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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 2022

The Directors refer to the profit warning announcement of the Company dated 17 March 2023 and set forth below the final results of the Group for the year ended 31 December 2022:

- Revenue was RMB3.8 billion in 2022, representing a decrease of 16.8% from RMB4.6 billion in 2021.
- Coal handling and trading volume and commercial coal production volume in 2022 were approximately 4.53 million tonnes and 4.52 million tonnes respectively, representing a decrease of 26.0% and a decrease of 27.0% as compared to 2021.
- Gross profit margin in 2022 was 33.6%. As compared with gross profit margin of 42.6% in 2021, the decrease in gross profit margin was mainly due to the decrease in production volume and revenue while cost of sale remained relatively constant.
- Operating profit was RMB1 billion in 2022 as compared with operating profit of RMB4.3 billion (included (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 and; (iii) remaining operating profit RMB2 billion) in 2021.
- Profit after taxation for the year was RMB490.0 million in 2022, as compared with profit after taxation for the year of RMB3.2 billion in 2021.
- Profit attributable to equity shareholders of the Company for the year was RMB456.5 million in 2022, as compared with profit attributable to equity shareholders of the Company of RMB2.8 billion in 2021.
- Basic earnings per share of the Company was RMB18.1 cents in 2022 as compared with basic earnings per share of RMB111.8 cents in 2021.
- Diluted earnings per share of the Company was RMB17.5 cents in 2022 as compared with diluted earnings per share of RMB107.0 cents in 2021.

The Board does not recommend the payment of final dividends for the year 2022.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2022*

| | Notes | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| **Revenue** | 5 | **3,794,039** | 4,559,180 |
| **Cost of sales** | | **(2,520,756)** | (2,618,061) |
| **Gross profit** | | **1,273,283** | 1,941,119 |
| Other income, gains and losses | 6 | **85,533** | 377,506 |
| Distribution expenses | | **(2,100)** | (4,530) |
| Administrative expenses | | **(305,286)** | (250,721) |
| Reversal of impairment losses on coal mining rights | 12 | **–** | 1,441,315 |
| Reversal of impairment losses on property, plant and equipment | 13 | **–** | 852,991 |
| Reversal of impairment losses on trade receivables, net | | **–** | 12,305 |
| (Impairment losses)/reversal of impairment losses on prepayments and other receivables, net | | **(3,082)** | 5,394 |
| Other expenses | | **(27,878)** | (44,522) |
| **Operating profit** | | **1,020,470** | 4,330,857 |
| Finance income | | **16,197** | 7,038 |
| Finance costs | | **(269,886)** | (367,799) |
| **Net finance costs** | 7 | **(253,689)** | (360,761) |
| **Profit before taxation** | 8 | **766,781** | 3,970,096 |
| Income tax expense | 9 | **(276,745)** | (782,186) |
| **Profit after taxation** | | **490,036** | 3,187,910 |

| | Note | **2022** | 2021 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **Other comprehensive income/(loss)** | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences for foreign operations | | **11,714** | (2,374) |
| **Other comprehensive income/(loss) for the year, net of tax** | | **11,714** | (2,374) |
| **Total comprehensive income for the year** | | **501,750** | 3,185,536 |
| **Profit for the year attributable to:** | | | |
| Equity shareholders of the Company | | **456,543** | 2,793,546 |
| Non-controlling interests | | **33,493** | 394,364 |
| **Profit for the year** | | **490,036** | 3,187,910 |
| **Total comprehensive income for the year attributable to:** | | | |
| Equity shareholders of the Company | | **468,257** | 2,791,172 |
| Non-controlling interests | | **33,493** | 394,364 |
| **Total comprehensive income for the year** | | **501,750** | 3,185,536 |
| **Earnings per share attributable to the equity shareholders of the Company during the year** | *10* | | |
| Basic earnings per share | | **RMB18.1 cents** | RMB111.8 cents |
| Diluted earnings per share | | **RMB17.5 cents** | RMB107.0 cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2022*

| | Notes | 2022 RMB'000 | 2021 RMB'000 (Restated) |
|---|---|---|---|
| **Non-current assets** | | | |
| Coal mining rights | *12* | **2,367,351** | 2,990,264 |
| Property, plant and equipment | *13* | **3,432,903** | 2,978,330 |
| Right-of-use assets | | **17,325** | 30,562 |
| Other deposit | | **27,858** | 25,503 |
| Interest in an associate | | **–** | – |
| | | **5,845,437** | 6,024,659 |
| **Current assets** | | | |
| Inventories | | **439,373** | 217,533 |
| Trade receivables | *14* | **178,867** | 182,421 |
| Prepayments and other receivables | | **387,181** | 419,246 |
| Financial asset at fair value through profit and loss | | **–** | 20,112 |
| Pledged and restricted deposits | | **143,676** | 2,103 |
| Cash and cash equivalents | | **855,997** | 1,030,439 |
| | | **2,005,094** | 1,871,854 |
| **Current liabilities** | | | |
| Trade payables | *15* | **(387,564)** | (320,464) |
| Other payables and contract liabilities | | **(1,967,025)** | (2,305,855) |
| Lease liabilities | | **(8,794)** | (8,833) |
| Borrowings | *16* | **(3,447,453)** | (1,475,850) |
| Tax payable | | **(350,097)** | (469,921) |
| | | **(6,160,933)** | (4,580,923) |
| **Net current liabilities** | | **(4,155,839)** | (2,709,069) |
| **Total assets less current liabilities** | | **1,689,598** | 3,315,590 |

| | Note | 2022 | 2021 |
|---|---|---|---|
| | | **RMB'000** | *RMB'000* |
| | | | (Restated) |
| **Non-current liabilities** | | | |
| Accrued reclamation obligations | | **(179,614)** | (144,090) |
| Lease liabilities | | **(1,534)** | (6,925) |
| Borrowings | *16* | **(73,307)** | (2,216,782) |
| Deferred taxation | | **(621,932)** | (631,278) |
| | | **(876,387)** | (2,999,075) |
| **Net asset** | | **813,211** | 316,515 |
| **Capital and reserves** | | | |
| Share capital | | **211,224** | 211,224 |
| Perpetual subordinated convertible securities | | **156,931** | 156,931 |
| Deficit | | **(355,048)** | (818,253) |
| **Total equity/(deficit) attributable to equity shareholders of the Company** | | **13,107** | (450,098) |
| **Non-controlling interests** | | **800,104** | 766,613 |
| **Total equity** | | **813,211** | 316,515 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2022*

## 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 2022, the Group had net current liabilities of approximately RMB4,155,839,000 (2021: net current liabilities of approximately RMB2,709,069,000). As at 31 December 2022, borrowings and accrued interest (including default interest) amounting to approximately RMB1,330,634,000 (2021: RMB1,428,514,000) and approximately RMB219,718,000 (2021: RMB274,265,000) respectively had been due for immediate payment, in which short-term bank borrowings of RMB590,990,000 (2021: RMB638,000,000) are short-term bank facilities that have been rolled over upon respective maturities in the past several years, other borrowing of RMB492,444,000 (2021: RMB492,444,000) and related interest payable of RMB199,402,000 (2021: RMB226,479,000) classified as current liabilities in respect of Settlement Agreement of Loan III (as defined and detailed in note 16) only have total carrying amount of RMB50,602,000 (2021: RMB51,575,000) payable within twelve months from 31 December 2022 (2021: twelve months from 31 December 2021) if only based on the revised scheduled repayment terms set out in the Settlement Agreement of Loan III (as explained in note 16), and other borrowings of RMB247,200,000 (2021: RMB298,070,000) are due to an 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 immediately in the event of default. As at 31 December 2022, in respect of the settlement agreements, other borrowings, which had no event of default occurred so far up to the end of the reporting period, with carrying amounts of only RMB2,607,894,000 (2021: RMB2,756,562,000) and related interest payable of RMB199,402,000 (2021: RMB226,479,000) were recognised in the Group's consolidated statement of financial position. Please see note 16 to the consolidated financial statements for details.

Moreover, there are a number of litigations against the Group of which the details are set out in note 17 to the consolidated financial statements, mainly requesting the Group to settle long outstanding payables with interest. And the Group's bank deposits of approximately RMB13,000 (2021: RMB2,103,000) were restricted for use in relation to the litigation proceeding.

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

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 2022 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 2023, 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/lenders, no significant difficulties are expected in renewing the lender's borrowings and banks' short-term revolving 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;

(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 RMB984,432,000 (2021: RMB1,887,867,000) 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 2022. 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 2022 for the preparation of the consolidated financial statements:

| | |
|---|---|
| Amendments to IFRS 3 | Reference to the Conceptual Framework |
| Amendments to IAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to IAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to IFRSs | Annual Improvements to IFRSs 2018–2020 |

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

**Impacts on application of Amendments to IAS 16 Property, Plant and Equipment − Proceeds before Intended Use**

The Group has applied the amendments for the first time in the current year. 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 and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The costs of the items are measured in accordance with IAS 2 Inventories.

In accordance with the transitional provisions, the Group has applied the new accounting policy retrospectively to property, plant and equipment made available for use on or after the beginning of 1 January 2021. Comparative figures have been restated.

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

| | **Increase/ (decrease)** *RMB'000* |
|---|---|
| **Assets** | |
| Property, plant and equipment | 31,923 |
| **Equity** | |
| Deficit | (31,923) |

**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 (including the June 2020 and December 2021 Amendments to IFRS 17) | Insurance Contracts[1] |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |
| Amendments to IFRS 16 | Lease Liability in a Sale and Leaseback[3] |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current[3] |
| Amendments to IAS 1 | Non-current Liabilities with Covenants[3] |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies[1] |
| Amendments to IAS 8 | Definition of Accounting Estimates[1] |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1] |

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after a date to be determined.
[3] Effective for annual periods beginning on or after 1 January 2024.

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.

## 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 | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Revenue from external customers | **3,794,039** | 4,498,980 | **–** | 60,200 | **3,794,039** | 4,559,180 |
| Inter-segment revenue | **–** | – | **–** | – | **–** | – |
| **Reportable segment revenue** | **3,794,039** | 4,498,980 | **–** | 60,200 | **3,794,039** | 4,559,180 |
| **Reportable segment profit/(loss) before taxation** | **1,021,808** | 4,323,732 | **(990)** | 19,875 | **1,020,818** | 4,343,607 |
| Depreciation and amortisation | **(962,249)** | (733,131) | **–** | (4,595) | **(962,249)** | (737,726) |
| Net (loss)/gain on disposal of property, plant and equipment | **(210)** | 404 | **–** | 26,717 | **(210)** | 27,121 |
| Reversal of impairment losses on property, plant and equipment | **–** | 852,991 | **–** | – | **–** | 852,991 |
| Reversal of impairment losses on coal mining right | **–** | 1,441,315 | **–** | – | **–** | 1,441,315 |
| Reversal of impairment losses on trade receivables, net | **–** | 12,305 | **–** | – | **–** | 12,305 |
| (Impairment losses)/ reversal of impairment losses on other receivables, net | **(3,082)** | 5,394 | **–** | – | **(3,082)** | 5,394 |
| Additions to property, plant and equipment | **768,003** | 157,788 | **–** | 63 | **768,003** | 157,851 |
| **Reportable segment assets** | **8,348,550** | 8,665,205 | **710,966** | 75,422 | **9,059,516** | 8,740,627 |
| **Reportable segment liabilities** | **(6,490,787)** | (6,876,293) | **(895,750)** | (391,289) | **(7,386,537)** | (7,267,582) |

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

**Revenue**

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Total of reportable segments revenue | **3,794,039** | 4,559,180 |
| Elimination of inter-segment revenue | **–** | – |
| Consolidated revenue | **3,794,039** | 4,559,180 |

**Profit before taxation**

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Total of reportable segments profit before taxation | **1,020,818** | 4,343,607 |
| Unallocated head office and corporate expenses | **(348)** | (12,750) |
| Net finance costs | **(253,689)** | (360,761) |
| Consolidated profit before taxation | **766,781** | 3,970,096 |

**Assets**

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Total of reportable segments assets | **9,059,516** | 8,740,627 |
| Elimination of inter-segment receivables | **(1,440,004)** | (917,326) |
| Unallocated assets | **231,019** | 73,212 |
| Consolidated total assets | **7,850,531** | 7,896,513 |

**Liabilities**

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Total of reportable segments liabilities | **7,386,537** | 7,267,582 |
| Elimination of inter-segment payables | **(1,425,564)** | (807,570) |
| Tax payable | **350,097** | 469,921 |
| Deferred taxation | **621,932** | 631,278 |
| Unallocated liabilities | **104,318** | 18,787 |
| Consolidated total liabilities | **7,037,320** | 7,579,998 |

**(c) Geographic information**

The Group's total assets are primarily dominated by assets handling its coal 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. 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**

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| PRC | **3,794,039** | 4,543,591 |
| Other countries | **–** | 15,589 |
| Total | **3,794,039** | 4,559,180 |

**(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:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Customer A | **970,472** | 1,706,523 |
| Customer B | **650,161** | 1,097,486 |
| Customer C | **752,991** | 360,685* |
| Customer D | **625,983** | 401,229* |

* 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:

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Sales of coal | **3,794,039** | 4,498,980 |
| Charter hire income | **–** | 60,200 |
| | **3,794,039** | 4,559,180 |

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

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Foreign exchange gain/(loss), net | **20,656** | (7,909) |
| Net (loss)/gain on disposal of property, plant and equipment | **(210)** | 27,121 |
| Gain on substantial modification upon loan restructuring *(Note 16)* | **11,321** | 238,673 |
| Net gain on non-substantial modification of borrowings *(Note 16)* | **31,203** | – |
| Government subsidies *(note (i))* | **17,488** | 115,673 |
| Fair value gain on financial asset at fair value through profit and loss | **438** | – |
| Others | **4,637** | 3,948 |
| | **85,533** | 377,506 |

*Note:*

(i) The government subsidies of RMB17,488,000 (2021: RMB115,673,000) were granted and received/receivable as financial subsidies on the Group's business development for the year ended 31 December 2022 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

| | 2022 *RMB'000* | 2021 *RMB'000* |
|---|---|---|
| Interest income | **(16,197)** | (7,038) |
| Interest on borrowings | **123,197** | 154,550 |
| Interest charge on unwinding of discounts *(note (ii))* | **158,454** | 213,249 |
| Total interest expense on financial liabilities not at fair value through profit or loss | **281,651** | 367,799 |
| Less: Interest capitalised into property, plant and equipment *(note (i))* | **(11,765)** | – |
| Finance costs | **269,886** | 367,799 |
| Net finance costs | **253,689** | 360,761 |

*Notes:*

(i) During the year ended 31 December 2022, the finance costs have been capitalised at a rate of 6.69% (2021: nil) per annum.

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

| | 2022 *RMB'000* | 2021 *RMB'000* |
|---|---|---|
| Borrowings *(note 16)* | **147,083** | 202,225 |
| Lease liabilities | **978** | 854 |
| Accrued reclamation obligations | **10,393** | 10,170 |
| | **158,454** | 213,249 |

## 8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

| | **2022** *RMB'000* | 2021 *RMB'000* |
|---|---|---|
| Cost of inventories *(note (i))* | **1,840,799** | 1,534,600 |
| Short-term leases payment | **2,261** | 1,780 |
| Depreciation of property, plant and equipment | **324,711** | 304,340 |
| Amortisation of coal mining rights (included in cost of sales) | **622,739** | 427,722 |
| Depreciation of right-of-use assets | **15,589** | 5,664 |
| Reversal of impairment losses on inventories (included in cost of sales) | **–** | (7,000) |
| Auditors remuneration | | |
| – audit services | **2,324** | 2,235 |
| – non-audit services | **1,722** | 1,150 |
| Employee benefit expenses (excluding directors and chief executives remuneration) | | |
| – Salaries, allowances and benefits in kind | **504,167** | 437,041 |
| – Contributions to retirement benefit schemes | **36,093** | 13,777 |
| | **540,260** | 450,818 |

*Note:*

(i) Cost of inventories included approximately RMB1,416,740,000 (2021: RMB1,096,567,000) relating to employee benefit expenses, depreciation of property, plant and equipment and amortisation of coal mining rights which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

## 9. INCOME TAX EXPENSE

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

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax expense | | |
| – PRC Corporate Income Tax | **286,015** | 439,609 |
| – Underprovision of PRC Corporate Income Tax in prior years | **74** | 392 |
| – Hong Kong profit tax | **–** | – |
| | **286,089** | 440,001 |
| Deferred tax | **(9,344)** | 342,185 |
| Income tax expense | **276,745** | 782,186 |

*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 (2021: Nil).

(ii) Provision for the Hong Kong Profit Tax was based on the statutory rate of 16.5% (2021: 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% (2021: 25%) of the assessable profits of subsidiaries which carried on businesses in the PRC.

(iv) Provision for the Indonesia Corporate Income Tax was based on the statutory rate of 22% (2021: 22%) of the assessable profits of subsidiaries which carried on businesses in the Indonesia. No provision for Indonesia Corporate Income Tax has been made in the consolidated financial statements as the Group had no assessable profits in Indonesia for the years ended 31 December 2022 and 2021.

## 10. EARNINGS PER SHARE

### Basic earnings per share

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

The calculations of basic earnings per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2022 and 2021 respectively are based on the following data:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Earnings** | | |
| Profit for the year attributable to equity shareholders of the Company | **456,543** | 2,793,546 |
| Less: Distribution relating to perpetual subordinated convertible securities classified as equity | **(5,054)** | (4,860) |
| Profit for the year attributable to ordinary equity shareholders of the Company used in calculating basic earnings per share | **451,489** | 2,788,686 |
| **Shares** | **Number of shares** | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **2,493,413,985** | 2,493,413,985 |

**Diluted earnings per share**

The calculations of diluted earnings per share attributable to ordinary equity shareholders of the Company for the years ended 31 December 2022 and 2021 respectively are based on the following data:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Earnings** | | |
| Profit for the year attributable to ordinary equity shareholders of the Company used in calculating basic earnings per share | **451,489** | 2,788,686 |
| Add: Distribution relating to perpetual subordinated convertible securities classified as equity | **5,054** | 4,860 |
| Adjusted profit for the year attributable to equity shareholders of the Company used in calculating diluted earnings per share | **456,543** | 2,793,546 |
| **Shares** | **Number of shares** | |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **2,493,413,985** | 2,493,413,985 |
| Adjustments for calculation of diluted earnings per share: Perpetual subordinated convertible securities | **118,000,000** | 118,000,000 |
| Adjusted weighted average number of shares classified as equity for the purpose of diluted earnings per share | **2,611,413,985** | 2,611,413,985 |

For the years ended 31 December 2022 and 2021, the computation of diluted earnings per share has not assumed the exercise of the Company's outstanding share options since the adjusted exercise prices of these options were higher than the average market prices of shares for the outstanding period during the years ended 31 December 2022 and 2021.

## 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 2022 (2021: nil).

## 12. COAL MINING RIGHTS

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

| **Coal mining rights** | **Expiry date** |
|---|---|
| *Shanxi Province, PRC* | |
| Xingtao Coal Mine | 14 September 2034 |
| Fengxi Coal Mine | 24 January 2034 |
| Chongsheng Coal Mine | 14 December 2039 |
| Xinglong Coal Mine | 29 November 2019 |
| Hongyuan Coal Mine | 13 July 2030 |
| | |
| *Kalimantan, Indonesia* | |
| SDE Coal Mine | 14 May 2034 |

As at 31 December 2022, the Group's coal mining rights in the PRC with net carrying amount of approximately RMB2,333,653,000 (2021: RMB2,956,393,000) were pledged for the Group's borrowings (Note 16).

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

## 13. PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2022, the carrying amounts of coal mining related property, plant and equipment in the PRC amounted to RMB2,712,910,000 (2021: RMB2,864,588,000).

## 14. TRADE RECEIVABLES

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **215,169** | 218,723 |
| Less: allowance for credit loss | **(36,302)** | (36,302) |
| | **178,867** | 182,421 |

### Ageing analysis

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

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 2 months | **119,550** | 123,104 |
| Over 2 months but within 6 months | **–** | – |
| Over 6 months but within 1 year | **–** | – |
| Over 1 year but within 2 years | **–** | – |
| Over 2 years *(note)* | **59,317** | 59,317 |
| | **178,867** | 182,421 |

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

*Note:*

As at 31 December 2022, trade receivables aged over 2 years amounting to approximately RMB59,317,000 (2021: RMB59,317,000) 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 (2021: 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:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **187,906** | 126,026 |
| Over 1 year but within 2 years | **79,814** | 96,357 |
| Over 2 years | **119,844** | 98,081 |
| | **387,564** | 320,464 |

## 16. BORROWINGS

| | | **2022** | 2021 |
|---|---|---|---|
| | *Notes* | ***RMB'000*** | *RMB'000* |
| Bank loans | | | |
| – Secured | *(i)* | **74,676** | – |
| – Unsecured | *(ii)* | **590,990** | 638,000 |
| | | **665,666** | 638,000 |
| Other borrowings | *(iii)* | | |
| – Secured Loan I (as defined below) | | **2,008,380** | 2,145,073 |
| – Secured Loan II (as defined below) | | **107,070** | 119,045 |
| – Secured Loan III (as defined below) | | **492,444** | 492,444 |
| – Unsecured | | **247,200** | 298,070 |
| | | **2,855,094** | 3,054,632 |
| Total borrowings | | **3,520,760** | 3,692,632 |

*Notes:*

(i) Secured bank loans bear interest at rates of 2.5% (2021: Nil) per annum as at 31 December 2022.

(ii) Unsecured bank loans bear interest at rates ranging from 5.85% to 7.80% (2021: 5.7% to 8.80%) per annum as at 31 December 2022.

(iii) Other borrowings bear interest at rates ranging from 4.91% to 7.28% (2021: 5.66% to 7.28%) per annum as at 31 December 2022.

As at 31 December 2022, borrowings of the Group were repayable as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year or on demand | **3,447,453** | 1,475,850 |
| Over 1 year but within 2 years | **1,370** | 2,216,782 |
| Over 2 years but within 5 years | **71,937** | – |
| | **73,307** | 2,216,782 |
| | **3,520,760** | 3,692,632 |

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 RMB1,330,634,000 (2021: RMB1,428,514,000), in which the aggregate amount of RMB739,644,000 (2021: RMB790,990,000) was past due, and aggregate amounts of RMB535,990,000 (2021: RMB577,000,000) and RMB55,000,000 (2021: RMB61,000,000) 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 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 RMB207,000 (2021: RMB176,000) and RMB219,511,000 (2021: RMB274,089,000) respectively were included in the other payables.

As at 31 December 2022, unsecured bank loans, secured other borrowings and unsecured other borrowings of approximately RMB590,990,000 (2021: RMB638,000,000), RMB492,444,000 (2021: RMB492,444,000) and RMB247,200,000 (2021: RMB298,070,000) respectively, had been due for immediate payment (including those overdue or those due to breach of loan covenants and/or occurrence of default events (e.g. breach of cross default clauses)). These borrowings carried interest at rates 4.91% to 7.80% (2021: 4.91% to 8.80%) per annum and also carried additional penalty interest at rate 2.26% to 3.50% (2021: 2.26% to 3.50%) per annum after past due. Those secured borrowings that had been due for immediate payment are secured by coal mining rights and property, plant and equipment with a carrying amount of approximately RMB2,333,653,000 and RMB255,348,000 as at 31 December 2022 respectively (2021: coal mining rights and property, plant and equipment with RMB2,956,393,000 and RMB359,913,000 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 (the "**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 (the "**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 at the date of modification during the year ended 31 December 2020.

In December 2020, the Group further entered into a legally binding supplemental agreement (the "**Supplemental Settlement Agreement II 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 at the date of modification during the year ended 31 December 2020.

In March 2022, the Group further entered into a legally binding supplemental agreement (the "**Supplemental Settlement Agreement III of Loan I**") with the asset management company to revise the repayment schedule for year of 2022 and 2023. The management of the Group considers that the terms of the Supplemental Settlement Agreement III of Loan I are not substantially different from the Supplemental Settlement Agreement II of Loan I as the discounted present value of the cash flows under the revised terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by less than 10 per cent. Accordingly, such modification of terms was accounted for as non-substantial modification, and the adjustment of approximately RMB33,261,000 to the carrying amount of the financial liability was recognised as other gain as set out in note 6 at the date of modification during the year ended 31 December 2022.

As at 31 December 2022, the carrying amount of the Group's borrowings from the asset management company was approximately RMB2,008,380,000 (31 December 2021: RMB2,145,073,000).

The Settlement Agreement of Loan I contained a default clause which the Group will be required to repay the outstanding balance of the original borrowings and interest payable of approximately RMB4,027,188,000 and RMB458,887,000 (31 December 2021: RMB4,027,188,000 and RMB373,014,000) respectively if the Group fails to repay the borrowings by instalments in accordance with the respective revised repayment schedule as stipulated in the Supplement Settlement Agreement III of Loan I. There is no occurrence of event of default under the Settlement Agreement of Loan I, Supplemental Settlement Agreement of Loan I, Supplemental Settlement Agreement II of Loan I and Supplemental Settlement Agreement III of Loan I so far up to the end of the reporting period (31 December 2021: no occurrence of event of default).

**Settlement Agreement of Loan II (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 was recognised as other gain at the date of modification during the year ended 31 December 2021.

In February 2022, in respect of the above-mentioned borrowings, the Group further entered into a legally binding supplemental agreement (the “**Supplemental Settlement Agreement of Loan II**”) with the asset management company to revise the repayment schedule for year of 2022 and 2023. The management of the Group considers that the terms of the Supplemental Settlement Agreement of Loan II are not substantially different from the Settlement Agreement of Loan II as the discounted present value of the cash flows under the revised terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by less than 10 per cent. Accordingly, such modification of terms was accounted for as non-substantial modification, and the adjustment of approximately RMB2,058,000 to the carrying amount of the financial liability was recognised as other losses as set out in note 6 at the date of modification during the year ended 31 December 2022.

As at 31 December 2022, the carrying amount of the Group’s borrowings from the asset management company in respect of Loan II was approximately RMB107,070,000 (31 December 2021: RMB119,045,000).

The Settlement Agreement of Loan II contained a default clause which the Group will be required to repay the outstanding balance of the original borrowings and interest payable of approximately RMB295,206,000 and RMB108,432,000 (31 December 2021: RMB295,206,000 and RMB104,027,000) respectively if the Group fails to repay the borrowings by instalments in accordance with the respective revised repayment schedule as stipulated in the Supplemental Settlement Agreement of Loan II. There is no occurrence of event of default under the Settlement Agreement of Loan II and Supplemental Settlement Agreement of Loan II so far up to the end of the reporting period (31 December 2021: no occurrence of event of default).

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

In December 2021, the Group entered into a legally binding settlement agreement (the “**Settlement Agreement of Loan III**” or “**Loan III**”) with an asset management company to reduce the outstanding principal amounts of bank loans assigned by a bank and the relevant outstanding interests (including penalty interests in arrears) amounting to approximately RMB492,444,000 and RMB261,645,000 in total respectively. The management of the Group considers that the terms of the Settlement Agreement of Loan III are substantially different as the Settlement Agreement of Loan III (with revised repayment schedules, default clauses, change of lender, etc.) superseded the respective original bank loan agreement. Accordingly, such modification of terms was accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Therefore, the Group derecognised the original borrowings of RMB492,444,000 and interest payables of RMB261,645,000 outstanding, and recognised new borrowings and interest payables amounting to RMB492,444,000 and RMB261,645,000 respectively based on the terms of Loan III, as at the date of extinguishment. Therefore, no gain or loss arising from the loan restructuring was recognised at the date of modification. As at 31 December 2022, 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. Therefore, no gain or loss arising from the loan restructuring was recognised at the date of modification during the year ended 31 December 2021.

As at 31 December 2022, the carrying amounts of the Group’s borrowings from the asset management company in respect of Loan III and the related interest payable were approximately RMB492,444,000 and RMB199,402,000 (31 December 2021: RMB492,444,000 and RMB226,479,000) respectively, which are included in current liabilities.

The Settlement Agreement of Loan III contained a conditional clause which the Group, unless otherwise notified by the asset management company to repay the outstanding balance of the original borrowings and interest payable or the Group fails to repay in accordance with the revised repayment schedule, should repay the borrowings by instalment in accordance with the respective revised repayment schedule and the total sum of the instalments is less than the outstanding balance of the original borrowings and interest payable, as stipulated in the Settlement Agreement of Loan III. Therefore, as at 31 December 2022, the carrying amount of Loan III and its related interest due for repayment, based on the revised scheduled repayment terms set out in the Settlement Agreement of Loan III and without taking into account the effect of any demand by the asset management company to repay the outstanding balance of the original borrowings and interest payable and the Group's failure to repay in accordance with the revised repayment schedule, is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **50,602** | 51,575 |
| Over 1 year but within 2 years | **219,918** | 50,602 |
| Over 2 years but within 5 years | **–** | 219,918 |
| | **270,520** | 322,095 |

Due to the above-mentioned conditional clause and the conditions have not been satisfied so far up to the end of the reporting period, new borrowing and interest payable with carrying amounts of RMB492,444,000 and RMB199,402,000 (31 December 2021: RMB492,444,000 and RMB226,479,000) respectively in respect of Settlement Agreement of Loan III were recognised in the Group's consolidated statement of financial position as at 31 December 2022.

There is no occurrence of event of default under the Settlement Agreement of Loan III as at the end of the reporting period (2021: no occurrence of event of default).

**Other**

During the year ended 31 December 2022, the Group entered into a legal binding settlement agreement (the "**Settlement Agreement of Loan IV**" or "**Loan IV**") with an asset management company in the PRC, to reduce the outstanding principal amounts of bank loans assigned by a bank and the relevant outstanding interests (including penalty interests) amounting to approximately RMB50,870,000 and RMB22,641,000 in total respectively. The management of the Group considers that the terms of the Settlement Agreement of Loan IV are substantially different as the discounted present value of the cash flows under the new terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by more than 10 per cent, and the Settlement Agreement of Loan IV (with revised repayment schedules, revised loan principal amounts, default clauses, change of lender, etc.) superseded the respective original bank loan agreements. Accordingly, such modification of terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Therefore, the Group derecognised the original borrowings and interest payables outstanding and recognised new borrowings measured at fair value as at the date of extinguishment. The difference between the aggregate carrying amount of the borrowings and interest payables of RMB50,870,000 and RMB22,641,000 derecognised and the fair value of RMB62,190,000 of the new borrowings recognised amounting to approximately RMB11,321,000 was recognised as other gain as set out in note 6 at the date of modification. During the year ended 31 December 2022, the outstanding principal amount and relevant interest (including penalty interests) of Loan IV was fully settled by the Group.

Of the Group's borrowings, aggregate principal amounts of RMB247,200,000 as at 31 December 2022 (31 December 2021: RMB298,070,000) had been defaulted with lawsuit filed by banks and asset management companies against the Group to demand immediate repayment. Pursuant to the final court judgements in prior years, the Group was ordered to make immediate repayment of the aforesaid balances.

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

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

During the year ended 31 December 2022, the asset management company assigned its loans and interests (including penalty interests) due from the Group with aggregate amounts of RMB247,200,000 and RMB41,128,000 respectively, which had been past due and with lawsuit to other lenders in the PRC.

As at 31 December 2022, the terms of the above assigned loans remained unchanged. The Group is still in the process of negotiating with the banks and asset management companies/lenders to renew the terms (including the repayment schedule) of the outstanding loans and loans assigned.

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

| | | **2022** | 2021 |
|---|---|---|---|
| | *Notes* | ***RMB'000*** | *RMB'000* |
| Property, plant and equipment | *13* | **255,348** | 359,913 |
| Coal mining rights | *12* | **2,333,653** | 2,956,393 |
| Inventories | | **–** | – |

As at 31 December 2022 and 2021, 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 Shanxi Huameiao Energy Group Co., Ltd. ("**Huameiao Energy**"), Xingtao Coal, Fengxi Coal, Chongsheng Coal, Xinglong Coal, Hongyuan Coal and Shuozhou Guangfa Energy Investment Co., Ltd. ("**Shuozhou Guangfa**"). As at 31 December 2022, total borrowings of approximately RMB3,446,084,000 (2021: RMB3,692,632,000) were guaranteed by the Company, certain subsidiaries of the Company, related parties and/or Mr. Xu.

## 17. CONTINGENT LIABILITIES

### (a) Outstanding litigations

#### *(i) Litigation claims relating to repayment to non-controlling shareholders of Huameiao Energy*

On 1 September 2020, there was a litigation 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 held by subsidiaries of Huameiao Energy from the year of 2013 to 2020 as the distributions entitled to non-controlling shareholders of Huameiao Energy for the aforesaid period, which were equivalent to aggregate amount of approximately RMB705,860,000. 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 2022. Up to the date when the consolidated financial statements are authorised for issue, the litigation claim is still in progress.

#### *(ii) Litigation claims relating to repayment to a former shareholder of an acquired business of Huameiao Energy*

In February 2021, the Group received notice from the Shuozhou City Intermediate People's Court that a lawsuit was filed by a former shareholder of an acquired business of Huameiao Energy against the Group to claim for unsettled consideration payment amounting to RMB30,469,000 for transfer of business 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.

#### *(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 court order for the claim 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.

***(iv) Litigation claims relating to the performance of the purchase contract execution between Shanxi Yunxin International Trade Co., Ltd. ("Shanxi Yunxin") and Huameiao Energy and Fengxi 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 RMB77,430,000, which including the aforesaid payable to this supplier of approximately RMB54,124,000 and late penalty interest of approximately RMB23,306,000. 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 in respect of all the above litigation that the Group has a valid ground to defend against the claim or else made sufficient provision when necessary in the consolidated statement of financial position as at 31 December 2022.

Other than the disclosure of above, as at 31 December 2022, 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 2022, the Group was the defendant of certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business. 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 2022 under the guarantees issued is a portion of the outstanding amount of the borrowings of Tongmei Qinfa amounting to approximately RMB259,000,000 (2021: RMB265,000,000).

**(c) Borrowing default clause**

The settlement agreements entered into between the Group and asset management companies contained default clauses 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 agreements are disclosed in note 16.

## 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 2022, the Group continued to focus on these business activities and expanded its integrated coal supply chain to the overseas.

## BUSINESS REVIEW

In early 2022, the Russia-Ukraine war resulted in sanctions imposed on Russian energy imports by many Western countries. Energy supply in the global market suddenly tightened, leading to shortages of coal. Countries around the world actively sought new sources of coal imports. Overall, global coal prices hovered at high levels in 2022 because of the aforesaid, as well as various factors.

The policy of "ensuring supply and stabilizing prices" implemented by the Chinese government became the central tenet of the Chinese coal industry. According to the National Bureau of Statistics of China, the volume of imported coal amounted to 290 million tonnes in 2022, down 9.2% year-on-year, while the production of raw coal amounted to 4,500 million tonnes in 2022, up 9% year-on-year. These figures suggest that due to the complicated international situation and fierce competition for imported coal, the domestic market lessened its dependence on imported energy and instead accelerated the growth of raw coal production. Meanwhile, a slew of government measures to stabilize prices were implemented effectively to stabilize domestic energy prices, causing coal prices to rise within a reasonable range.

### Construction Works for SDE Coal Mine

Among the development projects being pursued by the Group in recent years, SDE Coal Mine has always been the Group's top priority. In the past year, with a view to putting SDE Coal Mine into operation as soon as possible, the Group made active preparations, including the construction of main shafts, auxiliary shafts, ventilation shafts, roads and wharfs.

On 2 March 2022, PT Qinfa Mining Industri, a wholly-owned subsidiary of the Company, entered into a construction contract and a technical service contract (collectively, the "**Construction Contracts**") with Jiangsu Mining Engineering Group Co., Ltd. (江蘇省礦業工程集團有限公司) ("**Jiangsu Mining**"), pursuant to which Jiangsu Mining shall provide services including construction of shafts and provision of project implementation services at contract sum of RMB68 million.

In addition, on 18 November 2022, SDE, an indirect 70% non-wholly owned subsidiary of the Company, entered into a procurement contract with SUMEC Complete Equipment & Engineering Co., Ltd. ("**SUMEC Complete**"), under which SUMEC Complete agreed to sell 10 sets of diesel generator and power plant ancillary equipment to SDE at a total consideration of approximately RMB39 million.

Moreover, on 28 December 2022, Qingdao Qinfa Materials Supply Limited ("**Qingdao Qinfa**"), an indirect wholly-owned subsidiary of the Company, entered into a procurement contract with Zhengzhou Coal Mining Machinery Group Company Limited ("**ZMJ**"), under which ZMJ agreed to sell the equipment to be purchased by Qingdao Qinfa under the procurement contract, including, amongst others, shearers, conveyors, and powered roof supports and to provide technical support to Qingdao Qinfa at a total consideration of approximately RMB156 million (including VAT).

The Construction Contracts and the procurement of equipment under the two procurement contracts mentioned above were part of the Group's preparation for production and extraction of underground coal reserve at SDE Coal Mine in Sungai Durian, Kotabaru, South Kalimantan Province, Indonesia.

As of 31 December 2022, the Group owned five coal mines in China and one coal mine in Indonesia. The table sets forth certain information about these coal mines.

| | **Location** | **Ownership** | **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 2022 *(Mt)* | | | | | | | |
| – Proven reserves | 10.23 | – | – | – | – | – | 10.23 |
| – Probable reserves | 4.02 | 5.07 | 5.17 | 13.50 | 10.46 | 293.00 | 331.22 |
| Total reserves as of 1 January 2022 *(Mt)* | 14.25 | 5.07 | 5.17 | 13.50 | 10.46 | 293.00 | 341.45 |
| *Less:* Total raw coal production for the year *(Mt)* | (1.84) | (2.26) | (2.87) | – | – | – | (6.97) |
| **Reserves as of 31 December 2022 *(Mt)*** | **12.41** | **2.81** | **2.30** | **13.50** | **10.46** | **293.00** | **334.48** |
| **Resources (measured + indicated)** | | | | | | | |
| Resources as of 1 January 2022 *(Mt)* | 46.67 | 16.14 | 17.48 | 35.08 | 20.87 | 589.22 | 725.46 |
| *Less:* Total raw coal production for the year *(Mt)* | (1.84) | (2.26) | (2.87) | – | – | – | (6.97) |
| **Resources as of 31 December 2022 *(Mt)*** | 44.83 | 13.88 | 14.61 | 35.08 | 20.87 | 589.22 | 718.49 |

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:

| | **Year ended 31 December** | |
|---|---|---|
| | **2022** | 2021 |
| **Raw coal production volume** | ***'000 tonnes*** | *'000 tonnes* |
| Huameiao Energy – Xingtao Coal | **1,837** | 2,843 |
| Huameiao Energy – Fengxi Coal | **2,259** | 3,790 |
| Huameiao Energy – Chongsheng Coal | **2,870** | 2,889 |
| Total | **6,966** | 9,522 |

| | **Year ended 31 December** | |
|---|---|---|
| | **2022** | 2021 |
| **Commercial coal production volume** *(Note)* | ***'000 tonnes*** | *'000 tonnes* |
| Huameiao Energy – Xingtao Coal | **1,188** | 1,848 |
| Huameiao Energy – Fengxi Coal | **1,468** | 2,463 |
| Huameiao Energy – Chongsheng Coal | **1,866** | 1,878 |
| Total | **4,522** | 6,189 |

*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 | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Materials and consumables | **115,022** | 105,913 |
| Staff cost | **455,921** | 340,642 |
| Utilities | **59,951** | 56,850 |
| Overhead and others | **1,152,120** | 1,180,525 |
| Evaluation fee | **1,054** | 586 |
| Total | **1,784,068** | 1,684,516 |

## FINANCIAL REVIEW

### Revenue

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB'000*** | *RMB'000* |
| Coal business | **3,794,039** | 4,498,980 |
| Shipping transportation | **–** | 60,200 |
| | **3,794,039** | 4,559,180 |

***Coal business***

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***'000 tonnes*** | *'000 tonnes* |
| Coal Handling and Trading Volume of Coal Business | **4,528** | 6,115 |

During the year ended 31 December 2022, the volume of the Group's coal handling and trading decreased as compared with 2021. The coal selling prices during the year ended 31 December 2022 were in range between RMB528 per tonne and RMB1,295 per tonne, as compared to the coal selling prices between RMB345 per tonne and RMB1,916 per tonne in 2021. Average coal selling price increased 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 2022 are set forth in the table below:

| | **Year ended 31 December** | | |
|---|---|---|---|
| | **2022** | 2021 | 2020 |
| Average coal selling price *(RMB per tonne)* | **838** | 736 | 367 |
| Average monthly coal handling and trading volume *('000 tonnes)* | **377** | 510 | 497 |

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 2022 and 2021:

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | **Revenue** | **Percentage of revenue** | Revenue | Percentage of revenue |
| | ***RMB'000*** | ***% of total*** | *RMB'000* | *% of total* |
| Power plants | **850,414** | **22.4** | 518,815 | 11.5 |
| Coal traders | **2,943,625** | **77.6** | 3,980,165 | 88.5 |
| Total | **3,794,039** | **100** | 4,498,980 | 100.0 |

### ***Shipping transportation***

The segment revenue for shipping transportation from external customers for the year ended 31 December 2022 was nil as compared with RMB60.2 million in 2021. The Group disposed all its vessels as at 31 December 2021.

**Cost of Sales**

Cost of sales of the Group in 2022 amounted to RMB2,520.8 million, representing a decrease of 4.0% compared with RMB2,618.1 million in 2021. The cost remained constant.

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

| | Year ended 31 December | |
|---|---|---|
| | **2022** | 2021 |
| | ***RMB million*** | *RMB million* |
| Cost of purchase | **–** | 9 |
| Cost of coal transportation | **737** | 890 |
| Cost of self-produced coal | **1,784** | 1,685 |
| Materials, fuel, power | **175** | 163 |
| Staff costs | **456** | 341 |
| Depreciation and amortisation | **958** | 724 |
| Others | **195** | 457 |
| Total cost of sales of coal business segment | **2,521** | 2,584 |

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 2022 and 2021:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | **Sales volume** | **Revenue** | Sales volume | Revenue |
| **Origins of coal** | ***'000 tonnes*** | ***RMB'000*** | *'000 tonnes* | *RMB'000* |
| China | **4,528** | **3,794,039** | 6,115 | 4,498,980 |

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 33.6% during the year ended 31 December 2022 as compared with gross profit margin of 42.6% during the same period in 2021. Gross profit margin decreased mainly due to decrease in production volume and revenue while cost of sales remained relatively constant.

## Other Income, Gains and Losses

During the year ended 31 December 2022, the Group's other income, gains and losses amounted to a net gain of RMB85.5 million, representing a decrease of approximately of RMB292.0 million, as compared with a net gain of RMB377.5 million in 2021. The decrease in other income, gains and losses in 2022 was mainly due to a decrease in net gain on the substantial/non-substantial modification of borrowing from approximately RMB238.7 million for the year ended 31 December 2021 to approximately RMB42.5 million for the year ended 31 December 2022.

## Distribution Expenses

Distribution expenses decreased by 53.6% to RMB2.1 million for the year ended 31 December 2022, as compared with RMB4.5 million in 2021. The decrease in distribution expenses was due to no one-off commission expenses on the disposal of vessels during the year ended 31 December 2022.

## Administrative Expenses

During the year ended 31 December 2022, the Group's administrative expenses amounted to RMB305.3 million, representing an increase of 21.8%, as compared with RMB250.7 million in 2021. The increase was mainly attributable to the increase in staff costs. The Group strived to provide competitive remuneration package to existing staffs.

## Other Expenses

During the year ended 31 December 2022, the Group's other expenses amounted to RMB27.9 million, representing a decrease of 37.4%, as compared with RMB44.5 million in 2021. The decrease in other expenses was mainly due to decrease in capital occupation fee and surcharge on resource tax payment.

## Net Finance Costs

Net finance costs of the Group in 2022 amounted to RMB253.7 million, representing a decrease of 29.7%, as compared with RMB360.8 million in 2021. The decrease was mainly due to repayment in borrowings.

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

Profit attributable to the equity shareholders of the Company for the year ended 31 December 2022 was RMB456.5 million, as compared with profit attributable to the equity shareholders of the Company of RMB2.8 billion in 2021. The decrease in profit attributable to equity shareholders of the Company was mainly attributable to:

(i) COVID lockdown on transportation infrastructure causing a decrease in the Group's sale volume by over 60% in the fourth quarter of 2022 as compared to fourth quarter of 2021;

(ii) the absence of reversal of impairment losses on property, plant and equipment and coal mining rights of RMB2.3 billion for the year ended 31 December 2022, as compared to such reversal being made for the year ended 31 December 2021;

(iii) an increase in the depreciation of property, plant and equipment and amortisation of coal mining rights for the year ended 31 December 2022 due to significant reversal of impairment losses on property, plant and equipment and coal mining rights as at 31 December 2021; and

(iv) a decrease in net gain on the substantial/non-substantial modification of borrowings from approximately RMB238.7 million for the year ended 31 December 2021 to approximately RMB42.5 million for the year ended 31 December 2022.

## NET CURRENT LIABILITIES AND CURRENT RATIO

As of 31 December 2022, the Group had net current liabilities of RMB4,155.8 million, compared with RMB2,709.1 million as of 31 December 2021. The Group's current ratio as of 31 December 2022 was 0.33, compared with 0.41 as of 31 December 2021. The current liabilities and current ratio was worsen because certain borrowing is due in the next twelve months. 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 as set forth in note 2 to the consolidated financial statements.

## CAPITAL EXPENDITURE AND COMMITMENTS

For the year ended 31 December 2022, the Group incurred an aggregate capital expenditure of RMB780.3 million (2021: RMB157.9 million) mainly related to the purchase of plant and equipment. Capital commitments contracted for but not incurred by the Group as of 31 December 2022 amounted to RMB264.4 million (2021: RMB157.0 million), which were mainly related to the purchase of plant and equipment.

## CAPITAL STRUCTURE

There has been no material change in the capital structure of the Company during the year. The capital of the Group companies are mainly the ordinary shares and perpetual subordinated convertible securities ("**PSCS**").

## 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 2022, the Group recorded net current liabilities of RMB4,155.8 million (2021: RMB2,709.1 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 2022, the cash and cash equivalents of the Group amounted to RMB856.6 million (2021: RMB1,030.4 million), and is remained constant.

As at 31 December 2022, the bank and other borrowings of the Group amounting to RMB3,447.5 million (31 December 2021: RMB1,475.9 million) were classified as current liabilities. Due to breach of loan covenants and/or occurrence of default events (including the breach of cross default clauses), certain bank and other borrowings with the aggregate carrying amount of approximately RMB1,330.6 million (31 December 2021: RMB1,428.5 million), in which the aggregate amount of RMB739.6 million (31 December 2021: RMB790.5 million) was past due, and aggregate amounts of RMB536.0 million (31 December 2021: RMB577.0 million) were repayable within one year and after one year respectively from the end of reporting date based on the agreed scheduled repayments set out in the respective loan agreements, had become due for immediate repayment. The bank and other borrowings carried interest at rates ranging from 4.91% to 7.8% (as at 31 December 2021: 5.66% to 8.8%) per annum.

As at 31 December 2022, the Group had total banking and other borrowing facilities of RMB3,520.8 million (2021: RMB3,692.6 million), of which RMB3,520.8 million (2021: RMB3,692.6 million) were utilised.

As at 31 December 2022, the Group's cash and cash equivalents, mainly except amount of RMB3.4 million in United States dollars ("**USD**"), amount of RMB0.6 million in HKD, amount of RMB8.9 million in Indonesian Rupiah, amount of RMB1.6 million in Euro, amount of RMB0.8 million in Singapore Dollar, 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 2022 was 32.1% (2021: 33.7%). The gearing ratio decreased due to repayment of loan during the year.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's cash and cash equivalents are held predominately in RMB, USD and Indonesian Rupiah. Operating outgoings incurred by the Group's subsidiaries in the PRC are mainly denominated in RMB while overseas purchases are usually denominated in USD and Indonesian Rupiah. 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 2022, the Group's assets in an aggregate amount of RMB2,589.0 million (2021: RMB3,316.3 million) in forms of property, plant and equipment, coal mining rights, lease prepayments, inventories, trade and bill receivables and bank deposits were pledged to banks and asset management companies for credit facilities granted to the Group.

## CONTINGENT LIABILITIES AND LITIGATIONS

Except for certain matters related to litigations disclosed in Note 17 to the consolidated financial statements in this announcement, the Group did not have any material contingent liabilities as at 31 December 2022.

## FINAL DIVIDEND FOR THE YEAR ENDED 31 DECEMBER 2022

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

## EMPLOYEES AND REMUNERATION

As of 31 December 2022, the Group employed 3,067 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

Looking forward to 2023, coal will still be a main source of energy supply in China, serving as the "ballast stone" of the country's energy supply. The state policy of "ensuring supply" will remain the central tenet in coal production. Given the current release speed of high-quality production capacity of coal mines located in the country's major coal-producing regions, as well as the coal mine construction projects being pursued by various coal companies, it is expected that China's coal production will continue to increase in 2023. With its anti-pandemic restrictions lifted and its economic fundamentals remaining sound, China's economic environment is expected to recover rapidly in 2023. As a result, the coal market will stabilize gradually, with coal prices fluctuating within a narrow and reasonable range.

The success of its Indonesian project marked an important milestone for the Group, as it demonstrated the Group's leap towards its long-term development goals as well as the implementation of the Group's development strategy. Expediting the construction works for SDE Coal Mine will remain the Group's top priority. The Group will continue to devote necessary resources to its coal business in Indonesia and adjust its investments according to market changes in a dynamic manner. As disclosed in the announcement of the Company dated 15 February 2023, SDE, a non-wholly owned subsidiary of the Group, successfully renewed its mining business license. The renewed mining business license will expire on 14 May 2034. The Group will provide shareholders and potential investors of the Company with the latest business update on SDE Coal Mine in Indonesia in due course.

Climate change is a serious issue that cannot be ignored. The whole world needs to work together to cope with it. While the Group is committed to bringing considerable returns to its shareholders, it shoulders its social responsibilities as an energy company and adheres to the state policy "to reach peak carbon emissions by 2030, and to achieve carbon neutrality by 2060". With high-quality transformation and the construction of intelligent coal mines as its development goals, the Group will conscientiously implement the principles and policies of green energy development, set specific goals and provide action suggestions for environmental protection and emissions reduction, and review the results and progress annually. The Group will continue to promote emissions reduction to meet the needs of the community and stakeholders, and to become a sustainable energy company and an important player in promoting the country's low-carbon transformation.

## CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the financial year ended 31 December 2022.

## 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 2022.

## 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 2022 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 2022.

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 2022, 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 RMB4,155,839,000. As at 31 December 2022, the borrowings and accrued interest amounting to an aggregate amount of approximately RMB1,330,634,000 and approximately RMB219,718,000 respectively had been due for immediate payment. In addition, as at 31 December 2022, there were several unsettled litigations against the Group mainly requesting the Group to repay certain payables with interest immediately.

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 2022, 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 2022 (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 Tuesday, 20 June 2023. To determine the eligibility of the shareholders of the Company to attend the annual general meeting to be held on Tuesday, 20 June 2023, the register of members will be closed from Tuesday 13 June 2023 to Tuesday, 20 June 2023, 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 Monday, 12 June 2023.

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

Guangzhou, 29 March 2023

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