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秦發集團
QINFA GROUP

# 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 2021

The Directors refer to the positive profit alert announcement of the Company dated 29 March 2022 and set forth below the final results of the Group for the year ended 31 December 2021:

- Revenue was RMB4.6 billion in 2021, representing an increase of 102.9% from RMB2.2 billion in 2020.
- Coal handling and trading volume and commercial coal production volume in 2021 were approximately 6.12 million tonnes and 6.19 million tonnes respectively, representing an increase of 2.5% and an increase of 8.4% as compared to 2020.
- Gross profit margin in 2021 was 42.6%. As compared with gross profit margin of 15.8% in 2020, the increase in gross profit margin was mainly due to the increase in average coal price.
- Operating profit was RMB4.3 billion (includes (i) reversal of impairment losses on coal mining rights RMB1.4 billion; (ii) reversal of impairment losses on property, plant and equipment RMB853.0 million; (iii) remaining operating profit RMB2 billion) in 2021 as compared with operating loss RMB3.9 billion (includes (i) impairment losses on coal mining rights RMB1.9 billion; (ii) impairment losses on property, plant and equipment RMB2 billion; (iii) remaining operating loss RMB7 million) in 2020.
- Profit attributable to equity shareholders of the Company for the year was RMB2.8 billion in 2021, as compared with loss attributable to equity shareholders of the Company of RMB2.9 billion in 2020.
- Basic earnings per share of the Company was RMB111.8 cents in 2021 as compared with basic loss per share of RMB116.6 cents in 2020.
- Diluted earnings per share of the Company was RMB107.0 cents in 2021 as compared with diluted loss per share of RMB116.6 cents in 2020.

The Board does not recommend the payment of final dividends for the year 2021.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2021*

| | Notes | 2021<br>RMB'000 | 2020<br>RMB'000 |
|---|---|---|---|
| **Revenue** | *5* | **4,559,180** | 2,247,363 |
| **Cost of sales** | | **(2,618,061)** | (1,892,048) |
| **Gross profit** | | **1,941,119** | 355,315 |
| Other income, gains and losses | *6* | **377,506** | (137,134) |
| Distribution expenses | | **(4,530)** | (2,261) |
| Administrative expenses | | **(250,721)** | (208,376) |
| Reversal of impairment losses/(impairment losses) on coal mining rights | *12* | **1,441,315** | (1,869,716) |
| Reversal of impairment losses/(impairment losses) on property, plant and equipment | *13* | **852,991** | (2,069,252) |
| Reversal of impairment losses on trade receivables, net | | **12,305** | 31,736 |
| Reversal of impairment losses/(impairment losses) on prepayments and other receivables, net | | **5,394** | (12,987) |
| Other expenses | | **(44,522)** | (33,483) |
| **Operating profit/(loss)** | | **4,330,857** | (3,946,158) |
| Finance income | | **7,038** | 2,189 |
| Finance costs | | **(367,799)** | (369,029) |
| **Net finance costs** | *7* | **(360,761)** | (366,840) |
| **Profit/(loss) before taxation** | *8* | **3,970,096** | (4,312,998) |
| Income tax (expense)/credit | *9* | **(782,186)** | 876,128 |
| **Profit/(loss) for the year** | | **3,187,910** | (3,436,870) |

| | Note | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Other comprehensive income/(loss)** | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences for foreign operations | | **(2,374)** | (3,312) |
| **Other comprehensive income/(loss) for the year, net of tax** | | **(2,374)** | (3,312) |
| **Total comprehensive income/(loss) for the year** | | **3,185,536** | (3,440,182) |
| **Profit/(loss) for the year attributable to:** | | | |
| Equity shareholders of the Company | | **2,793,546** | (2,901,499) |
| Non-controlling interests | | **394,364** | (535,371) |
| **Profit/(loss) for the year** | | **3,187,910** | (3,436,870) |
| **Total comprehensive income/(loss) for the year attributable to:** | | | |
| Equity shareholders of the Company | | **2,791,172** | (2,904,811) |
| Non-controlling interests | | **394,364** | (535,371) |
| **Total comprehensive income/(loss) for the year** | | **3,185,536** | (3,440,182) |
| **Earnings/(loss) per share attributable to the equity shareholders of the Company during the year** | *10* | | |
| Basic earnings/(loss) per share | | **RMB111.8 cents** | RMB(116.6) cents |
| Diluted earnings/(loss) per share | | **RMB107.0 cents** | RMB(116.6) cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2021*

| | Notes | **2021** *RMB'000* | 2020 *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Coal mining rights | *12* | **2,990,264** | 1,942,800 |
| Property, plant and equipment | *13* | **2,946,407** | 2,371,686 |
| Right-of-use assets | | **30,562** | 9,218 |
| Other deposit | | **25,503** | 34,264 |
| Interest in an associate | | **–** | – |
| | | **5,992,736** | 4,357,968 |
| **Current assets** | | | |
| Inventories | | **217,533** | 55,635 |
| Trade receivables | *14* | **182,421** | 430,143 |
| Prepayments and other receivables | | **419,246** | 298,872 |
| Financial asset at fair value through profit and loss | | **20,112** | – |
| Pledged and restricted deposits | | **2,103** | 403 |
| Cash and cash equivalents | | **1,030,439** | 154,904 |
| | | **1,871,854** | 939,957 |
| **Current liabilities** | | | |
| Trade payables | *15* | **(320,464)** | (670,373) |
| Other payables and contract liabilities | | **(2,305,855)** | (2,295,605) |
| Lease liabilities | | **(8,833)** | (2,805) |
| Borrowings | *16* | **(1,475,850)** | (1,970,990) |
| Tax payable | | **(469,921)** | (204,933) |
| | | **(4,580,923)** | (5,144,706) |
| **Net current liabilities** | | **(2,709,069)** | (4,204,749) |
| **Total assets less current liabilities** | | **3,283,667** | 153,219 |

| | Note | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Accrued reclamation obligations | | **(144,090)** | (133,920) |
| Lease liabilities | | **(6,925)** | (926) |
| Borrowings | *16* | **(2,216,782)** | (2,625,364) |
| Deferred taxation | | **(631,278)** | (289,093) |
| | | **(2,999,075)** | (3,049,303) |
| **Net assets/(liabilities)** | | **284,592** | (2,896,084) |
| **Capital and reserves** | | | |
| Share capital | | **211,224** | 211,224 |
| Perpetual subordinated convertible securities | | **156,931** | 156,931 |
| Deficit | | **(850,176)** | (3,636,488) |
| **Total deficit attributable to equity shareholders of the Company** | | **(482,021)** | (3,268,333) |
| **Non-controlling interests** | | **766,613** | 372,249 |
| **Total equity/(deficit)** | | **284,592** | (2,896,084) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

## 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 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 2021, the Group had net current liabilities of approximately RMB2,709,069,000 (2020: net current liabilities of approximately RMB4,204,749,000). As at 31 December 2021, borrowings and accrued interest (including default interest) amounting to approximately RMB1,428,514,000 (2020: RMB1,808,207,000) and approximately RMB274,265,000 (2020: RMB359,171,000) respectively had been due for immediate payment, in which short-term bank borrowings of RMB638,000,000 (2020: RMB663,440,000) have been rolled over upon respective maturities in the past several years, other borrowing of RMB492,444,000 and related interest payable of RMB174,904,000 are the current liabilities in respect of Settlement Agreement of Loan III (as defined and detailed in note 16) due to the conditions of the settlement agreement that have not yet been satisfied but these current liabilities are not the scheduled repayments payable within twelve months from 31 December 2021, as set out in the revised repayment schedule of Settlement Agreement of Loan III, and other borrowings of RMB298,070,000 are due to asset management company or other lenders with the status as detailed in below note 2(ii).

In addition, pursuant to the settlement agreements (as detailed in note 16) entered into during the years ended 31 December 2018 and 2021, there are default clauses that the asset management companies can require the Group to pay the outstanding balance of the original borrowings and interest payable in the event of default. As at 31 December 2021, in respect of the settlement agreements, other borrowings, which had no event of default occurred so far up to the end of the reporting period, with carrying amounts of only RMB2,756,562,000 and related interest payable of RMB227,833,000 were recognised in the Group's consolidated statement of financial position. Please see note 16 for details.

Moreover, there are a number of litigations against the Group of which the details are set out in note 18, mainly requesting the Group to settle long outstanding payables with interest. And the Group's bank deposits of approximately RMB2,103,000 were restricted for use in relation to the litigation proceeding.

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

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 2021 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, which include but not limited to, the followings:

(i) For borrowings which will be maturing before 31 December 2022, 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. The directors of the Company are of the view that based on past experience and the current communication with banks, no significant difficulties are expected in renewing the banks' short-term borrowings upon their maturities;

(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. The directors of the Company are of the view that based on past experience and the current communication with banks/lenders, it is not probable that the banks will exercise the cross-default clauses to demand immediate payment, and new settlement agreements would be reached in respect of other borrowings payable to asset management company or other lenders within reasonable time period, in which other borrowing of RMB50,870,000 and related interest payable was subsequently restructured in March 2022 and partially repaid in March 2022, as detailed in note 16;

(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 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 approximately RMB1,887,867,000 (2020: RMB527,081,000) during the year; 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 2021. 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 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")

**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, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

| | |
|---|---|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform – Phase 2 |
| Amendments to IFRS 16 | Covid-19-Related Rent Concessions |

In addition, the Group has early applied the Amendments to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"

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 Amendment to IFRS 16 "Covid-19-Related Rent Concessions" and early application of Amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021"**

The Group has applied the Amendment to IFRS 16 "Covid-19-Related Rent Concessions" for the first time and early applied the Amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021" in the current year retrospectively. The amendments introduce a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions that occurred as a direct consequence of the Covid-19 pandemic that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 "Leases" if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of these amendments has had no material impact on the Group's financial positions and performance in the current and prior years.

**New and amendments to IFRSs in issue but not yet effective**

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

| | |
|---|---|
| IFRS 17 | Insurance Contracts and the related Amendments[2] |
| Amendments to IFRS 3 | Reference to the Conceptual Framework[1] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current[2] |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies[2] |
| Amendments to IAS 8 | Definition of Accounting Estimates[2] |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2] |
| Amendments to IAS 16 | Property, Plant and Equipment – Proceeds before Intended Use[1] |
| Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract[1] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2018–2020[1] |

[1] Effective for annual periods beginning on or after 1 January 2022.
[2] Effective for annual periods beginning on or after 1 January 2023.
[3] Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

***Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"***

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 "Financial Instruments: Presentation".

***Amendments to IAS 1 and IFRS Practice Statement 2 “Disclosure of Accounting Policies”***

IAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 “Making Materiality Judgements” (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but will affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

***Amendments to IAS 8 “Definition of Accounting Estimates”***

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in IAS 8 is retained with additional clarifications.

***Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”***

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items is measured in accordance with IAS 2 “Inventories”.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

***Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"***

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the unavoidable costs under the contract should reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

***Amendments to IFRSs Annual Improvements to IFRSs 2018–2020***

The annual improvements make amendments to the following standards:

*IFRS 9 "Financial Instruments"*

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

*IFRS 16 "Leases"*

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

## 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, 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 | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Revenue from external customers | **4,498,980** | 2,190,112 | **60,200** | 57,251 | **4,559,180** | 2,247,363 |
| Inter-segment revenue | **–** | – | **–** | – | **–** | – |
| **Reportable segment revenue** | **4,498,980** | 2,190,112 | **60,200** | 57,251 | **4,559,180** | 2,247,363 |
| **Reportable segment profit/(loss) before taxation** | **4,323,732** | (3,898,160) | **19,875** | (31,810) | **4,343,607** | (3,929,970) |
| Depreciation and amortisation | **(733,131)** | (468,722) | **(4,595)** | (8,151) | **(737,726)** | (476,873) |
| Net gain/(loss) on disposal of property, plant and equipment | **404** | (92) | **26,717** | (3) | **27,121** | (95) |
| Reversal of impairment losses/(impairment losses) on property, plant and equipment | **852,991** | (2,057,757) | **–** | (11,495) | **852,991** | (2,069,252) |
| Reversal of impairment losses/(impairment losses) on coal mining right | **1,441,315** | (1,869,716) | **–** | – | **1,441,315** | (1,869,716) |
| Reversal of impairment losses on trade receivables, net | **12,305** | 31,736 | **–** | – | **12,305** | 31,736 |
| Reversal of impairment losses/(impairment losses) on prepayments and other receivables, net | **5,394** | (12,987) | **–** | – | **5,394** | (12,987) |
| Additions to property, plant and equipment | **157,788** | 41,117 | **63** | 7,108 | **157,851** | 48,225 |
| **Reportable segment assets** | **8,633,282** | 5,519,793 | **75,422** | 256,626 | **8,708,704** | 5,776,419 |
| **Reportable segment liabilities** | **(6,876,293)** | (7,814,045) | **(391,289)** | (432,935) | **(7,267,582)** | (8,246,980) |

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

**Revenue**

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Total of reportable segments revenue | **4,559,180** | 2,247,363 |
| Elimination of inter-segment revenue | **–** | – |
| Consolidated revenue | **4,559,180** | 2,247,363 |

**Profit/(loss) before taxation**

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Total of reportable segments profit/(loss) before taxation | **4,343,607** | (3,929,970) |
| Unallocated head office and corporate expenses | **(12,750)** | (16,188) |
| Net finance costs | **(360,761)** | (366,840) |
| Consolidated profit/(loss) before taxation | **3,970,096** | (4,312,998) |

**Assets**

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Total of reportable segments assets | **8,708,704** | 5,776,419 |
| Elimination of inter-segment receivables | **(917,326)** | (483,798) |
| Unallocated assets | **73,212** | 5,304 |
| Consolidated total assets | **7,864,590** | 5,297,925 |

**Liabilities**

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Total of reportable segments liabilities | **7,267,582** | 8,246,980 |
| Elimination of inter-segment payables | **(807,570)** | (564,062) |
| Tax payable | **469,921** | 204,933 |
| Deferred taxation | **631,278** | 289,093 |
| Unallocated liabilities | **18,787** | 17,065 |
| Consolidated total liabilities | **7,579,998** | 8,194,009 |

**(c) Geographic information**

As at 31 December 2021, 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**

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| PRC | **4,543,591** | 2,217,289 |
| Other countries | **15,589** | 30,074 |
| Total | **4,559,180** | 2,247,363 |

**(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:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Customer A | **1,706,523** | 749,769 |
| Customer B | **1,097,486** | N/A* |
| Customer C | **N/A*** | 286,966 |
| Customer D | **N/A*** | 284,854 |
| Customer E | **N/A*** | 228,870 |

* 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:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Sales of coal | **4,498,980** | 2,190,112 |
| Charter hire income | **60,200** | 57,251 |
| | **4,559,180** | 2,247,363 |

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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Foreign exchange loss, net | **(7,909)** | (5,974) |
| Net gain/(loss) on disposal of property, plant and equipment | **27,121** | (95) |
| Gain on substantial modification upon loan restructuring *(Note 16)* | **238,673** | – |
| Loss on non-substantial modification of borrowings *(Note 16)* | **–** | (194,351) |
| Government subsidies *(note (i))* | **115,673** | 43,954 |
| Insurance claimed | **–** | 8,717 |
| Others | **3,948** | 10,615 |
| | **377,506** | (137,134) |

*Note:*

(i) The government subsidies of RMB115,673,000 (2020: RMB43,954,000) were granted and received/receivable as financial subsidies on the Group's business development for the year ended 31 December 2021 with conditions that the respective entities would maintain their principal places of businesses at the designated area for the same year, which were fulfilled.

## 7. NET FINANCE COSTS

| | 2021<br>*RMB'000* | 2020<br>*RMB'000* |
|---|---|---|
| Interest income | **(7,038)** | (2,189) |
| Interest on borrowings | **111,767** | 130,927 |
| Penalty interest | **42,783** | 46,008 |
| Interest charge on unwinding of discounts *(note (ii))* | **213,249** | 192,094 |
| Less: Interest capitalised into property, plant and equipment *(note (i))* | **–** | – |
| Finance costs | **367,799** | 369,029 |
| Net finance costs | **360,761** | 366,840 |

*Notes:*

(i) No borrowing cost has been capitalised for the years ended 31 December 2021 and 2020.

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

| | 2021<br>*RMB'000* | 2020<br>*RMB'000* |
|---|---|---|
| Borrowings *(note 16)* | **202,225** | 181,907 |
| Lease liabilities | **854** | 277 |
| Accrued reclamation obligations | **10,170** | 9,910 |
| | **213,249** | 192,094 |

## 8. PROFIT/(LOSS) BEFORE TAXATION

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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of inventories *(note (i))* | **1,534,600** | 1,143,794 |
| Short-term leases payment | **1,780** | 1,376 |
| Depreciation of property, plant and equipment | **304,340** | 267,143 |
| Amortisation of coal mining rights (included in cost of sales) | **427,722** | 205,368 |
| Depreciation of right-of-use assets | **5,664** | 4,362 |
| Property, plant and equipment written-off *(note 13)* | **–** | 1,245 |
| Reversal of impairment losses on inventories (included in cost of sales) | **(7,000)** | – |
| Auditors remuneration | | |
| – audit services | **2,235** | 2,137 |
| – non-audit services | **1,150** | 700 |
| Employee benefit expenses (excluding directors and chief executives remuneration) | | |
| – Salaries, allowances and benefits in kind | **437,041** | 370,869 |
| – Contributions to retirement benefit schemes | **13,777** | 3,482 |
| | **450,818** | 374,351 |

*Note:*

(i) Cost of inventories included approximately RMB1,096,567,000 (2020: RMB750,086,000) 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/(CREDIT)

Income tax expense/(credit) in the consolidated statement of comprehensive income represents:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax expense | | |
| – PRC Corporate Income Tax | **439,609** | 8,408 |
| – Underprovision of PRC Corporate Income Tax in prior years | **392** | – |
| – Hong Kong profit tax | **–** | 45 |
| | **440,001** | 8,453 |
| Deferred tax | **342,185** | (884,581) |
| Income tax expense/(credit) | **782,186** | (876,128) |

*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 (2020: Nil).

(ii) Provision for the Hong Kong Profit Tax was based on the statutory rate of 16.5% (2020: 16.5%) 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% (2020: 25%) of the assessable profits of subsidiaries which carried on businesses in the PRC.

(iv) Provision for the Indonesia Corporate Income Tax was based on the statutory rate of 22% (2020: 22%) of the assessable profits of subsidiaries which carried on businesses in the Indonesia. No provision for Indonesia Corporate Income Tax has been made in the consolidated financial statements as the Group had no assessable profits in Indonesia for the years ended 31 December 2021 and 2020.

## 10. EARNINGS/(LOSS) PER SHARE

### Basic earnings/(loss) per share

The calculations of basic earnings/(loss) per share is based on the profit/(loss) 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/(loss) per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2021 and 2020 respectively are based on the following data:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit/(loss) for the year attributable to equity shareholders of the Company | **2,793,546** | (2,901,499) |
| Less: Distribution relating to perpetual subordinated convertible securities classified as equity | **(4,860)** | (4,942) |
| Profit/(loss) for the year attributable to ordinary equity shareholders of the Company used in calculating basic earnings/(loss) per share | **2,788,686** | (2,906,441) |
| Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share | **2,493,413,985** | 2,493,413,985 |

**Diluted earnings/(loss) per share**

The calculations of diluted earnings/(loss) per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2021 and 2020 respectively are based on the following data:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit/(loss) for the year attributable to ordinary equity shareholders of the Company used in calculating basic earnings/(loss) per share | **2,788,686** | (2,906,441) |
| Add: Distribution relating to perpetual subordinated convertible securities classified as equity | **4,860** | N/A |
| Adjusted profit/(loss) for the year attributable to equity shareholders of the Company used in calculating diluted earnings/(loss) per share | **2,793,546** | (2,906,441) |
| Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share | **2,493,413,985** | 2,493,413,985 |
| Adjustments for calculation of diluted earnings/(loss) per share: | | |
| Perpetual subordinated convertible securities | **118,000,000** | N/A |
| Adjusted weighted average number of shares classified as equity for the purpose of diluted earnings/(loss) per share | **2,611,413,985** | 2,493,413,985 |

For the years ended 31 December 2021 and 2020, the computation of diluted earnings/(loss) 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 2021 and 2020.

The calculation of diluted earnings/(loss) per share for the years ended 2020 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.

## 11. DIVIDEND

The directors of the Company do not recommend the payment of any dividends to its ordinary shareholders for the year ended 31 December 2021 (2020: 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, hence none of the carrying amount of right-of-use assets relate to these lands. The Department of Land Resources of Shanxi Province issued and renewed several mining rights certificates to the Group.

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

As at 31 December 2021, with the continuing significant favourable coal market circumstances of the coal business segment, the directors of the Company, with the assistance from an independent professional qualified valuer, namely Apac Asset Valuation & Consulting Ltd, 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 which uses cash flow projections based on the most recent financial budgets approved by the directors of the Company covering a five-year period. With the assistance from Apac Asset Valuation & Consulting Ltd, the directors of the Company concluded that the estimated recoverable amount of each of the following cash-generating units as at 31 December 2021 was higher than the respective carrying amount of the cash-generating unit. As a result, reversal of impairment losses on the Group's coal mining rights and the related property, plant and equipment, amounting to approximately RMB1,441,315,000 and RMB852,991,000 were recognised for the year ended 31 December 2021.

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**"). The directors of the Company were 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 were of the opinion that the estimated amounts of the coal reserves were required to be adjusted downward.

With the abovementioned facts and circumstances, the directors of the Company, with the assistance from an independent professional qualified valuer, namely BMI Appraisals Limited, assessed 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 were 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 using cash flow projections. With the assistance from SRK Consulting and BMI Appraisals Limited, the directors of the Company concluded that the estimated recoverable amount of each of the following cash-generating units as at 31 December 2020 was below the respective carrying amount of the cash-generating unit. 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, were recognised for the year ended 31 December 2020 to reflect the Group's change in estimate about the coal reserves.

## 13. PROPERTY, PLANT AND EQUIPMENT

As described in note 12, the directors of the Company estimated the recoverable amounts of each of the cash-generating units to which coal mining rights and related property, plant and equipment have been allocated. As a result, reversal of impairment losses on the Group's coal mining rights and the related property, plant and equipment in the PRC, amounting to approximately RMB1,441,315,000 (2020: impairment losses of RMB1,869,716,000) (see Note 12) and RMB852,991,000 (2020: impairment losses of RMB2,057,757,000) were recognised for the year ended 31 December 2021. As at 31 December 2021, the carrying amounts of coal mining related property, plant and equipment in the PRC amounted to RMB2,854,940,000 (2020: RMB2,219,033,000).

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 the recoverable amount of certain asset which was based on the fair value less cost of disposal were lower than its carrying amount and accordingly, impairment loss of RMB11,495,000 had been recognised in respect of such asset.

## 14. TRADE RECEIVABLES

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **218,723** | 485,800 |
| Less: allowance for credit loss | **(36,302)** | (55,657) |
| | **182,421** | 430,143 |

**Ageing analysis**

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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 2 months | **123,103** | 363,580 |
| Over 2 months but within 6 months | **–** | – |
| Over 6 months but within 1 year | **–** | 93 |
| Over 1 year but within 2 years | **–** | 10 |
| Over 2 years *(note)* | **59,318** | 66,460 |
| | **182,421** | 430,143 |

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

*Note:*

As at 31 December 2021, trade receivables aged over 2 years amounting to approximately RMB59,318,000 (2020: RMB66,460,000) were due from customers which the Group has trade and other payable balances with amounts not less than the respective trade receivables as at the end of the reporting period. Based on past experience and repayment history of the trade debtors, the directors of the Company believe that no impairment allowance is necessary in respect of these balances.

Credit terms granted to customers mainly range from 0 to 60 days (2020: 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:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **126,026** | 484,063 |
| Over 1 year but within 2 years | **96,357** | 76,307 |
| Over 2 years | **98,081** | 110,003 |
| | **320,464** | 670,373 |

## 16. BORROWINGS

| | *Notes* | **2021** *RMB'000* | 2020 *RMB'000* |
|---|---|---|---|
| Bank loans | | | |
| – Unsecured | *(i)* | **638,000** | 910,640 |
| | | **638,000** | 910,640 |
| Other borrowings | *(ii)* | | |
| – Secured Loan I (as defined below) | | **2,145,073** | 2,788,147 |
| – Secured Loan II (as defined below) | | **119,045** | – |
| – Secured Loan III (as defined below) | | **492,444** | – |
| – Secured others | | **–** | 846,697 |
| – Unsecured | | **298,070** | 50,870 |
| | | **3,054,632** | 3,685,714 |
| Total borrowings | | **3,692,632** | 4,596,354 |

*Notes:*

(i) Unsecured bank loans bear interest at rates ranging from 5.70% to 8.80% (2020: 5.70% to 8.80%) per annum as at 31 December 2021.

(ii) Other borrowings bear interest at rates ranging from 5.66% to 7.28% (2020: 3.90% to 7.28%) per annum as at 31 December 2021.

As at 31 December 2021, borrowings of the Group were repayable as follows:

| | **2021** *RMB'000* | 2020 *RMB'000* |
|---|---|---|
| Within 1 year or on demand | **1,475,850** | 1,970,990 |
| Over 1 year but within 2 years | **2,216,782** | 362,679 |
| Over 2 years but within 5 years | **–** | 2,262,685 |
| | **2,216,782** | 2,625,364 |
| | **3,692,632** | 4,596,354 |

Due to breach of loan covenants and/or occurrence of default events (including the breach of cross default clauses), certain bank and other borrowings with the aggregate carrying amount of approximately RMB1,428,514,000 (2020: RMB1,808,207,000), in which the aggregate amount of RMB790,514,000 (2020: RMB1,144,567,000) was past due, and aggregate amounts of RMB577,000,000 (2020: RMB663,640,000) and RMB61,000,000 (2020: nil) 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 been due for immediate payment.

The interest payables of borrowings not yet past due but due for immediate payment due to occurrence of default events (including the breach of cross default clauses) and of borrowings that have become past due amounting to approximately RMB176,000 (2020: RMB3,188,000) and RMB274,089,000 (2020: RMB355,983,000) respectively were included in the other payables.

As at 31 December 2021, unsecured bank loans, secured other borrowings and unsecured other borrowings of approximately RMB638,000,000 (2020: RMB910,640,000), RMB492,444,000 (2020: RMB846,697,000) and RMB298,070,000 (2020: RMB50,870,000) respectively had been due for immediate payment (including those overdue or those due to breach of loan covenants and/or occurrence of default events (e.g. breach of cross default clauses)). These borrowings carried interest at rates 4.91% to 8.80% (2020: 3.9% to 8.80%) per annum and also carried additional penalty interest at rate 2.26% to 3.50% (2020: 1.95% to 4.40%) per annum after past due. Those secured borrowings that had been due for immediate payment are secured by coal mining rights and property, plant and equipment with a carrying amount of approximately RMB2,956,393,000 and RMB377,517,000 as at 31 December 2021 respectively (2020: coal mining rights and property, plant and equipment with RMB1,942,800,000 and RMB590,361,000 respectively).

**Settlement Agreement of Loan I (as defined below) and its supplemental agreements**

During the year ended 31 December 2018, the Group entered into a legal binding settlement agreement ("**Settlement Agreement of Loan I**" or "**Loan I**") with an asset management company in the PRC to reduce the outstanding principal amounts of bank loans assigned by two banks and the relevant outstanding interests (including penalty interests) amounting to approximately RMB4,027,188,000 and RMB582,028,000 in total respectively. The management of the Group considers that the terms of the Settlement Agreement of Loan I are substantially different as the discounted present value of the cash flows under the new terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by more than 10 per cent, and the Settlement Agreement of Loan I (with revised repayment schedules, revised loan principal amounts, default clauses, change of lender, etc.) superseded the respective original bank loan agreements. Accordingly, such modification of terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Therefore, the Group derecognised the original borrowings and interest payables outstanding and recognised new borrowings measured at fair value as at the date of extinguishment. The difference between the aggregate carrying amount of the borrowings and interest payables of RMB4,609,216,000 derecognised and the fair value of RMB2,704,363,000 of the new borrowings recognised amounting to approximately RMB1,904,853,000 was recognised in profit or loss for the year ended 31 December 2018.

In March 2020, in respect of the above-mentioned borrowings, the Group further entered into a legally binding supplemental agreement ("**Supplemental Settlement Agreement of Loan I**") with the asset management company to revise and extend the repayment schedule for year of 2020 and 2021. The repayment schedule for year of 2022 remained unchanged. The management of the Group considers that the terms of the Supplemental Settlement Agreement of Loan I are not substantially different from the Settlement Agreement of Loan I as the discounted present value of the cash flows under the revised terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by less than 10 per cent. Accordingly, such modification of terms was accounted for as non-substantial modification, and the adjustment of approximately RMB10,700,000 to the carrying amount of the financial liability was recognised as other losses as set out in note 6 at the date of modification.

In December 2020, the Group further entered into a legally binding supplemental agreement ("**Supplemental Settlement Agreement II of Loan I**") with the asset management company to revise and extend the repayment schedule for December 2020 and year of 2021. The repayment schedule for December 2020 has been changed to 2023. The management of the Group considers that the terms of the Supplemental Settlement Agreement II of Loan I are not substantially different from the Supplemental Settlement Agreement of Loan I as the discounted present value of the cash flows under the revised terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by less than 10 per cent. Accordingly, such modification of terms was accounted for as non-substantial modification, and the adjustment of approximately RMB183,651,000 to the carrying amount of the financial liability was recognised as other losses as set out in note 6 at the date of modification. As at 31 December 2021, the carrying amount of the Group's borrowings from the asset management company was approximately RMB2,145,073,000 (31 December 2020: RMB2,788,147,000).

The Settlement Agreement of Loan I contained a default clause which the Group will be required to repay the outstanding balance of the original borrowings and interest payable of approximately RMB4,027,188,000 and RMB373,014,000 (2020: RMB4,027,188,000 and RMB868,900,000) respectively if the Group fails to repay the borrowings by instalments in accordance with the respective revised repayment schedule as stipulated in the Supplemental Settlement Agreement II of Loan I. There is no occurrence of event of default under the Settlement Agreement of Loan I, Supplemental Settlement Agreement of Loan I, Supplemental Settlement Agreement II of Loan I as at the end of the reporting period (2020: no occurrence of event of default).

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

In May 2021, the Group entered into another legally binding settlement agreement (the "**Settlement Agreement of Loan II**" or "**Loan II**") with the asset management company to reduce the outstanding principal amounts of bank loans assigned by two banks and the relevant outstanding interests (including penalty interests) amounting to approximately RMB295,739,000 and RMB108,647,000 in total respectively. The management of the Group considers that the terms of the Settlement Agreement of Loan II are substantially different as the discounted present value of the cash flows under the new terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by more than 10 per cent, and the Settlement Agreement of Loan II (with revised repayment schedules, revised loan principal amounts, default clauses, change of lender, etc.) superseded the respective original bank loan agreements. Accordingly, such modification of terms was accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Therefore, the Group derecognised the original borrowings of RMB295,739,000 and interest payable of RMB108,647,000 outstanding, and recognised new borrowings measured at fair value amounting to RMB165,713,000 as at the date of extinguishment. The difference between the aforesaid carrying amounts of the borrowings and interest payables derecognised and the aforesaid fair value of the new borrowings recognised amounting to approximately RMB238,673,000 is recognised as other gains as set out in note 6 at the date of modification. As at 31 December 2021, the carrying amount of the Group's borrowings from the asset management company in respect of Settlement Agreement of Loan II was approximately RMB119,045,000.

The Settlement Agreement of Loan II contained a default clause which the Group will be required to repay the outstanding balance of the original borrowings and interest payable of approximately RMB295,206,000 and RMB104,027,000 (2020: RMB295,206,000 and RMB130,412,000) respectively if the Group fails to repay the borrowings by instalments in accordance with the respective repayment schedule as stipulated in the Settlement Agreement of Loan II. There is no occurrence of event of default under the Settlement Agreement of Loan II as at the end of the reporting period (2020: no occurrence of event of default).

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

In December 2021, the Group entered into a legally binding settlement agreement (the "**Settlement Agreement of Loan III**" or "**Loan III**") with an asset management company to reduce the outstanding principal amounts of bank loans assigned by a bank and the relevant outstanding interests (including penalty interests in arrears) amounting to approximately RMB492,444,000 and RMB261,645,000 in total respectively. The management of the Group considers that the terms of the Settlement Agreement of Loan III are substantially different as the Settlement Agreement of Loan III (with revised repayment schedules, default clauses, change of lender, etc.) superseded the respective original bank loan agreement. Accordingly, such modification of terms was accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Therefore, the Group derecognised the original borrowings of RMB492,444,000 and interest payables of RMB261,645,000 outstanding, and recognised new borrowings and interest payables amounting to RMB492,444,000 and RMB261,645,000 respectively as at the date of extinguishment. Therefore, no gain or loss arising from the loan restructuring was recognised at the date of modification. As at 31 December 2021, the carrying amounts of the Group's borrowings from the asset management company in respect of Settlement Agreement of Loan III and the related interest payable were approximately RMB492,444,000 and RMB226,479,000 respectively, which are included in current liabilities.

The Settlement Agreement of Loan III contained a conditional clause which the Group, unless otherwise notified by the asset management company of the Group's failure to repay in accordance with the revised repayment schedule, should repay the borrowings by instalment in accordance with the respective revised repayment schedule, in which the aggregate amount is less than the Group's currently recognised new borrowings and interest payables, as stipulated in the Settlement Agreement of Loan III, and therefore this other borrowing with carrying amount of RMB492,444,000 and interest payable of RMB226,479,000 in respect of Settlement Agreement of Loan III as at 31 December 2021, if based on the revised scheduled repayment terms set out in the Settlement Agreement of Loan III and without taking into account the effect of unsatisfied conditions, would be carrying amount of RMB51,575,000 repayable within 1 year, carrying amount of RMB50,602,000 repayable over 1 year but within 2 years, and carrying amount of RMB219,918,000 repayable over 2 years but within 5 years. Therefore, other borrowing of RMB492,444,000 and related interest payable of RMB174,904,000 are the current liabilities recognised as at 31 December 2021 in respect of Settlement Agreement of Loan III due to the conditions of the settlement agreement that have not yet been satisfied but these current liabilities are not the scheduled repayments payable within twelve months from 31 December 2021.

There is no occurrence of event of default under the Settlement Agreement of Loan III as at the end of the reporting period (2020: no occurrence of event of default).

**Other**

Of the Group's borrowings, aggregate principal amounts of RMB298,070,000 as at 31 December 2021 (2020: RMB691,848,000) had been defaulted with lawsuit filed by bank and asset management company 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 March 2022, one of the aforesaid borrowings with principal amount of RMB50,870,000 was subsequently restructured as detailed in note 19.

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

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

As at 31 December 2021, the terms of the above assigned loans remained unchanged. The Group is still in the process of negotiating with the banks and asset management companies to renew the terms (including the repayment schedule) of the outstanding loans and loans assigned.

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

| | *Notes* | **2021** **RMB'000** | 2020 *RMB'000* |
|---|---|---|---|
| Property, plant and equipment | *13* | **377,517** | 590,361 |
| Coal mining rights | *12* | **2,956,393** | 1,942,800 |
| Inventories | | **–** | 1,023 |

As at 31 December 2021 and 2020, the Group's total borrowings are also secured by other receivables of a related company of which Mr. Xu is the shareholder, a property held by Mr. Xu, Fortune Pearls equity interest in the Company and the Group's equity interest in Huameiao Energy, Xingtao Coal, Fengxi Coal, Chongsheng Coal, Xinglong Coal, Hongyuan Coal, Shuozhou Guangfa, Super Grace and Oriental Wise. As at 31 December 2021, total borrowings of approximately RMB3,692,632,000 (2020: RMB4,596,354,000) were guaranteed by the Company, certain subsidiaries of the Company, related parties and/or Mr. Xu.

## 17. ACQUISITION OF SUBSIDIARY

As disclosed in the Company's announcements dated 3 January 2020 and 7 August 2020, a series of agreements, including heads of agreement (the "**HOA**") dated 31 December 2019, addendum of HOA dated 11 March 2020 and conditional sale and purchase agreement dated 6 August 2020 (collectively, the "**Acquisition Agreements**") were entered by the Group for acquisition of 70% equity shareholding of PT Sumber Daya Energi ("**SDE**"), a company duly established under the laws of Republic of Indonesia that is engaged in coal mining and trading in Indonesia, from two independent third parties (the "**Sellers**") at a consideration of IDR385,000,000 (equivalent to approximately RMB171,000). Meanwhile, pursuant to the Acquisition Agreements, deposits of USD4,000,000 and USD1,000,000 were paid by the Group to one of the Sellers, who held 99.82% of SDE before completion of the acquisition, on 13 March 2020 and 13 August 2020 respectively. After completion of the acquisition on 25 May 2021 (the "**Acquisition Date**"), the Seller became the non-controlling shareholder of SDE and is entitled to 15% of the total saleable coal production of SDE as profit distributions and such entitlement are secured by the aforesaid deposits of aggregate USD5,000,000 (equivalent to RMB33,133,000 and RMB34,264,000 as at 25 May 2021 and 31 December 2020 respectively). The Group considered that the aforesaid deposits of USD5,000,000 became non-refundable upon Acquisition Date and will only be offset with profit distributions to the Seller for its 15% of the total saleable coal production of SDE until the aforesaid deposits are fully offset, and therefore such deposits of USD5,000,000 were also considered as part of the purchase consideration of the acquisition. Accordingly, the aggregate purchase consideration of the acquisition amounted to IDR385,000,000 and USD5,000,000 (equivalent to RMB33,304,000 in total).

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

The directors of the Company were of the opinion that inputs acquired from the acquisition of SDE did not include an organised workforce that has the necessary skills, knowledge and experience to perform coal production of SDE and other necessary inputs, and the acquisition of SDE did not constitute a business combination as defined in IFRS 3 (Revised) "Business Combinations", and therefore the acquisition was accounted for as asset acquisition. Assets acquired and liabilities assumed upon Acquisition Date are as follows:

| | *RMB'000* |
|---|---|
| Coal mining rights | 33,780 |
| Property, plant and equipment | 5,631 |
| Prepayment and other receivables | 3,274 |
| Cash and cash equivalents | 2,033 |
| Other payables | (11,414) |
| Net assets | 33,304 |

The net cash inflow arising on the acquisition is as follows:

| | *RMB'000* |
|---|---|
| Cash consideration paid | (171) |
| Less: cash and cash equivalents acquired | 2,033 |
| Net cash inflow from the acquisition | 1,862 |

## 18. CONTINGENT LIABILITIES

### (a) Outstanding litigations

#### *(i) Litigation claims relating to repayment to non-controlling shareholders of Xingtao Coal Mine, Fengxi Coal Mine and Chongsheng Coal Mine*

On 1 September 2020, there was a litigation claim 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 2021. Up to the date when the consolidated financial statements are authorised for issue, the litigation claim is still in progress.

As at 31 December 2021, 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 2021.

***(ii) Litigation claims relating to repayment to a former shareholder of Xinglong Coal Mine and Hongyuan Coal Mine***

In February 2021, the Group received notice from the Shuozhou City Intermediate People's Court that a lawsuit was filed by one of the former shareholders of Xinglong Coal Mine and Hongyuan Coal Mine against the Group to claim for unsettled consideration payment amounting to RMB30,469,000 for acquisition of Xinglong Coal Mine and Hongyuan Coal Mine and related compensation amounting to RMB3,000,000. Up to the date when the 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 2021.

***(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 RMB10,121,000. 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 2021.

***(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 RMB74,934,000, which including the aforesaid payable to this supplier of approximately RMB54,124,000 and late penalty interest of approximately RMB20,810,000. 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 2021.

Other than the disclosure of above, as at 31 December 2021, the Group was not involved in any other material litigation or arbitration. As far as the directors of the Company were aware, the Group had no other material litigation or claim which was pending or threatened against the Group. As at 31 December 2021, 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 one 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 the other borrowing creditor.

The maximum liability of the Group at 31 December 2021 under the guarantees issued is a portion of the outstanding amount of the borrowings of Tongmei Qinfa amounting to approximately RMB265,000,000 (2020: RMB270,000,000).

### (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 note 16.

## 19. EVENT AFTER THE REPORTING PERIOD

**Settlement Agreement of Loan I and its supplemental agreements**

On 15 March 2022, the Group further entered into a legally binding supplemental agreement ("**Supplemental Settlement Agreement III of Loan I**") with the asset management company for further revision on repayment schedule with remaining repayment amount of RMB2,378,125,900 in total and the repayment schedule for the period from 20 March 2022 to 20 December 2023 remained unchanged, but the repayment amount in each instalment was revised.

**Settlement Agreement of Loan II and its supplemental agreement**

On 18 February 2022, the Group further entered into a legally binding supplemental agreement ("**Supplemental Settlement Agreement of Loan II**") with the asset management company to revise the repayment schedule with remaining repayment amount of RMB135,443,300 in total, and the repayment schedule for the period from 10 March 2022 to 10 November 2023 remained unchanged, but the repayment amount in each instalment was revised.

**Other**

In March 2022, the Group entered into a legally binding supplemental agreement with an asset management company to reduce the outstanding principal amounts of a bank loan assigned by a bank and the relevant outstanding interests amounting to approximately RMB50,870,000 and RMB22,640,000 in total respectively, to a new outstanding amount of RMB62,190,000, in which RMB50,000,000 was repaid in 15 March 2022.

## 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 and blending of coal in the PRC. During the year ended 31 December 2021, the Group continued to focus on these business activities and expanded its integrated coal supply chain to the overseas.

## BUSINESS REVIEW

The market gradually recovered from the impact of Covid-19 as the pandemic situation in mainland China gradually eased during the year 2021. On the supply and demand sides of thermal coal, the demand of downstream industries for energy was gradually released due to the recovery of the domestic market, while the coal import policy remained relatively strict. During the year, the Chinese coal market saw a tight supply-demand balance, with a strong demand for thermal coal.

### Establishment of Environmental, Social and Governance Committee

The Group is committed to giving back to society, upholding its core corporate values and fulfilling its corporate social responsibility. Accordingly, the Board established an environmental, social and governance committee (the "**Committee**") during the year. Mr. XU Da, Chairman of the Group, was appointed as chairman of the Committee. Mr. XU Da is responsible for leading and guiding the team to implement environmental, social and governance measures, assist the Board in formulating relevant policies and review the results on a regular basis to ensure the compliance with relevant laws, regulations, standards and regulatory requirements.

The Group actively explores new ways to reduce resource consumption. For example, we promote environmental initiatives within the Group and have adopted green procurement policies, with a view to reducing emissions in the long run. In addition, as we highly value the opinions of stakeholders, during the year we conducted a series of surveys related to the Group's environmental and social policies and governance issues through questionnaires distributed to key stakeholders including our partners, employees, suppliers and customers. Through proactive engagement with stakeholders and an interactive approach to understanding stakeholders' appeals and their expectations of the Group, we aim to address precisely the concerns of all stakeholders and create sustainable returns for them.

**Completion of major transaction relating to disposal of vessel "SUPER GRACE"**

As disclosed in the announcements of the Company dated 10 March 2021 and 14 May 2021 and the circular of the Company dated 30 April 2021, the Group sold a vessel named "SUPER GRACE" to an independent third party at a total consideration of US$14.9 million on 14 May 2021 pursuant to the terms and conditions set out in the memorandum of agreement dated 10 March 2021. Upon completion of the transaction, "SUPER GRACE" ceased to be the asset of the Group. As the second-hand bulk carrier market was gradually improving, the directors considered that the disposal represented an opportunity to dispose of the vessel at a reasonable price, which would enable the Group to improve its liquidity position and lower the gearing ratio thus enhancing the Group's overall financial position. The disposal constituted a major transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and was subject to approval by the shareholders of the Company. On 12 March 2021, Mr. XU Jihua, Fortune Pearl International Limited, Mr. Xu Da and Ms. WANG Jianfei, who beneficially owned in aggregate approximately 51.83% of the total issued share capital of the Company, gave their written approval on the disposal.

**Completion of discloseable transaction relating to disposal of vessel "QIN FA 18"**

As disclosed in the announcements of the Group dated 6 December 2021 and 23 December 2021, after careful consideration and giving priority to the best interest of the Group and its shareholders as a whole, the Group sold a vessel named "QIN FA 18" to an independent third party at a total consideration of RMB66.33 million on 23 December 2021 pursuant to the terms and conditions set out in the memorandum of agreement dated 6 December 2021. Upon completion of the transaction, "QIN FA 18" ceased to be the asset of the Group. The directors of the Group believed that the disposal would enable the Group to reallocate its financial resources effectively and make appropriate investments in its coal handling business which accounts for the majority of the Group's revenue. As the second-hand bulk carrier market was gradually improving, the directors considered that the disposal represented an opportunity to dispose of the vessel at a reasonable price, which would enable the Group to improve its liquidity position and lower the gearing ratio thus enhancing the Group's overall financial position.

**Completion of acquisition of 70% equity interest of PT SUMBER DAYA ENERGI**

As disclosed in the announcement of the Group dated 25 May 2021, the Group completed a discloseable transaction in relation to the proposed acquisition of 70% equity interest of PT SUMBER DAYA ENERGI ("**SDE**"). The Group has dispatched technical teams to carry out exploration and planning in the region. The Group expects that its coal production will increase significantly when the coal mines under the SDE project are put into production.

**Continuing acquisition of 70% equity interest of 5 additional mining business licenses**

As disclosed in the announcements of the Group dated 13 May 2021, 12 November 2021 and 3 January 2022, the Group and the sellers will establish new mining companies, which will be owned by the Group as to 75% and the respective sellers as to 25%, and the sellers will subsequently transfer their mining business licenses to the new mining companies within specific periods of time. The acquisition is in progress and the required government approvals are pending.

**Reaching a loan restructuring proposal**

As disclosed in the announcement of the Group dated 13 December 2021, a major lending bank of the Group (the "**Original Creditor**") sold the original debt to a domestic asset management company (the "**Current Creditor**") by way of discounting. The Group and the Current Creditor reached a loan restructuring proposal for the repayment of the original debt. According to the proposal, the Current Creditor agrees to reduce the original debt by approximately RMB404,088,649. Thus, the principal balance of the outstanding debt shall be RMB435,636,667. This loan restructuring proposal will enable the Group to ease pressure on cash flow and allocate funds with more flexibility. In the future, the Group will continue to negotiate with creditors and consider different financing and repayment plans to improve cash flow.

As of 31 December 2021, the Group owned and operated five coal mines in China and one coal mine in Indonesia. 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% | 4.25 | 1.5 | Under operation |
| Huameiao Energy – Fengxi Coal | Shuozhou Shanxi | 80% | 2.43 | 0.9 | Under operation |
| Huameiao Energy – Chongsheng Coal | Shuozhou Shanxi | 80% | 2.88 | 0.9 | Under operation |
| Shenda Energy – Xinglong Coal | Xinzhou Shanxi | 100% | 4.01 | 0.9 | Under development (Temporarily suspended) |
| Shenda Energy – Hongyuan Coal | Xinzhou Shanxi | 100% | 1.32 | 0.9 | Under development (Temporarily suspended) |
| Sumber Daya Energi – SDE Coal | Kalimantan, Indonesia | 70% | 185 | N/A | Under development |

## 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 | Sumber Daya Energi – SDE Coal |
|---|---|---|---|---|---|---|
| Coal Seam | 4, 8, 9, 10, 11 | 4, 9, 11 | 4, 9, 11 | 2, 5 | 2, 5, 6 | B, D |
| Moisture *(%)* | 7–10 | 8–12 | 8–12 | 8.5 | 8.5 | 8–11 |
| Ash *(db, %)* | 20–28 | 20–28 | 20–28 | 21.45 | 30–72 | 22–25 |
| Sulfur *(db, %)* | 1.4–1.9 | 1.2–1.6 | 1.6–2.5 | 1.52 | 1.45 | 0.18–1.2 |
| Calorific Value *(average, kcal/kg, net, ar)* | 4,650–5,200 | 4,600–5,150 | 4,600–5,150 | 4,838 | 4,187 | 5,300 |

## OPERATING DATA

### Reserves and Resources

| | Huameiao Energy – Xingtao Coal | Huameiao Energy – Fengxi Coal | Huameiao Energy – Chongsheng Coal | Shenda Energy – Xinglong Coal | Shenda Energy – Hongyuan Coal | Sumber Daya Energi – SDE Coal | Total |
|---|---|---|---|---|---|---|---|
| **Reserves** | | | | | | | |
| Reserves as of 1 January 2021 *(Mt)* | | | | | | | |
| – Proven reserves | 13.07 | 1.61 | 1.56 | – | – | – | 16.24 |
| – Probable reserves | 4.02 | 7.25 | 6.50 | 13.50 | 10.46 | 293.00 | 334.73 |
| Total reserves as of 1 January 2021 *(Mt)* | 17.09 | 8.86 | 8.06 | 13.50 | 10.46 | 293.00 | 350.97 |
| *Less:* Total raw coal production for the year *(Mt)* | (2.84) | (3.79) | (2.89) | – | – | – | (9.52) |
| **Reserves as of 31 December 2021 *(Mt)*** | **14.25** | **5.07** | **5.17** | **13.50** | **10.46** | **293.00** | **341.45** |
| **Resources (measured + indicated)** | | | | | | | |
| Resources as of 1 January 2021 *(Mt)* | 49.51 | 19.93 | 20.37 | 35.08 | 20.87 | 589.22 | 734.98 |
| *Less:* Total raw coal production for the year *(Mt)* | (2.84) | (3.79) | (2.89) | – | – | – | (9.52) |
| **Resources as of 31 December 2021 *(Mt)*** | 46.67 | 16.14 | 17.48 | 35.08 | 20.87 | 589.22 | 725.46 |

The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources of the SDE Coal Mine in Indonesia as at 31 December 2021 in accordance with the JORC Code.

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

| Raw coal production volume | Year ended 31 December 2021 (’000 tonnes) | 2020 (’000 tonnes) |
|---|---|---|
| Huameiao Energy – Xingtao Coal | **2,843** | 3,296 |
| Huameiao Energy – Fengxi Coal | **3,790** | 2,839 |
| Huameiao Energy – Chongsheng Coal | **2,889** | 2,650 |
| Total | **9,522** | 8,785 |

| Commercial coal production volume *(Note)* | Year ended 31 December 2021 (’000 tonnes) | 2020 (’000 tonnes) |
|---|---|---|
| Huameiao Energy – Xingtao Coal | **1,848** | 2,142 |
| Huameiao Energy – Fengxi Coal | **2,463** | 1,846 |
| Huameiao Energy – Chongsheng Coal | **1,878** | 1,722 |
| Total | **6,189** | 5,710 |

*Note:* According to the competent person’s report as at cut-off date of 31 December 2021, 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 | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| Materials and consumables | **105,913** | 85,592 |
| Staff cost | **340,642** | 256,492 |
| Other direct cost | **56,850** | 46,248 |
| Overhead and others | **1,180,525** | 666,917 |
| Evaluation fee | **586** | 170 |
| Total | **1,684,516** | 1,055,419 |

## FINANCIAL REVIEW

### Revenue

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| Coal business | **4,498,980** | 2,190,112 |
| Shipping transportation | **60,200** | 57,251 |
| | **4,559,180** | 2,247,363 |

***Coal business***

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | ***'000 tonnes*** | *'000 tonnes* |
| Coal Handling and Trading Volume of Coal Business | **6,115** | 5,964 |

During the year ended 31 December 2021, the volume of the Group's coal handling and trading increased as compared with 2020. The coal selling prices during the year ended 31 December 2021 were in range between RMB345 per tonne and RMB1,916 per tonne, as compared to the coal selling prices between RMB192 per tonne and RMB586 per tonne in 2020. Average coal selling price increased mainly due to significant raise on coal market price during the year.

The average coal selling price and the average monthly coal handling and trading volume for each of the three years ended 31 December 2021 are set forth in the table below:

| | **Year ended 31 December** | | |
|---|---|---|---|
| | **2021** | 2020 | 2019 |
| Average coal selling price *(RMB per tonne)* | **736** | 367 | 358 |
| Average monthly coal handling and trading volume *('000 tonnes)* | **510** | 497 | 634 |

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 2021 and 2020:

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| | **Revenue** *RMB'000* | **Percentage of revenue** *% of total* | Revenue *RMB'000* | Percentage of revenue *% of total* |
| Power plants | **518,815** | **11.5** | 329,677 | 15.1 |
| Coal traders | **3,980,165** | **88.5** | 1,860,435 | 84.9 |
| Total | **4,498,980** | **100.0** | 2,190,112 | 100.0 |

***Shipping transportation***

The segment revenue for shipping transportation from external customers for the year ended 31 December 2021 was RMB60.2 million as compared with RMB57.3 million in 2020. The effect on disposal of the Group's vessels during 2021 was offset by the increase in freight rate, therefore the segment revenue for shipping remained constant. The Group disposed all its vessels as at 31 December 2021.

**Cost of Sales**

Cost of sales of the Group in 2021 amounted to RMB2,618.1 million, representing an increase of 38.4% compared with RMB1,892.0 million in 2020. The increase was due to the increase in transportation fee, depreciation, amortisation and staff costs.

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

| | Year ended 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB million*** | *RMB million* |
| Cost of purchase | **9.0** | 66.9 |
| Cost of coal transportation | **890.3** | 723.6 |
| Cost of self-produced coal | **1,684.5** | 1,055.4 |
| Materials, fuel, power | **162.8** | 131.8 |
| Staff costs | **340.6** | 256.5 |
| Depreciation and amortisation | **723.6** | 461.7 |
| Others | **457.5** | 205.4 |
| Total cost of sales of coal business segment | **2,583.8** | 1,845.9 |

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 2021 and 2020:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2021** | | 2020 | |
| | **Sales volume** | **Revenue** | Sales volume | Revenue |
| **Origins of coal** | ***'000 tonnes*** | ***RMB'000*** | *'000 tonnes* | *RMB'000* |
| China | **6,115** | **4,498,980** | 5,964 | 2,190,112 |

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 42.6% during the year ended 31 December 2021 as compared with gross profit margin of 15.8% during the same period in 2020. Gross profit margin increased mainly due to the increase on average coal price.

### Other Income, Gains and Losses

During the year ended 31 December 2021, the Group's other income, gains and losses amounted to a net gain of RMB377.5 million, representing an increase of approximately of RMB514.6 million, as compared with a net loss of RMB137.1 million in 2020. The increase in other income, gains and losses in 2021 was mainly due to the one-off gain on substantial modification upon loan restructuring and increase in government subsidies for the year ended 31 December 2021.

### Distribution Expenses

Distribution expenses increase by 100.4% to RMB4.5 million for the year ended 31 December 2021, as compared with RMB2.3 million in 2020. The increase in distribution expenses was due to the one off commission expenses on the disposal of vessels during the year.

### Administrative Expenses

During the year ended 31 December 2021, the Group's administrative expenses amounted to RMB250.7 million, representing an increase of 20.3%, as compared with RMB208.4 million in 2020. The increase was mainly attributable to the increase in staff costs and other taxes. The Group strived to provide competitive remuneration package to existing staffs.

### Other Expenses

During the year ended 31 December 2021, the Group's other expenses amounted to RMB44.5 million, representing an increase of 33.0%, as compared with RMB33.5 million in 2020. The increase in other expenses was mainly due to increase in capital occupation fee and surcharge on resource tax payment.

### Net Finance Costs

Net finance costs of the Group in 2021 amounted to RMB360.8 million, representing a decrease of 2.2%, as compared with RMB369.0 million in 2020. The amount remained constant.

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

Profit attributable to the equity shareholders of the Company for the year ended 31 December 2021 was RMB2.8 billion, as compared with loss attributable to the equity shareholders of the Company of RMB2.9 billion in 2020. The increase in profit attributable to equity shareholders of the Company was mainly attributable to (i) the Group had benefited from external economic factors that the market price for coal experienced significant increase during the year which led to a substantial increase in the operating profit; (ii) the Group had reached loan restructuring arrangements with certain creditors of the Group, pursuant to which a non-operating profit resulting from the gain on debt restructuring is expected to be recorded; and (iii) reversal of impairment losses on property, plant and equipment and coal mining rights due to significant increase in coal price.

## 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 and other borrowings. As at 31 December 2021, the Group recorded net current liabilities of RMB2,709.1 million (2020: RMB4,204.7 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 2021, the cash and cash equivalents of the Group amounted to RMB1,030,439,000 (2020: RMB154,900,000), representing an increase of 565%.

As at 31 December 2021, the bank and other borrowings of the Group amounting to RMB1,475.9 million (31 December 2020: RMB1,971.0 million) were classified as current liabilities. Due to breach of loan covenants and/or occurrence of default events (including the breach of cross default clauses), certain bank and other borrowings with the aggregate carrying amount of approximately RMB1,428,514,000 (31 December 2020: RMB1,808,207,000), in which the aggregate amount of RMB790,514,000 (31 December 2020: RMB1,144,567,000) was past due, and aggregate amounts of RMB577,000,000 (31 December 2020: RMB663,640,000) 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. The bank and other borrowings carried interest at rates ranging from 5.7% to 8.8% (as at 31 December 2020: 3.9% to 8.8%) per annum.

As at 31 December 2021, the Group had total banking and other borrowing facilities of RMB3,692.6 million (2020: RMB4,596.4 million), of which RMB3,692.6 million (2020: RMB4,596.4 million) were utilised.

As at 31 December 2021, the Group's cash and cash equivalents, except amount of RMB25.9 million in United States dollars ("**USD**") and amount of RMB1 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 2021 was 33.8% (2020: 83.8%). The gearing ratio decreased due to the total asset increase according to increase in profit 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 2021, the Group's assets in an aggregate amount of RMB3,333.9 million (2020: RMB2,534.2 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 AND LITIGATIONS

Except for certain matters related to litigations and arbitrations disclosed in Note 18 to the consolidated financial statements in this announcement, the Group did not have any material contingent liabilities as at 31 December 2021. In December 2020, the Group has initiated to file an application of an arbitration with the vendors of Xingtao Coal, Fengxi Coal and Chongsheng Coal. After a complicated legal process, the verdict of the arbitration was issued by Beijing Arbitration Commission during 2021. The Arbitral Tribunal did not rule in the favour of the applicant. Nevertheless, the Directors expect that the verdict of the arbitration will have no material impact on the overall financial or operating conditions of the Group. For the year ended 31 December 2020, the impairment losses on the Group's coal mining rights and the related property, plant and equipment were recognised to reflect the Group's change in estimate about the coal reserves. For the year ended 31 December 2021, the reversal of impairment losses on the Group's coal mining rights (see note 12) and the related property, plant and equipment (see note 13) were reversed due to significant increase in coal price.

## FINAL DIVIDEND FOR THE YEAR ENDED 31 DECEMBER 2021

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

## EMPLOYEES AND REMUNERATION

As of 31 December 2021, the Group employed 2,645 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

The international situation has been volatile and uncertain recently. Since 2022, Russia has been sanctioned by Western countries due to the war between Russia and Ukraine. As Russia is one of the major coal suppliers for the international community, the sanctions have greatly affected Russia's coal exports to Europe and the international community. As a result, the international community has turned to other countries such as Australia and Indonesia for coal imports, and the shortage of coal supply has caused the global prices of thermal coal to soar to new heights. After successfully acquiring the SDE coal mine in Indonesia in 2021, the Group is now expediting its commissioning and will put it into operation as soon as possible.

The Group has been closely monitoring the global development of the pandemic as well as changes in the coal market. Looking forward to 2022, we expect that, with the widespread vaccination on the population and the effective anti-pandemic measures put in place by the government, the pandemic situation in China will gradually ease and the economy will pick up momentum, leaving behind the doldrums caused by the pandemic.

Keeping abreast of the latest development of the global market, the Group's management is aware of the abundant coal resources in Indonesia, which have reasonable valuations as well as enormous growth potential. We have been developing our Indonesian coal mine business diligently for several years. In the future, the Group will continue to actively conduct strategic planning in both domestic and foreign markets to identify assets with high growth potential.

The Group will continue to enhance its efforts to carry out exploration, and actively improve the production efficiency and production volume of its coal mines in China by promoting intelligent coal mines and strengthening collaborative scheduling. In addition, the Group will accelerate the production capacity building for the coal mines in Kotabaru Regency, South Kalimantan, Indonesia under the SDE project, and strive to put these mines into production as soon as possible. While engaging in coal business in Indonesia, we have been strengthening our relationship with the local community, actively supporting the development of the local community, and establishing a long-term and good relationship with the Indonesian government. The Group is also leveraging its strategic partnership with Indonesian companies to continue to cautiously seek opportunities to develop in Indonesia.

The Group will continue to expand its supplier network and seek high-quality suppliers for cooperation to ensure the market will see coal supply of reliable quality and stable quantity in 2022. Meanwhile, we will strengthen our marketing efforts to expand our customer base, with a view to extending our sales network to more cities with untapped market potential, increasing our market share as well as enhancing our competitiveness in the market.

The Group will adhere to its integrated business model, which comprises the production, transportation and sale of coal. We will continue to optimize our production and operational plans and smoothen the transition from production to sale, thus reducing the cost of transportation within the Group. We will also make targeted procurement and enhance our inventory management through our internal monitoring and feedback system. In 2022, the Group will continue to negotiate with financing institutions in China and weigh different financing options to enhance cash flow and invest in key projects. We will optimize and adjust our investment projects in a dynamic manner in response to market changes.

## 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 Listing Rules during the financial year ended 31 December 2021.

## 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 2021.

## 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 2021 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 2021.

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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the 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 RMB2,709,069,000. As at 31 December 2021, the borrowings and accrued interest amounting to an aggregate amount of approximately RMB1,428,514,000 and approximately RMB274,265,000 respectively have been due for immediate payment. In addition, as at 31 December 2021, there were several unsettled litigations against the Group mainly requesting the Group to repay certain payables with interest immediately as set out in note 18.

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 2021, 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 2021 (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 Friday, 24 June 2022. To determine the eligibility of the shareholders of the Company to attend the annual general meeting to be held on Friday, 24 June 2022, the register of members will be closed from Friday, 17 June 2022 to Friday, 24 June 2022, 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 Thursday, 16 June 2022.

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

Guangzhou, 31 March 2022

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