020, representing a decrease of 19.7% from RMB2,799.5 million in 2019.
- Coal handling and trading volume and commercial coal production volume in 2020 were approximately 5.96 million tonnes and 5.71 million tonnes respectively, representing a decrease of 21.6% and a decrease of 12.4% as compared to 2019.
- Gross profit margin in 2020 was 15.8%. As compared with gross profit margin of 14.5% in 2019, the increase in gross profit margin was mainly due to the increase in average coal price.
- Loss attributable to equity shareholders of the Company for the year was RMB2.90 billion in 2020, as compared with profit attributable to equity shareholders of the Company of RMB81.42 million in 2019.
- Basic loss per share of the Company was RMB116.6 cents in 2020 as compared with basic earnings per share of RMB3.1 cents in 2019.
- Diluted loss per share of the Company was RMB116.6 cents in 2020 as compared with diluted earnings per share of RMB3.1 cents in 2019.

The Board does not recommend the payment of final dividends for the year 2020.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	5	**2,247,363**	2,799,520
Cost of sales		**(1,892,048)**	(2,392,962)
Gross profit		**355,315**	406,558
Other income, gains and losses	6	**(137,134)**	27,744
Distribution expenses		**(2,261)**	(4,462)
Administrative expenses		**(208,376)**	(140,758)
Impairment losses on coal mining rights	12	**(1,869,716)**	–
Impairment losses on property, plant and equipment	13	**(2,069,252)**	–
Reversal of impairment losses on trade receivables, net		**31,736**	8,001
(Impairment losses)/reversal of impairment losses on prepayments and other receivables, net		**(12,987)**	21,544
Other expenses		**(33,483)**	(31,556)
Results from operating activities		**(3,946,158)**	287,071
Finance income		**2,189**	1,446
Finance costs		**(369,029)**	(293,023)
Net finance costs	7	**(366,840)**	(291,577)
Loss before taxation	8	**(4,312,998)**	(4,506)
Income tax credit	9	**876,128**	85,229
(Loss)/profit for the year		**(3,436,870)**	80,723

	Note	**2020**	2019
		RMB'000	*RMB'000*
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(3,312)**	1,695
Other comprehensive (loss)/income for the year, net of tax		**(3,312)**	1,695
Total comprehensive (loss)/income for the year		**(3,440,182)**	82,418
(Loss)/profit for the year attributable to:			
Equity shareholders of the Company		**(2,901,499)**	81,421
Non-controlling interests		**(535,371)**	(698)
(Loss)/profit for the year		**(3,436,870)**	80,723
Total comprehensive (loss)/income for the year attributable to:			
Equity shareholders of the Company		**(2,904,811)**	83,116
Non-controlling interests		**(535,371)**	(698)
Total comprehensive (loss)/income for the year		**(3,440,182)**	82,418
(Loss)/earnings per share attributable to the equity shareholders of the Company during the year	*10*		
Basic (loss)/earnings per share		**RMB(116.6) cents**	RMB3.1 cents
Diluted (loss)/earnings per share		**RMB(116.6) cents**	RMB3.1 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**2020**	2019
		RMB'000	*RMB'000*
Non-current assets			
Coal mining rights	*12*	**1,942,800**	4,017,884
Property, plant and equipment	*13*	**2,371,686**	4,669,115
Right-of-use assets		**9,218**	10,828
Other deposit		**34,264**	–
Interest in an associate		**–**	–
		4,357,968	8,697,827
Current assets			
Inventories		**55,635**	59,520
Trade receivables	*14*	**430,143**	129,128
Prepayments and other receivables		**298,872**	293,234
Pledged and restricted deposits		**403**	15,229
Cash and cash equivalents		**154,904**	159,695
		939,957	656,806
Current liabilities			
Trade payables	*15*	**(670,373)**	(333,947)
Other payables and contract liabilities		**(2,295,605)**	(2,576,696)
Lease liabilities		**(2,805)**	(3,819)
Borrowings	*16*	**(1,970,990)**	(2,163,276)
Tax payable		**(204,933)**	(219,054)
		(5,144,706)	(5,296,792)
Net current liabilities		**(4,204,749)**	(4,639,986)
Total assets less current liabilities		**153,219**	4,057,841

	Note	**2020**	2019
		RMB'000	*RMB'000*
Non-current liabilities			
Other payables		**–**	(20,550)
Accrued reclamation obligations		**(133,920)**	(124,010)
Lease liabilities		**(926)**	(1,495)
Borrowings	*16*	**(2,625,364)**	(2,172,848)
Deferred taxation		**(289,093)**	(1,173,674)
		(3,049,303)	(3,492,577)
Net (liabilities)/assets		**(2,896,084)**	565,264
Capital and reserves			
Share capital		**211,224**	211,224
Perpetual subordinated convertible securities		**156,931**	156,931
Deficit		**(3,636,488)**	(710,511)
Total deficit attributable to equity shareholders of the Company		**(3,268,333)**	(342,356)
Non-controlling interests		**372,249**	907,620
Total (deficit)/equity		**(2,896,084)**	565,264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

China Qinfa Group Limited (the "**Company**") was incorporated in the Cayman Islands on 4 March 2008 as an exempted company with limited liability under the Companies Law, Cap. 22 (2007 Revision) of the Cayman Islands. The directors of the Company consider the immediate and ultimate holding companies of the Group to be Fortune Pearl International Limited ("**Fortune Pearl**"), a company incorporated in the British Virgin Islands and the ultimate controlling shareholder to be Mr. Xu Jihua ("**Mr. Xu**"), the sole shareholder of Fortune Pearl. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 3 July 2009 (the "**Listing Date**"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is Unit Nos. 2201 to 2208, level 22, South Tower, Poly International Plaza, No. 1 Pazhou Avenue East, Haizhu District, Guangzhou City, the 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

The Group incurred net loss of approximately RMB3,436,870,000 (2019: profit of RMB80,723,000) for the year ended 31 December 2020. As at 31 December 2020, the Group had net liabilities and net current liabilities of approximately RMB2,896,084,000 and RMB4,204,749,000 respectively (2019: net assets and net current liabilities of approximately RMB565,264,000 and RMB4,639,986,000 respectively). As at 31 December 2020, borrowings and accrued interest (including default interest) amounting to approximately RMB1,144,567,000 and approximately RMB355,983,000 respectively (2019: RMB1,005,361,000 and RMB264,318,000 respectively) that had been due for immediate payment were not renewed or rolled over upon maturity. In addition, as set out in note 28 to the consolidated financial statements, the Group's other borrowings with carrying amounts of RMB2,788,147,000 as at 31 December 2020, with no event of default,contained a default clause that the Group will be required for repayment of the outstanding balance of the original borrowings and interest payables in the event of default.

In addition, pursuant to the Settlement Agreement entered into during the year ended 31 December 2018 (defined and detailed in note 16 respectively to the consolidated financial statements), there is a default clause that the asset management company can require the Group to pay the outstanding balance of the original borrowings and interest payable of approximately RMB4,027,188,000 and RMB582,028,000 respectively if the Group fails to settle the new borrowings by instalments in accordance with the revised repayment schedule. As at 31 December 2020, other borrowings with carrying amount of only RMB2,788,147,000 were recognised in the Group's consolidated statement of financial position. Please see note 16 to the consolidated financial statements for details.

As at the date when the consolidated financial statements are authorised for issue, the Group has not obtained waivers from the relevant banks/lenders on these cross default clauses, and, as represented by the management of the Group, the banks/lenders have not demanded immediate repayment from the Group except for those as disclosed in note 16.

Moreover, there are a number of litigations against the Group, details of which are set out in note 17 to the consolidated financial statements, mainly requesting the Group to settle long outstanding payables with interest. And the Group's bank deposits of approximately RMB403,000 were restricted for use in relation to the litigation proceeding.

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

The 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 2020 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) For borrowings which will be maturing before 31 December 2021, the Group is actively negotiating with banks/lenders before they fall due to secure their renewals so as to ensure that the necessary funds will be in place to meet the Group's working capital and financial requirements in the future will continue to be met;

(ii) 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, which are classified as current liabilities and detailed in note 16, 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;

(iii) the Group will actively obtain additional new sources of financing as and when needed;

(iv) Given the stability of coal market and uprising coal prices, the Group will accelerate the coal production of those coal mines currently under production and the apply for the renewal of those expired coal mining rights of coal mines not yet commenced production, together with applying cost control measures in cost of sales, administrative expenses and capital expenditures, to increase the Group's internally generated funds and operating cash inflows in coming years continuously. The Group recorded a net operating cash inflow of RMB459,376,000 during the year, and the directors of the Company are of the opinion that the Group has sufficient working capital to its present requirements for the next twelve months from 31 December 2020; and

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

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 optimistic 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 2020. 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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

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

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

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

Impacts on application of Amendments to IAS 1 and IAS 8 "Definition of Material"

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

Impacts on application of Amendments to IFRS 3 "Definition of a Business"

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments had no impact on the consolidated financial statements in the current year as similar conclusion would have been reached without applying the optional concentration test.

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, right of use assets or 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	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**2,190,112**	2,720,845	**57,251**	78,675	**2,247,363**	2,799,520
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**2,190,112**	2,720,845	**57,251**	78,675	**2,247,363**	2,799,520
Reportable segment (loss)/profit before taxation	**(3,898,160)**	316,533	**(31,810)**	(18,444)	**(3,929,970)**	298,089
Depreciation and amortisation	**(468,722)**	(529,412)	**(8,151)**	(6,975)	**(476,873)**	(536,387)
Net (loss)/gain on disposal of property, plant and equipment	**(92)**	1,800	**(3)**	–	**(95)**	1,800
Impairment losses on property, plant and equipment	**(2,057,757)**	–	**(11,495)**	–	**(2,069,252)**	–
Impairment losses coal mining right	**(1,869,716)**	–	**–**	–	**(1,869,716)**	–
Reversal of impairment losses on trade receivables, net	**31,736**	8,001	**–**	–	**31,736**	8,001
(Impairment losses)/ reversal of impairment losses on prepayments and other receivables, net	**(12,987)**	21,544	**–**	–	**(12,987)**	21,544
Recovery of trade and other receivables previously written off	**–**	7,356	**–**	–	**–**	7,356
Additions to property, plant and equipment	**41,117**	205,587	**7,108**	752	**48,225**	206,339
Reportable segment assets	**5,519,793**	9,506,136	**256,626**	259,507	**5,776,419**	9,765,643
Reportable segment liabilities	**(7,814,045)**	(7,699,230)	**(432,935)**	(100,707)	**(8,246,980)**	(7,799,937)

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

Revenue

	2020	2019
	RMB'000	*RMB'000*
Total of reportable segments revenue	**2,247,363**	2,799,520
Elimination of inter-segment revenue	**–**	–
Consolidated revenue	**2,247,363**	2,799,520

Loss before taxation

	2020	2019
	RMB'000	*RMB'000*
Total of reportable segments (loss)/profit before taxation	**(3,929,970)**	298,089
Unallocated head office and corporate expenses	**(16,188)**	(11,018)
Net finance costs	**(366,840)**	(291,577)
Consolidated loss before taxation	**(4,312,998)**	(4,506)

Assets

	2020	2019
	RMB'000	*RMB'000*
Total of reportable segments assets	**5,776,419**	9,765,643
Elimination of inter-segment receivables	**(483,798)**	(528,082)
Unallocated assets	**5,304**	117,072
Consolidated total assets	**5,297,925**	9,354,633

Liabilities

	2020	2019
	RMB'000	*RMB'000*
Total of reportable segments liabilities	**8,246,980**	7,799,937
Elimination of inter-segment payables	**(564,062)**	(407,524)
Tax payable	**204,933**	219,054
Deferred taxation	**289,093**	1,173,673
Unallocated liabilities	**17,065**	4,229
Consolidated total liabilities	**8,194,009**	8,789,369

(c) Geographic information

As at 31 December 2020, 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

	2020	2019
	RMB'000	*RMB'000*
PRC	**2,217,289**	2,738,204
Other countries	**30,074**	61,316
Total	**2,247,363**	2,799,520

(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:

	2020	2019
	RMB'000	*RMB'000*
Customer A	**749,769**	777,462
Customer B	**286,966**	388,895
Customer C	**284,854**	N/A*
Customer D	**N/A***	402,110

* 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:

	2020	2019
	RMB'000	*RMB'000*
Sales of coal	**2,190,112**	2,720,845
Charter hire income	**57,251**	78,675
	2,247,363	2,799,520

Revenue from sales of goods are recognised at a point in time when the goods are transferred to customers. 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

	2020	2019
	RMB'000	RMB'000
Foreign exchange (loss)/gain, net	**(5,974)**	404
Net (loss)/gain on disposal of property, plant and equipment	**(95)**	1,800
Loss on non-substantial modification of borrowings *(Note 16)*	**(194,351)**	–
Recovery of trade and other receivable previously written off	**–**	7,356
Government subsidies *(note)*	**43,954**	5,792
Insurance claimed	**8,717**	238
Reversal of coal mineral resource compensation	**–**	6,276
Others	**10,615**	5,878
	(137,134)	27,744

Note:

The government subsidies of RMB43,954,000 (2019: RMB5,792,000) were granted and received as financial subsidies on the Group's business development for the year ended 31 December 2020 with conditions that the respective entities of the Group would maintain their principal places of businesses at the designated area for the same year, which were fulfilled.

7. NET FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest income	**(2,189)**	(1,446)
Interest on borrowings	**130,927**	133,205
Penalty interest	**46,008**	23,684
Interest charge on unwinding of discounts *(note (ii))*	**192,094**	181,027
Less: Interest capitalised into property, plant and equipment *(note (i))*	**–**	(44,893)
Finance costs	**369,029**	293,023
Net finance costs	**366,840**	291,577

Notes:

(i) No borrowing cost has been capitalised for the year ended 31 December 2020. The borrowing cost have been capitalized at a rate of 6.83% per annum for the year ended 31 December 2019.

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

	2020	2019
	RMB'000	*RMB'000*
Borrowings *(note 16)*	**181,907**	171,092
Lease liabilities	**277**	390
Accrued reclamation obligations	**9,910**	9,545
	192,094	181,027

8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	2020	2019
	RMB'000	*RMB'000*
Cost of inventories *(note)*	**1,114,302**	1,588,969
Short-term leases payment	**1,376**	460
Depreciation of property, plant and equipment	**267,143**	300,473
Amortisation of coal mining rights (included in cost of sales)	**205,368**	232,463
Depreciation of right-of-use assets	**4,362**	3,451
Property, plant and equipment written-off	**1,245**	2,211
Auditors remuneration		
– audit services	**2,137**	2,144
– non-audit services	**700**	735
Employee benefit expenses (excluding directors and chief executives remuneration)		
– Salaries, allowances and benefits in kind	**370,869**	441,424
– Contributions to retirement benefit schemes	**3,482**	23,991
	374,351	465,415

Note:

Cost of inventories included approximately RMB750,086,000 (2019: RMB809,371,000) 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 CREDIT

Income tax credit in the consolidated statement of comprehensive income represents:

	2020	2019
	RMB'000	*RMB'000*
Current tax expense		
– PRC Corporate Income Tax	**3,059**	21,690
– Overprovision of PRC Corporate Income Tax in prior years	**–**	(29,404)
– Hong Kong profit tax	**45**	–
	3,104	(7,714)
Deferred tax	**(879,232)**	(77,515)
Income tax credit	**(876,128)**	(85,229)

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 (2019: nil).

(ii) Provision for the Hong Kong Profit Tax was based on the statutory rate of 16.5% (2019: Nil) of the assessable profit of subsidiaries which carried on business in Hong Kong.

(iii) Provision for the PRC Corporate Income Tax was based on the statutory rate of 25% (2019: 25%) of the assessable profits of subsidiaries which carried on businesses in the PRC.

10. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

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

The calculations of basic (loss)/earnings per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2020 and 2019 respectively are based on the following data:

	2020	2019
	RMB'000	*RMB'000*
(Loss)/profit for the year attributable to equity shareholders of the Company	**(2,901,499)**	81,421
Less: Distribution relating to perpetual subordinated convertible securities classified as equity	**(4,942)**	(5,208)
(Loss)/profit for the year attributable to ordinary equity shareholders of the Company used in calculating basic (loss)/earnings per share	**(2,906,441)**	76,213
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**2,493,413,985**	2,493,413,985

Diluted (loss)/earnings per share

The calculations of diluted (loss)/earnings per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2020 and 2019 respectively are based on the following data:

	2020	2019
	RMB'000	*RMB'000*
(Loss)/profit for the year attributable to ordinary equity shareholders of the Company used in calculating basic (loss)/ earnings per share	**(2,906,441)**	76,213
Add: Distribution relating to perpetual subordinated convertible securities classified as equity	**N/A**	N/A
Adjusted (loss)/profit for the year attributable to ordinary equity shareholders of the Company used in calculating diluted (loss)/ earnings per share	**(2,906,441)**	76,213
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**2,493,413,985**	2,493,413,985
Adjustments for calculation of diluted (loss)/earnings per share: Perpetual subordinated convertible securities	**N/A**	N/A
Adjusted weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**2,493,413,985**	2,493,413,985

For the years ended 31 December 2020 and 2019, the computation of diluted (loss)/earnings per share has not assumed the exercise of the Company's outstanding share options since the adjusted exercise prices of these options were higher than the average market prices of shares for the outstanding period during the years ended 31 December 2020 and 2019.

The calculation of diluted (loss)/earnings per share for the years ended 31 December 2020 and 2019 has not been taken into account of the potential ordinary shares on perpetual subordinated convertible securities as assumed conversion would result in a decrease in loss per share or an increase in earnings per share.

11. DIVIDENDS

The directors of the Company do not recommend the payment of any dividends to its ordinary shareholders for the year ended 31 December 2020 (2019: nil).

12. COAL MINING RIGHTS

The balance represents the rights to conduct mining activities in Shanxi Province. All the mine sites are located on lands in the PRC, to which the Group has no formal title of ownership.

During the production in late 2020, the mining team of the Group had doubted that the coal reserves of all the Group's coal mines might be less than the previously estimated amounts in accordance with Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "**JORC Code**"). After consultation with the mining specialists, the directors of the Company are of the view that the reasons for the changes in estimates were due to revision of modifying factors including mining, economic, legal, environment, and governmental factors.

The directors of the Company then appointed a competent person, namely SRK Consulting China Ltd ("**SRK Consulting**"), to re-assess the coal reserves of all the Group's coal mines as at 31 December 2020 under JORC Code. Based on the competent person report (the "**CPR**") issued by SRK Consulting in 2021, the directors of the Company are of the opinion that the estimated amounts of the coal reserves are required to be adjusted.

With the abovementioned facts and circumstances, the directors of the Company, with the assistance from an independent professional qualified valuer, namely BMI Appraisals Limited, to assess the recoverable amounts of the Group's coal mines and related property, plant and equipment. Each of the Group's coal mines and the related property, plant and equipment are considered as an individual cash-generating unit. The recoverable amount of each of the cash-generating unit was estimated based on its value in use calculation.

13. PROPERTY, PLANT AND EQUIPMENT

As disclosed in note 12, the Group engaged an independent professional qualified valuer, namely BMI Appraisals Limited, to assess the recoverable amounts, based on value in use, of the each of the cash-generating units of which coal mining rights and related property, plant and equipment have been allocated. As a result, impairment losses on the Group's coal mining rights and the related property, plant and equipment, amounting to approximately RMB1,869,716,000 and RMB2,057,757,000 (see Note 12) were recognised for the year ended 31 December 2020 to reflect the Group's change in estimate about the coal reserves. Please see note 12 to the consolidated financial statements for details of the aforesaid recoverable amounts.

During the year ended 31 December 2020, the Group conducted a review of the Group's assets in relation to the shipping segment and determined that certain asset would not generate future benefit to the Group and accordingly, impairment loss of RMB11,495,000 had been recognised in respect of the such asset.

14. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**485,800**	261,423
Less: allowance for credit loss	**(55,657)**	(132,295)
	430,143	129,128

Ageing analysis

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

	2020	2019
	RMB'000	*RMB'000*
Within 2 months	**363,580**	14,149
Over 2 months but within 6 months	**–**	27,891
Over 6 months but within 1 year	**93**	1,253
Over 1 year but within 2 years	**10**	1,297
Over 2 years	**66,460**	84,538
	430,143	129,128

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

Credit terms granted to customers mainly range from 0 to 60 days (2019: 0 to 60 days) depending on customers relationship with the Group, their creditworthiness and past settlement record.

15. TRADE PAYABLES

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

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**484,063**	149,380
Over 1 year but within 2 years	**76,307**	15,084
Over 2 years	**110,003**	169,483
	670,373	333,947

16. BORROWINGS

	2020	2019
	RMB'000	*RMB'000*
Bank loans		
– Secured	**–**	296,033
– Unsecured	**910,640**	932,640
	910,640	1,228,673
Other borrowings		
– Secured	**3,634,844**	3,056,581
– Unsecured	**50,870**	50,870
	3,685,714	3,107,451
Total borrowings	**4,596,354**	4,336,124

As at 31 December 2020, borrowings of the Group were repayable as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year or on demand	**1,970,990**	2,163,276
Over 1 year but within 2 years	**362,679**	560,332
Over 2 years but within 5 years	**2,262,685**	1,612,516
	2,625,364	2,172,848
	4,596,354	4,336,124

Due to breach of loan covenants certain bank and other borrowings with the aggregate carrying amount of approximately RMB1,970,990,000 (2019: RMB2,163,276,000), in which the aggregate amount of RMB1,144,567,000 (2019: RMB1,005,361,000) was past due, and aggregate amounts of RMB826,423,000 (2019: RMB1,091,475,000) and nil (2019: RMB66,440,000) 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 as these loans contain cross default clauses which 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:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year or on demand	**1,970,990**	2,096,836
Over 1 year but within 2 years	**362,679**	626,772
Over 2 years but within 5 years	**2,262,685**	1,612,516
	4,596,354	4,336,124

The interest payables of borrowings not yet past due and borrowings that have become past due amounting to approximately RMB3,188,000 (2019: RMB16,127,000) and RMB355,983,000 (2019: RMB264,318,000) respectively were included in the other payables.

As at 31 December 2020, a secured bank loan, an unsecured bank loan, secured other borrowings and unsecured other borrowings of approximately RMBnil (2019: RMB148,534,000), RMB247,000,000 (2019: RMB254,999,000), RMB846,697,000 (2019: RMB550,958,000) and RMB50,870,000 (2019: RMB50,870,000) respectively, that have been past due and due for immediate payment. These borrowings carried interest at rates ranging from 3.9% to 8.80% (2019: 4.86% to 7.28%) per annum and also carried additional penalty interest at rate ranging from 1.95% to 4.40% (2019: 2.43% to 3.64%) per annum after past due. These secured borrowings are secured by coal mining rights and property, plant and equipment with a carrying amount of approximately RMB305,405,000 and RMB103,687,000 as at 31 December 2020 respectively (2019: coal mining rights and property, plant and equipment with RMB528,104,000 and RMB119,563,000 respectively).

Of the above-mentioned secured other borrowings, RMB58,514,000 are also secured by the Group's equity interest in Super Grace and Oriental Wise and guaranteed by the Company, certain subsidiaries of the Company, related parties and Mr. Xu, the controlling shareholder.

During the year ended 31 December 2018, the Group entered into the settlement agreement (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.

In March 2020, in respect of the above-mentioned borrowings, the Group further entered into a legally binding supplemental agreement ("**Supplemental Settlement Agreement**") 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 are not substantially different from the Settlement Agreement 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 as set out in note 6 at the date of modification. On the same day, Tongmei Qinfa, an associate of the Group, and the Group mutually agreed to transfer the borrowings of Tongmei Qinfa, which was guaranteed by the Group, with carrying amount of RMB273,709,000 from the asset management company as at that date to the Group to offset the Group's amount due to Tongmei Qinfa by the same amount.

In December 2020, the Group further entered into a legally binding supplemental agreement ("**Supplemental Settlement Agreement II**") with the asset management company to revise and extend the repayment schedule for December 2020 and 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 are not substantially different from the Supplemental Settlement Agreement 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 as set out in note 6 at the date of modification. As at 31 December 2020, the carrying amount of the Group's borrowings from the asset management company was approximately RMB2,788,147,000 (31 December 2019: RMB2,505,623,000).

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

Of the Group's borrowings, aggregate principal amounts of RMB691,848,000 (2019: RMB691,848,000) as at 31 December 2020 had been defaulted with lawsuits filed by banks against the Group to demand immediate repayment. Pursuant to the final court judgements in prior years, the Group was ordered to make immediate repayment of the aforesaid balances. In respect of the aforesaid balances with lawsuit, certain banks assigned their bank loans and interests (including penalty interests) due from the Group with aggregate amounts of RMB543,314,000 and RMB112,032,000 respectively, which had been past due, to certain asset management companies in the PRC during the year ended 31 December 2018. Also, in 2017 a bank assigned its bank loan and interest (including penalty interests) of RMB148,952,000 and RMB6,925,000 respectively, which had been past due but without any lawsuit, to an asset management company in the PRC.

During the year ended 31 December 2020, certain banks assigned their bank loans and interests (including penalty interests) due from the Group with aggregate amounts of RMB295,739,000 and RMB21,978,000 respectively, which had been past due and with lawsuit for one of the loan, to an asset management company in the PRC.

As at 31 December 2020, the terms of the above assigned loans remained unchanged. The Group is still in the process of negotiating with the banks and asset management companies to renew the terms (including the repayment schedule) of the outstanding loans and loans assigned.

17. CONTINGENT LIABILITIES

(a) Outstanding litigations

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

During the year ended 31 December 2018, there were litigation claims initiated by the non-controlling shareholders of Xingtao Coal Mine, Fengxi Coal Mine and Chongsheng Coal Mine against the Group to demand immediate repayment of funds provided to the Group in 2011 with an aggregate amount of approximately RMB134,414,000 before the acquisition of these coal mines by the Group. The amount of approximately RMB134,414,000 had already been recognised and offset with the amounts due from respective non-controlling shareholders in the consolidated statement of financial position as at 31 December 2020. The directors of the Company are of the opinion that the Group has a valid ground to defend against those claims. Up to the date when the consolidated financial statement are authorised for issue, these litigation claims are still in progress.

On 17 July 2020, in an arbitration initiated by the Group against the non-controlling shareholders, non-controlling shareholders counterclaimed against the Group for refunds of construction payments of RMB40,723,000 previously paid by non-controlling shareholders for Fengxi Coal Mine and claim for related interest of RMB18,175,000. The directors of the Company are of the opinion that the Group has a valid ground to defend against those claims, and no provision for the litigation claims has been provided in the consolidated statement of financial position as at 31 December 2020. Up to the date when the consolidated financial statement are authorised for issue, the arbitration is still in progress.

On 1 September 2020, there was an arbitration initiated by the non-controlling shareholders against the Group to claim for 20% of coal production of Xingtao Coal Mine, Fengxi Coal Mine and Chongsheng Coal Mine from the year of 2013 to 2019 as the distributions entitled to non-controlling shareholders of Xingtao Coal Mine, Fengxi Coal Mine and Chongsheng Coal Mine for the aforesaid period, which were equivalent to aggregate amount of approximately RMB584,410,000. The directors of the Company are of the opinion that the Group has a valid ground to defend against the claim, and no provision for the litigation claims has been provided in the consolidated statement of financial position as at 31 December 2020. Up to the date when the consolidated financial statements are authorised for issue, the arbitration is still in progress.

As at 31 December 2020, 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 2020.

(ii) Litigation claims relating to repayment to default of repayment of bank borrowing

Subsequently to the end of the reporting period, on 5 February 2021, a bank filed lawsuit against the Group to demand immediate repayment of the bank borrowing with carrying amount of approximately RMB247,200,000 and accrued interest of approximately RMB2,940,000 up to 5 February 2021. The principal of approximately RMB247,200,000 and respective interest charges of approximately RMB1,799,000 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 2020. Up to the date when the consolidated financial statements are authorised for issue, the litigation is still in progress.

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

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 RMB19,899,000. The directors of the Company are of the opinion that the Group has a valid ground to defend against the claim, and no provision for the litigation claims has been provided in the consolidated statement of financial position as at 31 December 2020. Up to the date when the consolidated financial statements are authorised for issue, the litigation is still in progress.

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

During the year ended 31 December 2019, there was a litigation claim initiated by Shanxi Yunxin against the Group to demand immediate repayment of overdue payable in relation to purchases of consumables and equipment by the Group. The overall claim amount of approximately RMB71,862,000, which including the aforesaid payable to this supplier of approximately RMB54,124,000 and late penalty interest of approximately RMB17,738,000. Up to the date when the 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 consolidated statement of financial position as at 31 December 2020.

Other than the disclosure of above, as at 31 December 2020, the Group was not involved in any other material litigation or arbitration. As far as the directors of the Company are aware, the Group had no other material litigation or claim which was pending or threatened against the Group. As at 31 December 2020, 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 2020 under the guarantees issued is a portion of the outstanding amount of the borrowings of Tongmei Qinfa amounting to approximately RMB270,000,000 (2019: RMB619,090,000).

(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 and interest payable if the Group fails to repay the new borrowings by instalments in accordance with the respective repayment schedule. Particulars of the Settlement Agreement are disclosed in noted 16.

18. EVENTS AFTER THE REPORTING PERIOD

Major transaction in relation to the disposal of a vessel

On 10 March 2021, the Group entered into a memorandum of agreement with an independent third party to dispose the vessel owned by an indirect wholly-owned subsidiary of the Company, at cash consideration of approximately USD14,900,000 (equivalent to approximately RMB96,951,000).

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 2020, the Group continued to focus on these business activities and expanded its integrated coal supply chain through upward vertical integration.

BUSINESS REVIEW

In early 2020, in response to the coronavirus disease 2019 ("**COVID-19**") outbreak, the Chinese government actively took a number of measures since late January. In line with the national epidemic prevention policy, the Group briefly suspended coal mine operations in February; however, with due regard to the safety of employees and as far as practicable, the Group gradually resumed coal mine production and coal sales in March and resumed work sooner than expected. For the year ended 31 December 2020, the production volumes of raw coal and commercial coal were 8.78 million tonnes and 5.71 million tonnes respectively, representing a decrease of 12.4% as compared with the Group's production volumes in 2019, but still at a relatively high level.

Coal price had a low start followed by an upward trend throughout the year

Overall, coal price had a drop in the first half of year 2020 followed by an upward trend for the most part of the year 2020. The average coal selling prices and the coal industry's earnings continued the upward trend in last year. During the first quarter, the coal industry was affected by the COVID-19 pandemic and various industries continued to shut down, resulting in generally low coal consumption and weak support from demands of coal downstream industries. In addition, the completion of the de-capacity task and the gradual release of advanced capacity contributed to the overall easing of supply and demand in the coal industry, resulting in a significant downward trend in coal prices. However, with the pandemic under control, the domestic economy improved and coal downstream enterprises resumed work and production. As a result, raw coal prices picked up in the third quarter and rose to a high level for the year in the fourth quarter.

Indonesia coal mine project

The acquisition of the coal mine of PT Sumber Daya Energi ("**SDE**") in Indonesia will be one of the most important investment project of the Group. The Group's coal mine acquisition project with parties in Indonesia is progressing the various government approvals for the acquisition of the SDE. The Group has dispatched its domestic experts and technical team to Indonesia to carry out preliminary exploration work and plan the implementation of the project.

In addition, pursuant to the conditional sale and purchase agreement dated 7 August 2020 (the "**CSPA**"), the closing date between the Group and the vendor shall be before 31 December 2020. Given the current circumstances and since additional time is required to satisfy certain conditions precedent in the revised provisions, the vendor and the purchaser have agreed in writing to further extend the closing date to 30 June 2021. On 31 March 2021, the Group made a disclosure announcement to update the market and the Board seeks to complete each process in full compliance with the regulations and with minimum risk.

As of 31 December 2020, the Group owned and operated five coal mines in the PRC. The table sets forth certain information about these coal mines.

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

COAL CHARACTERISTICS

Characteristics and typical commercial coal quality 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**	**Shenda Energy Xinglong Coal**	**Shenda Energy Hongyuan Coal**
Coal Seam	4, 8, 9, 10, 11	4, 9, 11	4, 9, 11	2, 5	2, 5, 6
Moisture *(%)*	7–10	8–12	8–12	8.5	8.5
Ash *(db, %)*	20–28	20–28	20–28	21.45	30–72
Sulfur *(db, %)*	1.4–1.9	1.2–1.6	1.6–2.5	1.52	1.45
Calorific Value *(average, kcal/kg, net, ar)*	4,650–5,200	4,600–5,150	4,600–5,150	4,838	4,187

OPERATING DATA

Reserves and Resources

	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal	Shenda Energy – Xinglong Coal	Shenda Energy – Hongyuan Coal	Total
Reserves						
Reserves as of 1 January 2020 *(Mt)*						
– Proven reserves	16.37	4.45	4.21	–	–	25.03
– Probable reserves	4.02	7.25	6.50	13.50	10.46	41.73
Total reserves as of 1 January 2020 *(Mt)*	20.39	11.70	10.71	13.50	10.46	66.76
Less: Total raw coal production for the year *(Mt)*	(3.30)	(2.84)	(2.65)	–	–	(8.79)
Reserves as of 31 December 2020 *(Mt)*	**17.09**	**8.86**	**8.06**	**13.50**	**10.46**	**57.97**
Resources						
Resources as of 1 January 2020 *(Mt)*	52.81	22.77	23.02	35.08	20.87	154.55
Less: Total raw coal production for the year *(Mt)*	(3.30)	(2.84)	(2.65)	–	–	(8.79)
Resources as of 31 December 2020 *(Mt)*	49.51	19.93	20.37	35.08	20.87	145.76

The Group engaged a new independent mineral industry consultant to estimate the total coal reserves and resources as of 31 December 2020 in accordance with the JORC Code. According to the CPR, the total coal resources and reserves in accordance with JORC Code were approximately 145.76 million tones and 57.97 million tonnes respectively as at 31 December 2020, as compared with the original of 307.09 million tonnes and 198.49 million tonnes respectively. During the production in late 2020, the mining team of the Group had doubted that the coal reserves of all the Group's coal mines might be less than the previously estimated amounts in accordance with JORC Code. After consultation with the mining specialists, the directors of the Company are of the view that the reasons for the changes in estimates were due to revision of modifying factors including mining, economic, legal, environment, and governmental factors.

The directors of the Company then appointed a competent person, namely SRK Consulting, to re-assess the coal reserves of all the Group's coal mines as at 31 December 2020 under JORC Code. Based on the CPR issued by SRK Consulting in 2021, the directors of the Company are of the opinion that the estimated amounts of the coal reserves are required to be adjusted.

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

	Year ended 31 December	
	2020	2019
Raw coal production volume	***('000 tonnes)***	*('000 tonnes)*
Huameiao Energy – Xingtao Coal	**3,296**	3,601
Huameiao Energy – Fengxi Coal	**2,839**	3,303
Huameiao Energy – Chongsheng Coal	**2,650**	3,125
Total	**8,785**	10,029

	Year ended 31 December	
	2020	2019
Commercial coal production volume *(Note)*	***('000 tonnes)***	*('000 tonnes)*
Huameiao Energy – Xingtao Coal	**2,142**	2,341
Huameiao Energy – Fengxi Coal	**1,846**	2,147
Huameiao Energy – Chongsheng Coal	**1,722**	2,031
Total	**5,710**	6,519

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:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Materials and consumables	**85,592**	110,386
Staff cost	**256,492**	255,977
Other direct cost	**46,248**	49,986
Overhead and others	**666,917**	719,608
Evaluation fee	**170**	417
Total	**1,055,419**	1,136,374

FINANCIAL REVIEW

Revenue

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Coal business	**2,190,112**	2,720,845
Shipping transportation	**57,251**	78,675
	2,247,363	2,799,520

Coal business

	Year ended 31 December	
	2020	2019
	'000 tonnes	*'000 tonnes*
Coal Handling and Trading Volume of Coal Business	**5,964**	7,602

During the year ended 31 December 2020, the volume of the Group's coal handling and trading recorded a 21.55% decrease as compared with 2019. The coal selling prices during the year ended 31 December 2020 were in range between RMB192 per tonne and RMB586 per tonne, which were more fluctuated when compared to the range between RMB221 per tonne and RMB536 per tonne in 2019. Average coal selling price decreased significantly during April and May 2020. However, the price gradually increased afterward and achieved its peak at the end of 2020 due to effective precautionary measures on the COVID-19 by the government and government policy on restricting imported coal.

The average coal selling price and the average monthly coal handling and trading volume for each of the three years ended 31 December 2020 are set forth in the table below:

	Year ended 31 December		
	2020	2019	2018
Average coal selling price *(RMB per tonne)*	**367**	358	343
Average monthly coal handling and trading volume *('000 tonnes)*	**497**	634	847

The Group sells blended coal which is sourced solely from the PRC domestic markets to customers, including power 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. The following table sets forth information regarding the Group's revenue from coal business by industry segment during the years ended 31 December 2020 and 2019:

	Year ended 31 December			
	2020		2019	
	Revenue	**Percentage of revenue**	Revenue	Percentage of revenue
	RMB'000	***% of total***	*RMB'000*	*% of total*
Power plants	**329,677**	**15.1**	251,580	9.2
Coal traders	**1,860,435**	**84.9**	2,469,265	90.8
Total	**2,190,112**	**100.0**	2,720,845	100.0

Shipping transportation

The segment revenue for shipping transportation from external customers for the year ended 31 December 2020 was RMB57.3 million as compared with RMB78.7 million for the same period in 2019. The Group has recorded 27.2% decrease in shipping transportation revenue principally because of disposal of vessel in 2019 and decrease in freight rates and charter hire rates during the year.

Cost of Sales

Cost of sales of the Group in 2020 amounted to RMB1,892 million, representing a decrease of 20.9% compared with RMB2,393 million in 2019. The decrease was due to the decrease in coal handling and trading volume during the year of 2020.

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

	Year ended 31 December	
	2020	2019
	RMB million	*RMB million*
Cost of coal purchased	**66.9**	417.9
Cost of coal transportation	**723.6**	727.8
Cost of self-produced coal	**1,055.4**	1,136.0
Materials, fuel, power	**131.8**	160.0
Staff costs	**256.5**	256.0
Depreciation and amortisation	**461.7**	523.2
Others	**205.4**	196.8
Total cost of sales of coal business segment	**1,845.9**	2,281.7

The Group produced coal mainly from Shanxi province in the PRC. The following table sets forth information regarding the Group's origins of coal based on sales volume and revenue in 2020 and 2019:

	Year ended 31 December			
	2020		2019	
	Sales volume	**Revenue**	Sales volume	Revenue
Origins of coal	***'000 tonnes***	***RMB'000***	*'000 tonnes*	*RMB'000*
China	**5,964**	**2,190,112**	7,602	2,720,845

The Group has stable coal production and has established stable cooperative relationships with its key PRC domestic customers.

Gross Profit

The Group's gross profit margin was 15.8% during the year ended 31 December 2020 as compared with gross profit margin of 14.5% during the same period in 2019. Gross profit margin increased mainly due to the increase on average coal price.

Other Income, Gains and Losses

During the year ended 31 December 2020, the Group's other income, gains and losses amounted to a net loss of RMB137.1 million, representing a decrease of approximately of RMB164.9 million, as compared with a net gain of RMB27.8 million in 2019. The decrease in other income, gains and losses in 2020 was mainly due to the one-off loss on the further revision on revised repayment schedule of borrowings for the year ended 31 December 2020.

Distribution Expenses

Distribution expenses decrease by 48.9% to RMB2.3 million for the year ended 31 December 2020, as compared with RMB4.5 million in 2019. The decrease in distribution expenses was due to the decrease in coal handling and trading volume during the year.

Administrative Expenses

During the year ended 31 December 2020, the Group's administrative expenses amounted to RMB208.4 million, representing an increase of 48.0%, as compared with RMB140.8 million in 2019. The increase was mainly attributable to the increase in staff cost. The Group strived to provide competitive remuneration package to existing staffs.

Other Expenses

During the year ended 31 December 2020, the Group's other expenses amounted to RMB33.5 million, representing an increase of 6.0%, as compared with RMB31.6 million in 2019. The expense level remained constant.

Net Finance Costs

Net finance costs of the Group in 2020 amounted to RMB369.0 million, representing an increase of 25.9%, as compared with RMB293.0 million in 2019. The increase was mainly due to the increase in borrowing rates.

Loss Attributable to Equity Shareholders

Loss attributable to equity shareholders of the Company during the year ended 31 December 2020 was RMB2.90 billion, representing a decline in financial performance of approximately of RMB2.98 billion as compared with profit of RMB81.4 million in the same period in 2019. The decline in the Group's financial performance was attributable to (i) mainly significant impairment loss on the Group's assets due to the effect of decrease in coal reserves as detailed in the note 12 to the Group's consolidated financial statements; and (ii) partly the loss on debt restructuring arising from the further revision on revised repayment schedule.

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 2020, the Group recorded net current liabilities of RMB4,204.7 million (2019: RMB4,640.0 million).

The Group has taken initiative to enhance the financial flexibility by diversifying the funding bases and seek medium term loans to replace short term loans. The Group is currently negotiating with financial institutions to renew and extend bank borrowings and consider ways to improve the Group's working capital. As of 31 December 2020, the cash and cash equivalents of the Group amounted to RMB154.9 million (2019: RMB159.7 million), representing a decrease of 3.01%.

As at 31 December 2020, the total bank and other borrowings of the Group were RMB1,971.0 million (2019: RMB2,163.3 million), which were classified as current liabilities in which the aggregate borrowings and accrued interests of RMB1,144.6 million (2019: RMB1,005.4 million) and RMB356.0 million (2019: RMB264.3 million) respectively were past due, and aggregate amounts of RMB826.4 million (2019: RMB1,091.5 million) and nil (2019: RMB66.5 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 loan agreements, had become due for immediate repayment as these bank loans contain cross default clauses are classified as current liabilities. These borrowings and interest payables were classified as current liabilities at the end of reporting period. The bank and other borrowings carried interest at rates ranging from 3.9% to 8.8% (2019: 4.75% to 8%) per annum.

As at 31 December 2020, the Group had total banking facilities of RMB910.6 million (2019: RMB1,228.7 million), of which RMB910.6 million (2019: RMB1,228.7 million) were utilised.

As at 31 December 2020, the Group's cash and cash equivalents, except amount of RMB8.6 million in United States dollars ("**USD**") and amount of RMB0.19 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 2020 was 83.8% (2019: 44.5%). The gearing ratio increased due to the total asset decrease according to increase in loss attributable to equity shareholders for the year.

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 2020, the Group's assets in an aggregate amount of RMB2,519.3 million (2019: RMB5,046.6 million) in forms of property, plant and equipment, coal mining rights, lease prepayments, inventories, trade and bill receivables and bank deposits were pledged to banks and asset management companies for credit facilities granted to the Group.

CONTINGENT LIABILITIES

Except for certain matters disclosed in the Note 17 to the consolidated financial statements in this announcement, the Group did not have any material contingent liabilities as at 31 December 2020.

FINAL DIVIDEND FOR THE YEAR ENDED 31 DECEMBER 2020

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

EMPLOYEES AND REMUNERATION

As of 31 December 2020, the Group employed 2,070 employees. The Group has adopted a performance-based reward system to motivate its staff and such system is reviewed on a regular basis. In addition to the basic salaries, year-end bonuses may be offered to staff members with outstanding performance.

Subsidiaries of the Company established in the PRC are also subject to central pension scheme operated by the local municipal government. In accordance with the relevant national and local labour and social welfare laws and regulations, subsidiaries of the Company established in the PRC are required to pay on behalf of their employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and other relevant insurance. Subsidiaries of the Company incorporated in Hong Kong have participated in mandatory provident fund scheme, if applicable, in accordance with Mandatory Provident Fund Schemes Ordinance.

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

BUSINESS OUTLOOK

In year 2021, the pandemic will begin to ease and the global economy is expected to demonstrate gradually recovery thanks to the widespread vaccination gradually rolling out. The domestic demand for coal is expected to increase significantly, and the downstream industries demand for coal will provide a rigid support for coal price. With the release of new production capacity, the domestic supply and demand of coal will be balanced in the coming year.

With respect to the supply side of coal, there will be some uncertainties in the volume of coal to be imported from Australia in the year to come due to the continuing restrictions concerning coal imports from Australia. Considering that there may be a slight decrease in the volume of imported coal next year, to ensure the stability of the supply chain, the Group will not only take an active approach to improve the production efficiency and increase the production level of coal mines owned by the Group, but also continue to explore investment opportunities to ensure supply of coal with reliable and stable quantity and quality.

The Group will focus on developing overseas coal markets, and continue to seek long-term relationships in an active manner. The Group aims to establish a competitive team and has successively set up branches in a number of countries across the world, including Indonesia and Singapore, striving to capture opportunities to commence global large-scale projects. In addition, the coal mine expected to be acquired by the Group in Indonesia is a key project for the next few years, and it is expected that the design and construction of the coal mine will commence within the year 2021, which will enhance the coal production volume of the Group in the future once it becomes operational.

The Group will continue to negotiate with domestic financing institutions to consider various types of financing programs to improve its free cash flow and promote major projects. As the Company cautions that the operating costs will increase in the future, the management will pay additional attention to the control of the Group's human resources and other production costs. Meanwhile, the management will also actively manage the internal control through refined management, an efficient and stringent business execution system and an internal monitoring and feedback system, with its aim of improving the production efficiency of coal mines and project profitability. Overall, the management is confident that the Group will continue to maintain its scale and advantages in the years to come.

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 2020.

AUDIT COMMITTEE OF THE BOARD

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

The audit committee has reviewed the audited consolidated financial statements of the Group for the financial year ended 31 December 2020.

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 2020 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 consolidated financial statements for the year ended 31 December 2020.

"DISCLAIMER OF OPINION

We do not express an opinion on the Group's consolidated financial statements. Because of the significance of each of the uncertainties and their possible effects, individually and cumulatively, on the consolidated financial statements described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

As set out in note 2 to the consolidated financial statements, the Group incurred net loss of approximately RMB3,436,870,000 for the year ended 31 December 2020. As at 31 December 2020, the Group had net liabilities and net current liabilities of approximately RMB2,896,084,000 and RMB4,204,749,000 respectively. As at 31 December 2020, the Group's borrowings and accrued interest amounting to an aggregate amount of approximately RMB1,808,207,000 and approximately RMB355,983,000 respectively had been due for immediate payment. In addition, as set out in note 28 to the consolidated financial statements, the Group's other borrowings with carrying amounts of RMB2,788,147,000 as at 31 December 2020, with no event of default, contained a default clause that the Group will be required for repayment of the outstanding balance of the original borrowings and interest payables in the event of default. Moreover, as at 31 December 2020, there were several unsettled litigations against the Group mainly requesting the Group to repay certain payables with interest immediately as set out in note 38 to the consolidated financial statement. 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 on the Group's ability to continue as a going concern.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures taken by the directors of the Company, as described in note 2 to the consolidated financial statements, which are subject to multiple uncertainties, including (i) the successful negotiations with the banks/lenders for the renewal of or extension for repayment of outstanding borrowings, including those with overdue principals and interests; (ii) the successful obtaining of additional new sources of financing as and when needed; (iii) the successful maintenance of relationship with the Group's existing banks/lenders such that no action will be taken by the relevant banks/lenders to demand immediate repayment of the borrowings in default, including those with cross-default terms; (iv) the successful defense in the litigations against the Group, e.g. those relating to repayment to non-controlling shareholders as disclosed in note 38 to the consolidated financial statements and no significant repayments ordered by the court; (v) successfully accelerating the coal production of those coal mines currently under production and the successful renewal of those expired coal mining rights of coal mines not yet commenced production, together with applying cost control measures in cost of sales, administrative expenses and capital expenditures, to increase the Group's internally generated funds. We were provided with an analysis by the management in respect of the Group's going concern assessment. However, such analysis is not sufficiently detailed for us to assess the Group's plans and measures for future actions in the going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group. We have not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of the management's use of the going concern basis of accounting in the preparation of the consolidated financial statements. 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."

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

During the year ended 31 December 2020, 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 2020 (the "**Annual Report**") containing all the information required by Appendix 16 to the Listing Rules and any other applicable laws and regulations will be dispatched to the Shareholders and published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.qinfagroup.com) in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Thursday, 24 June 2021. To determine the eligibility of the shareholders of the Company to attend the annual general meeting to be held on Thursday, 24 June 2021, the register of members will be closed from Thursday, 17 June 2021 to Thursday, 24 June 2021, 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 4:00 p.m. on Wednesday, 16 June 2021.

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

Guangzhou, 31 March 2021

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