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中國秦發集團有限公司
CHINA QINFAPA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00866)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The Directors refer to the positive profit alert announcement of the Company dated 20 August 2021. The financial highlights of the Group for the six months ended 30 June 2021 are set out as follows:

- Revenue for the six months ended 30 June 2021 was RMB1,605 million, representing an increase of 89.8% as compared to the corresponding period in 2020.
- Coal handling and trading volume and commercial coal production volume for the six months ended 30 June 2021 was approximately 2.73 million tonnes and 2.67 million tonnes respectively, representing an increase of 2.0% and an increase of 6.6% as compared to the corresponding period in 2020.
- Gross profit margin for the six months ended 30 June 2021 was 32.6% as compared with gross profit margin 9.8% to the corresponding period in 2020. The increase in gross profit margin was mainly due to the increase in average coal price.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2021 was RMB472.8 million, as compared with loss attributable to equity shareholders of RMB54.8 million for the corresponding period in 2020.
- Basic earnings per share of the Company was RMB18.87 cents for the six months ended 30 June 2021, representing an increase of RMB21.17 cents as compared with basic loss per share of RMB2.3 cents for the corresponding period in 2020.
- Diluted earnings per share of the Company was RMB18.11 cents for the six months ended 30 June 2021, representing an increase of RMB20.41 cents as compared with diluted loss per share of RMB2.3 cents for the corresponding period in 2020.

The board does not recommend the payment of any interim dividend for the six months ended 30 June 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of China Qinfafa Group Limited (the “**Company**”) refers to the positive profit alert announcement of the Company dated 20 August 2021. The Board hereby announces the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 with comparative figures for the six months ended 30 June 2020.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	<i>Notes</i>	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	5	1,605,452	845,685
Cost of sales		<u>(1,081,489)</u>	<u>(763,141)</u>
Gross profit		523,963	82,544
Other income, gains and losses	6	252,581	21,066
Distribution expenses		(2,409)	(1,667)
Administrative expenses		(117,422)	(80,143)
Reversal of impairment losses on trade receivables, net		11,476	20,988
Reversal of impairment losses/(impairment losses) on prepayments and other receivables, net		1,425	(12,220)
Other expenses		<u>(25,553)</u>	<u>(3,851)</u>
Results from operating activities		644,061	26,717
Finance income		632	951
Finance costs		<u>(171,344)</u>	<u>(171,162)</u>
Net finance costs	7	(170,712)	(170,211)
Profit/(loss) before taxation	8	473,349	(143,494)
Income tax credit	9	5,232	58,546
Profit/(loss) for the period		478,581	(84,948)
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences for foreign operations		<u>5,117</u>	<u>1,142</u>
Other comprehensive income for the period, net of tax		5,117	1,142
Total comprehensive income/(loss) for the period		483,698	(83,806)

	Six months ended 30 June	
	2021	2020
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to:		
Equity shareholders of the Company	472,815	(54,787)
Non-controlling interests	5,766	(30,161)
	<u>478,581</u>	<u>(84,948)</u>
Profit/(loss) for the period		
Total comprehensive income/(loss) for the period attributable to:		
Equity shareholders of the Company	477,932	(53,645)
Non-controlling interests	5,766	(30,161)
	<u>483,698</u>	<u>(83,806)</u>
Total comprehensive income/(loss) for the period		
Earnings/(loss) per share attributable to the equity shareholders of the Company during the period		
Basic earnings/(loss) per share	<u>RMB18.87 cents</u>	<u>(RMB2.30 cents)</u>
Diluted earnings/(loss) per share	<u>RMB18.11 cents</u>	<u>(RMB2.30 cents)</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Coal mining rights	11	1,789,088	1,942,800
Property, plant and equipment		2,185,810	2,371,686
Right-of-use assets		21,603	9,218
Other deposit	13	–	34,264
Interest in an associate		–	–
		<u>3,996,501</u>	<u>4,357,968</u>
Current assets			
Inventories		107,548	55,635
Trade receivables	12	113,907	430,143
Prepayments, deposits and other receivables	13	255,266	298,872
Pledged and restricted deposits		6,206	2,411
Cash and cash equivalents		473,433	152,896
		<u>956,360</u>	<u>939,957</u>
Current liabilities			
Trade payables	14	(366,161)	(670,373)
Other payables and contract liabilities	15	(2,062,088)	(2,295,605)
Lease liabilities		(2,258)	(2,805)
Borrowings	16	(1,874,325)	(1,970,990)
Tax payable		(185,572)	(204,933)
		<u>(4,490,404)</u>	<u>(5,144,706)</u>
Net current liabilities		<u>(3,534,044)</u>	<u>(4,204,749)</u>
Total assets less current liabilities		<u>462,457</u>	<u>153,219</u>

	At 30 June 2021	At 31 December 2020
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
	2,770,412	340,799,673

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

1. COMPANY BACKGROUND AND BASIS OF PREPARATION

1.1 General information

China Qinfa Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 4 March 2008 as an exempted company with limited liability under the Companies Law (2007 revision) of the Cayman Islands. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effective from 3 July 2009 (the “**Listing Date**”). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is Unit Nos. 2201 to 2208, level 22, South Tower, Poly International Plaza, No. 1 Pazhou Avenue East, Haizhu District, Guangzhou City, the People’s Republic of China (the “**PRC**”).

The principal activities of the Company and its subsidiaries (together, the “**Group**”) are coal mining, purchases and sales, filtering, storage, blending of coal in the PRC and shipping transportation.

The Company’s functional currency is the Hong Kong dollars (“**HKD**”). However, the presentation currency of the condensed consolidated financial statements is Renminbi (“**RMB**”) in order to present the operating results and financial position of the Group based on the economic environment in which the operating subsidiaries of the Group operate.

1.2 Basis of preparation

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

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the IASB, except for the adoption of the new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2021 as disclosed in note 2.

The condensed consolidated financial statements contain condensed consolidated financial statements and selected explanatory information. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2020. The condensed consolidated financial statements and information thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

The condensed consolidated financial statements are unaudited.

Going concern basis

As at 30 June 2021, the Group had net liabilities and net current liabilities of approximately RMB2,412,386,000 and RMB3,534,044,000 (31 December 2020: RMB2,896,084,000 and RMB4,204,749,000 respectively). As at 30 June 2021, borrowings and accrued interest (including default interest) amounting to approximately RMB1,438,714,000 and approximately RMB281,538,000 respectively (31 December 2020: RMB1,808,207,000 and approximately RMB359,171,000 respectively) that had been due for immediate payment were not renewed or rolled over upon maturity.

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

Moreover, there are a number of litigations against the Group of which the details are set out in note 20 to the condensed consolidated financial statements, mainly requesting the Group to settle long outstanding payables with interest. And the Group's bank deposits of approximately RMB2,085,000 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 condensed 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 30 June 2021 and subsequently thereto up to the date when the condensed 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 condensed consolidated financial statements are authorised for issue, which include, but are not limited to, the following:

- (i) For borrowings which will be maturing before 30 June 2022, the Group is actively negotiating with banks/lenders before they fall due to secure their renewals so as to ensure that the necessary funds will be in place to meet the Group's working capital and financial requirements in the future will continue to be met;

- (ii) In relation to those borrowings that have been past due or those borrowings that became immediately repayable due to cross-default clauses set out in the respective loan agreements, which are classified as current liabilities and detailed in note 16, the Group is in the process of negotiating with the relevant banks and other lenders to extend the repayment dates and to obtain waivers from banks;
- (iii) the Group will actively obtain additional new sources of financing as and when needed;
- (iv) Given the stability of coal market and uprising coal prices, the Group will accelerate the coal production of those coal mines currently under production and 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 RMB1,017,622,000 during the period; 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 no significant adverse change on uncontrollable external factors (including but not limited to existing political, legal, fiscal or economic conditions in the PRC and Indonesia, occurrence of force majeure, etc.), 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 30 June 2021. Accordingly, the condensed consolidated financial statements of the Group have been prepared on the going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in these condensed consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES

(a) Overview

In the current interim period, the Group has applied, for the first time, a number of amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements. In addition, the Group has early applied the Amendment to IFRS 16 "Covid-19-Related Rent Concessions beyond 30 June 2021".

The application of the amendments to IFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. ESTIMATES

The preparation of the condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

4. SEGMENT REPORTING

(a) Segment results, assets and liabilities

The Group has two reportable segments – coal business and shipping transportation – which are the Group's strategic business units. These strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chief Executive Officer (the "CEO") reviews internal management reports on a monthly basis.

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

- The measure used for reporting segment profit is adjusted profit before net finance costs and income tax credit items not specifically attributable to individual segments, such as unallocated head office and corporate expenses are further adjusted.
- Segment assets include all tangible assets, coal mining rights, lease prepayments, interest in an associate and current assets with the exception of unallocated corporate assets. Segment liabilities include trade payables, other payables attributable to activities of the individual segments, accrued reclamation obligations and borrowings managed directly by the segments.

- Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments.

	Coal business		Shipping transportation		Total	
	Six months ended		Six months ended		Six months ended	
	2021	2020	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	<u>1,572,535</u>	<u>821,962</u>	<u>32,917</u>	<u>23,723</u>	<u>1,605,452</u>	<u>845,685</u>
Reportable segment profit before taxation	<u>649,859</u>	<u>34,275</u>	<u>687</u>	<u>463</u>	<u>650,546</u>	<u>34,738</u>
Reversal of impairment losses on trade receivables	11,476	20,988	-	-	11,476	20,988
Reversal of impairment losses/ (impairment losses) on prepayments and other receivables	<u>1,425</u>	<u>(12,220)</u>	<u>-</u>	<u>-</u>	<u>1,425</u>	<u>(12,220)</u>
	At	At	At	At	At	At
	30 June	31 December	30 June	31 December	30 June	31 December
	2021	2020	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Reportable segment assets (including interest in an associate)	<u>5,112,131</u>	<u>5,519,793</u>	<u>309,579</u>	<u>256,626</u>	<u>5,421,710</u>	<u>5,776,419</u>
Reportable segment liabilities	<u>(7,304,666)</u>	<u>(7,814,045)</u>	<u>(106,893)</u>	<u>(432,935)</u>	<u>(7,411,559)</u>	<u>(8,246,980)</u>

2021 Reportable segment revenue, profit/(loss) before taxation, assets and liabilities

Profit/(loss) before taxation

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Reportable segment profit before taxation	650,546	34,738
Unallocated head office and corporate expenses	(6,485,220,000)	

5. REVENUE

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Sales of coal	1,572,535	821,962
Charter hire income	<u>32,917</u>	<u>23,723</u>
	<u>1,605,452</u>	<u>845,685</u>

Revenue from sales of goods are recognised when the goods are transferred at a point in time. The performance obligation is satisfied upon the delivery of the goods. Revenue from rendering of time charter services is recognised on a straight-line basis over the period of each charter. Revenue from rendering of voyage charter services is recognised over time by reference to the progress of the voyage charter services provided by the Group. The performance obligation is satisfied upon the completion of the voyage charter services.

6. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020

7. NET FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	(632)	(951)
Interest on borrowings	51,190	65,234
Penalty interest	13,916	11,540
Interest charge on unwinding of discounts <i>(note(ii))</i>	106,238	94,388
Less: interest capitalised into property, plant and equipment <i>(note (i))</i>	—	—
Finance costs	<u>171,344</u>	<u>171,162</u>
Net finance costs	<u><u>170,712</u></u>	<u><u>170,211</u></u>

Notes:

- (i) No borrowing cost has been capitalised for six month ended 30 June 2021 and 30 June 2020.
- (ii) This item represents the unwinding of discount for the following liabilities using the effective interest rate:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Borrowings	101,048	89,287
Lease liabilities	105	145
Accrued reclamation obligations	<u>5,085</u>	<u>4,956</u>
	<u><u>106,238</u></u>	<u><u>94,388</u></u>

The calculations of basic earnings/(loss) per share attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2021 and 2020 are based on the following data:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to equity shareholders of the Company	472,815	(54,787)
Less: Distribution relating to perpetual subordinated convertible securities classified as equity	<u>(2,409)</u>	<u>(2,639)</u>
Profit/(loss) for the period attributable to ordinary equity shareholders of the Company	<u>470,406</u>	<u>(57,426)</u>
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<u>2,493,413,985</u>	<u>2,493,413,985</u>

Diluted earnings/(loss) per share

The calculations of diluted earnings/(loss) per share attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2021 and 2020 respectively are based on the following data:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to ordinary equity shareholders of the Company used in calculating basic earnings/(loss) per share	470,406	(57,426)
Add: Distribution relating to perpetual subordinated convertible securities classified as equity	<u>2,409</u>	<u>N/A</u>
Adjusted profit/(loss) for the period attributable to ordinary equity shareholders of the Company used in calculating diluted earnings/(loss) per share	<u>472,815</u>	<u>(57,426)</u>
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	2,493,413,985	2,493,413,985
Adjustments for calculation of diluted earnings/(loss) per share:		
Perpetual subordinated convertible securities	<u>118,000,000</u>	<u>N/A</u>
Adjusted weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>2,611,413,985</u>	<u>2,493,413,985</u>

For the six months ended 30 June 2021 and 2020, the computation of diluted earnings/(loss) per share has not assumed the exercise of the Company's outstanding share options since the adjusted exercise prices of these options were higher than the average market prices of shares for the outstanding period during six months ended 30 June 2021 and 2020.

The calculation of diluted loss per share for the six months ended 30 June 2020 has not been taken into account of the potential ordinary shares on perpetual subordinated convertible securities as assumed conversion would result in a decrease in loss per share.

11. COAL MINING RIGHTS

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

Coal mining rights	Expiry date
<i>Shanxi Province, PRC</i>	
Xingtao Coal Mine	15 September 2022
Fengxi Coal Mine	24 January 2034
Chongsheng Coal Mine	09 December 2022
Xinglong Coal Mine	29 November 2019
Hongyuan Coal Mine	28 December 2020
<i>Kalimantan, Indonesia</i>	
SDE Coal Mine	14 May 2024

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

As at 30 June 2021, the Group's coal mining rights of coal mines located in the PRC with net carrying amount of RMB1,755,309,000 (31 December 2020: RMB1,942,800,000) were pledged for the Group's borrowings (note 16).

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

12. TRADE RECEIVABLES

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables	158,088	485,800
Less: allowance for credit loss	<u>(44,181)</u>	<u>(55,657)</u>
	<u>113,907</u>	<u>430,143</u>

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

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

At 30 June 2021 <i>RMB'000</i>	At 31 December 2020 <i>RMB'000</i>
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13. PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Included in non-current asset		
Other deposit (<i>Note 17</i>)	—	34,264
Included in current assets		
Other deposits and prepayments (<i>note (i)</i>)	209,784	282,198
Amounts due from non-controlling shareholders (<i>note (ii)</i>)	322,703	322,703
Other non-trade receivables	111,191	86,693
	643,678	691,594
Less: allowance for credit losses (<i>note (iii)</i>)	(388,412)	(392,722)
	<u>255,266</u>	<u>298,872</u>

Notes:

- (i) Prepayments for purchase of coal and transportation fee amounting to RMB67,544,000 (31 December 2020: RMB104,115,000) and RMB22,290,000 (31 December 2020: RMB31,420,000) respectively was included in other deposits and prepayments. The remaining amount of RMB119,950,000 (31 December 2020: RMB146,663,000) are mainly prepayments for the supplier services to support the Group's ordinary business.
- (ii) Amounts due from non-controlling shareholders are unsecured, interest free and have no fixed term of repayment. As at 30 June 2021, the carrying amount of RMB322,703,000 (31 December 2020: RMB322,703,000) were fully impaired in prior years.

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

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Other deposits and prepayments	47,927	47,954
Amounts due from non-controlling shareholders	322,703	322,703
Other non-trade receivables	17,782	22,065
	<u>388,412</u>	<u>392,722</u>

14. TRADE PAYABLES

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

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Within 1 year	197,021	484,063
Over 1 year but within 2 years	69,275	76,307
Over 2 years	99,865	110,003
	<u>366,161</u>	<u>670,373</u>

15. OTHER PAYABLES AND CONTRACT LIABILITIES

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Current		
Accrued expenses	430,504	510,706
Contract liabilities	21,679	94,746

Notes:

- (i) Unsecured bank loans bear interest at rates ranging from 6.00% to 8.80% (31 December 2020: 5.70% to 8.80%) per annum as at 30 June 2021.
- (ii) Other borrowings bear interest at rates ranging from 4.91% to 7.28% (31 December 2020: 3.90% to 7.28%) per annum as at 30 June 2021. As at 30 June 2021, other borrowings of approximately RMB3,382,639,000 (31 December 2020: RMB3,634,844,000) are secured and the remaining amount of approximately RMB50,870,000 (31 December 2020: RMB50,870,000) are unsecured.

As at 30 June 2021, borrowings of the Group were repayable as follows:

	At 30 June 2021 RMB'000 (Unaudited)	At 31 December 2020 RMB'000 (Audited)
Within 1 year or on demand	1,874,325	1,970,990
Over 1 year but within 2 years	378,758	362,679
Over 2 years but within 5 years	2,075,826	2,262,685
	<u>2,454,584</u>	<u>2,625,364</u>
	<u>4,328,909</u>	<u>4,596,354</u>

Due to breach of loan covenants and/or occurrence of default events (including the breach of cross default clauses), certain bank and other borrowings with the aggregate carrying amount of approximately RMB1,438,714,000 (31 December 2020: RMB1,808,207,000), in which the aggregate amount of RMB790,514,000 (31 December 2020: RMB1,144,567,000) was past due, and aggregate amounts of RMB588,700,000 (31 December 2020: RMB663,640,000) and RMB59,500,000 (31 December 2020: nil) were repayable within one year and after one year respectively from the end of reporting date based on the agreed scheduled repayments set out in the respective loan agreements, had become due for immediate repayment as these bank loans contain cross default clauses are classified as current liabilities.

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

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Within 1 year	1,814,825	1,970,990
Over 1 year but within 2 years	381,758	362,679
Over 2 years but within 5 years	<u>2,132,326</u>	<u>2,262,685</u>
	<u>4,328,909</u>	<u>4,596,354</u>

The interest payables of borrowings not yet past due and borrowings that have become past due amounting to approximately RMB1,333,000 (31 December 2020: RMB3,188,000) and RMB280,205,000 (31 December 2020: RMB355,983,000) respectively were included in the other payables.

As at 30 June 2021, unsecured bank loan(s), secured other borrowings and an unsecured other borrowing of approximately RMB247,200,000 (31 December 2020: RMB247,000,000), RMB492,444,000 (31 December 2020: RMB846,697,000) and RMB50,870,000 (31 December 2020: RMB50,870,000) respectively, that have been past due and due for immediate payment. These borrowings carried interest at rates ranging from 3.90% to 8.48% (31 December 2020: 3.90% to 8.80%) per annum and also carried additional penalty interest at rate ranging from 1.95% to 4.24% (31 December 2020: 1.95% to 4.40%) per annum after past due.

During the year ended 31 December 2018, the Group entered into a legally binding settlement agreement (the “**Settlement Agreement of Loan I**”) with an asset management company in the PRC, to reduce the amounts of outstanding bank loans assigned by two banks and the relevant interest and penalty interest amounting to approximately RMB4,027,188,000 and RMB582,028,000 in total respectively. The management of the Group considers that the terms of the Settlement Agreement 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. 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 outstanding and recognised new borrowings measured at fair value as at the date of extinguishment. The difference between the carrying amount of the borrowings derecognised and the fair value of the new borrowings recognised amounting to approximately RMB1,904,853,000 is recognised in profit or loss for the year ended 31 December 2018.

In March 2020, in respect of the above-mentioned borrowings, the Group further entered into a legally binding supplemental agreement (“**Supplemental Settlement Agreement of Loan I**”) with the asset management company to revise and extend the repayment schedule for year of 2020 and 2021. The repayment schedule for year of 2022 remained unchanged. The management of the Group considers that the terms of the Supplemental Settlement Agreement of Loan I are not substantially different from the Settlement Agreement of Loan I as the discounted present value of the cash flows under the revised terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by less than 10 per cent. Accordingly, such modification of terms was accounted for as non-substantial modification, and the adjustment of approximately RMB10,700,000 to the carrying amount of the financial liability was recognised as other losses as set out in note 6 at the date of modification. On the same day, Tongmei Qinfa, an associate of the Group, and the Group mutually agreed to transfer the borrowings of Tongmei Qinfa, which was guaranteed by the Group, with carrying amount of RMB273,709,000 from the asset management company as at that date to the Group to offset the Group’s amount due to Tongmei Qinfa by the same amount. As at 30 June 2021, the carrying amount of the Group’s borrowings from the asset management in respect of Settlement Agreement of Loan I and Supplemental Settlement Agreement of Loan I was approximately RMB2,722,915,000 (31 December 2020: RMB2,788,147,000).

The Settlement Agreement of Loan I, together with Supplemental 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 RMB582,028,000 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 I. There is no occurrence of event of default under the Settlement Agreement of Loan I and Supplemental Settlement Agreement of Loan I as at the end of the reporting period.

In May 2021, the Group entered into another legally binding settlement agreement (the “**Settlement Agreement of Loan II**”) with the asset management company to reduce the amounts of outstanding bank loans assigned by two banks and the relevant interest and penalty interest amounting to approximately RMB295,206,000 and RMB97,639,000 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. 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 outstanding and recognised new borrowings measured at fair value as at the date of extinguishment. The difference between the carrying amount of the borrowings derecognised and the fair value of the new borrowings recognised amounting to approximately RMB238,672,000 is recognised as other gains as set out in note 6 for the six months ended 30 June 2021. As at 30 June 2021, the carrying amount of the Group’s borrowings from the asset management in respect of Settlement Agreement of Loan II was approximately RMB167,280,000.

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 RMB97,639,000 respectively if the Group fails to repay the borrowings by instalments in accordance with the respective revised repayment schedule as stipulated in the Settlement Agreement of Loan II. There is no occurrence of event of default under the Settlement Agreement of Loan II as at the end of the reporting period.

Of the Group's borrowings, aggregate principal amounts of RMB543,314,000 (2020: RMB691,848,000) as at 30 June 2021 had been defaulted under respective agreements and filed lawsuits by banks against the Group to demand immediate repayment. Pursuant to the final court judgements in prior years, the Group was ordered to make immediate repayment of the aforesaid balances. In respect of the aforesaid balances with lawsuit, certain banks assigned their bank loans and interests (including penalty interests) due from the Group with aggregate amounts of RMB543,314,000 and RMB112,023,000 respectively, which had been past due, to certain asset management companies in the PRC during the year ended 31 December 2018. In addition, bank loans of RMB73,705,000 due in June 2020 and RMB73,500,000 due in July 2020 (without any lawsuit) were subsequently transferred to an asset management company in the PRC in August 2020. Also, in 2017 a bank assigned its bank loan and interest (including penalty interests) of RMB148,952,000 and RMB6,925,000 respectively, which had been past due but without any lawsuit, to an asset management company in the PRC. At 30 June 2021, the terms of the above assigned loans remained unchanged. The Group is still in the process of negotiating with the banks and asset management companies to renew the terms (including the repayment schedule) of the outstanding loans and loans assigned.

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

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Property, plant and equipment	423,847	590,361
Coal mining rights	1,755,309	1,942,800
Inventories	1,047	1,023
	<u>2,180,203</u>	<u>2,534,184</u>

As at 30 June 2021 and 31 December 2020, the Group's total borrowings are also secured by other receivables of a related company of which Mr. Xu Jihua ("Mr. Xu") is the shareholder, a property held by Mr. Xu, Fortune Pearl International Limited's ("Fortune Pearl", the ultimate holding company of the Company) equity interest in the Company and the Group's equity interest in Huameiao Energy, Xingtao Coal, Fengxi Coal, Chongsheng Coal, Xinglong Coal, Hongyuan Coal and Shuozhou Guangfa. As at 30 June 2021, total borrowings of approximately RMB4,328,909,000 (31 December 2020: RMB4,596,354,000) were guaranteed by the Company, certain subsidiaries of the Company, related parties and/or Mr. Xu.

17. ACQUISITION OF SUBSIDIARY

As disclosed in the Company's announcements dated 3 January 2020 and 7 August 2020, a series of agreements, including heads of agreement ("HOA") dated 31 December 2019, addendum of HOA dated 11 March 2020 and conditional sale and purchase agreement dated 6 August 2020 (collectively, the "Acquisition Agreements") were entered by the Group for acquisition of 70% equity shareholding of PT Sumber Daya Energi ("SDE"), a company duly established under the laws of Republic of Indonesia that is engaged in coal mining and trading in Indonesia, from two independent third parties (the "Sellers") at a consideration of IDR385,000,000 (equivalent to approximately RMB171,000). Meanwhile, pursuant to the Acquisition Agreements, deposits of USD4,000,000 and USD1,000,000 were paid by the Group to one of the Sellers, who held 99.82% of SDE before completion of the acquisition, on 13 March 2020 and 13 August 2020 respectively. After completion of the acquisition on 25 May 2021 ("Acquisition Date"), the Seller became the non-controlling shareholder of SDE and is entitled to 15% of the total saleable coal production of SDE as profit distributions and such entitlement are secured by the aforesaid deposits of aggregate USD5,000,000 (equivalent to RMB33,133,000 and RMB34,264,000 as at 30 June 2021 and 31 December 2020 respectively). The directors of the Company were of the opinion that the aforesaid deposits of USD5,000,000 became non-refundable upon Acquisition Date and will only be offset with profit distributions to the Seller for its 15% of the total saleable coal production of SDE until the aforesaid deposits are fully offset, and therefore such deposits of USD5,000,000 were also considered as part of the purchase consideration of the acquisition. Accordingly, the aggregate purchase consideration of the acquisition amounted to IDR385,000,000 and USD5,000,000 (equivalent to RMB33,304,000 in total).

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

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

18. DIVIDENDS

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

19. CAPITAL COMMITMENTS

At each reporting date, capital commitments outstanding not provided for in the condensed consolidated financial statements are as follows:

	At 30 June 2021 <i>RMB'000</i> (Unaudited)	At 31 December 2020 <i>RMB'000</i> (Audited)
Right-of-use asset of leasehold land	1,782	–
Property, plant and equipment	<u>21,191</u>	<u>34,966</u>

20. CONTINGENT LIABILITIES

(a) Outstanding litigation

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

During the year ended 31 December 2018, there were litigation claims initiated by the non-controlling shareholders of Xingtao Coal Mine, Fengxi Coal Mine and Chongsheng Coal Mine against the Group to demand immediate repayment of funds provided to the Group in 2011 with an aggregate amount of approximately RMB134,414,000 before the acquisition of these coal mines by the Group. The amount of approximately RMB134,414,000 had already been recognised and offset with the amounts due from respective non-controlling shareholders in the consolidated statement of financial position as at 30 June 2021. The directors of the Company are of the opinion that the Group has a valid ground to defend against those claims. Up to the date when the condensed consolidated financial statements are authorised for issue, these litigation claims are still in progress.

On 17 July 2020, in an arbitration initiated by the Group against the non-controlling shareholders, non-controlling shareholders counterclaimed against the Group for refunds of construction payments of RMB40,723,000 previously paid by non-controlling shareholders for Fengxi Coal Mine and claim for related interest of RMB18,175,000. The directors of the Company are of the opinion that the Group has a valid ground to defend against those claims, and no provision for the litigation claims has been provided in the condensed consolidated statement of financial position as at 30 June 2021. Up to the date when the condensed consolidated financial statements are authorised for issue, the arbitration is still in progress.

On 1 September 2020, there was an arbitration initiated by the non-controlling shareholders against the Group to claim for 20% of coal production of Xingtao Coal Mine, Fengxi Coal Mine and Chongsheng Coal Mine from the year of 2013 to 2019 as the distributions entitled to non-controlling shareholders of Xingtao Coal Mine, Fengxi Coal Mine and Chongsheng Coal Mine for the aforesaid period, which were equivalent to aggregate amount of approximately RMB584,410,000. The directors of the Company are of the opinion that the Group has a valid ground to defend against the claim, and no provision for the litigation claims has been provided in the condensed consolidated statement of financial position as at 30 June 2021. Up to the date when the condensed consolidated financial statements are authorised for issue, the arbitration is still in progress.

As at 30 June 2021, the directors of the Company are of the opinion that the provision for the above litigation is sufficient in the condensed consolidated statement of financial position as at 30 June 2021.

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

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

(iii) *Litigation claims relating to repayment to default of repayment of bank borrowing*

On 5 February 2021, a bank filed lawsuit against the Group to demand immediate repayment of the bank borrowing with carrying amount of approximately RMB247,200,000 and accrued interest of approximately RMB2,940,000 up to 5 February 2021. The principal of approximately RMB247,200,000 and respective interest charges of approximately RMB13,696,000 had already been recognised as borrowings and accrued expenses included in other payables respectively in the consolidated statement of financial position as at 30 June 2021. Up to the date when the consolidated financial statements are authorised for issue, these litigation claims are still in progress.

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

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

During the year ended 31 December 2019, there was a litigation claim initiated by Shanxi Yunxin against the Group to demand immediate repayment of overdue payable in relation to purchases of consumables and equipment by the Group. The overall claim amount of approximately RMB72,976,000, which including the aforesaid payable to this supplier of approximately RMB54,124,000 and late penalty interest of approximately RMB18,852,000. Up to the date when the condensed consolidated financial statements are authorised for issue, the litigation claim is still in progress. The directors of the Company are of the opinion that the provision for the above litigation is sufficient in the condensed consolidated statement of financial position as at 30 June 2021.

Other than the disclosure of above, as at 30 June 2021, the Group was not involved in any other material litigation or arbitration. As far as the Group was aware, the Group had no other material litigation or claim which was pending or threatened against the Group. As at 30 June 2021, the Group was the defendant of certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business, in which the amounts disputed are immaterial. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the directors of the Company believe that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

(b) **Financial guarantees issued**

As at the end of each reporting period, the Group has issued the guarantees to certain banks and another borrowing creditor in respect of borrowings made by Tongmei 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 another borrowing creditor.

The maximum liability of the Group at 30 June 2021 under the guarantees issued is a portion of the outstanding amount of the borrowings of Tongmei Qinfa amounting to approximately RMB270,000,000 (31 December 2020: RMB270,000,000).

(c) **Borrowing default clause**

The Settlement Agreement of Loan I and Settlement Agreement of Loan II entered into between the Group and an asset management company contained a default clause which the Group will be required to repay the outstanding balances of the original borrowings and interest payables if the Group fails to repay the new borrowings by instalments in accordance with the respective repayment schedules. 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, blending of coal in the PRC and shipping transportation business. During the six months ended 30 June 2021, the Group continued to focus on these business activities in China and expanded its integrated coal supply chain to the overseas. The following sets forth detailed analysis of the principal components of the operating results of the Group:

Revenue from coal business and coal handling and trading volume

	Six months ended 30 June	
	2021	2020
Revenue from coal business (<i>RMB'000</i>)	1,572,535	821,962
Coal handling and trading volume (<i>'000 tonnes</i>)	2,725	2,672

During the six months ended 30 June 2021, the volume of the Group's coal handling and trading increased as compared to the corresponding period in 2020. The coal selling prices during the six months ended 30 June 2021 were in range between RMB345 per tonne and RMB801 per tonne, as compared to the coal selling prices between RMB180 per tonne and RMB433 per tonne during the same period in 2020. Average coal selling price increased mainly due to significant raise on coal market price during the period.

The average coal selling prices and the average monthly coal handling and trading volume for each of the three years ended 31 December 2020 and the six months ended 30 June 2021 and 2020 are set forth in the table below:

	Six months ended		Year ended 31 December		
	30 June 2021	2020	2020	2019	2018
Average coal selling price (<i>RMB per tonne</i>)	577	308	367	358	343
Average monthly coal handling and trading volume (<i>'000 tonnes</i>)	454	445	497	634	847

Revenue from shipping transportation

The segment revenue for the shipping transportation for the six months ended 30 June 2021 was RMB32.9 million, representing an increase of RMB9.2 million or 38.8% from RMB23.7 million for the corresponding period in 2020. The increase was primarily due to increase in freight rates.

Gross profit and gross profit margin

The Group's gross profit was RMB524.0 million during the six months ended 30 June 2021 as compared with gross profit of RMB82.5 million during the same period in 2020. Due to increased average selling prices of thermal coal, gross profit margin for the six months ended 30 June 2021 was 32.6% as compared with gross profit margin of 9.8% for the corresponding period in 2020.

Net finance costs

Net finance costs of the Group during the six months ended 30 June 2021 amounted to RMB170.7 million, representing an increase of RMB0.5 million or 0.3% from RMB170.2 million during the corresponding period in 2020. The net finance costs remained stable.

Profit attributable to the equity shareholders of the Company

Profit attributable to the equity shareholders of the Company for the six months ended 30 June 2021 was RMB472.8 million, as compared with loss attributable to the equity shareholders of the Company of RMB54.8 million for the corresponding period in 2020. The increase in profit attributable to equity shareholders of the Company was mainly attributable to the increase of average coal selling price and gain on extinguishment of borrowings.

BUSINESS REVIEW

Thermal coal prices keep surging and stay at high levels

On the coal demand side, downstream industries had huge demand for energy even amid the continuous global outbreak of COVID-19, as China achieved significant results in its prevention and control of the pandemic, with society and the economy recovering in a steady manner. Meanwhile, on the supply side, national policies (such as environmental protection policies and supply-side structural reforms) curbed coal production to a certain extent. The domestic coal import policy has remained relatively strict since last year. According to data from the National Bureau of Statistics, from January to June 2021, the volume of imported coal amounted to 139.65 million tonnes, representing a drop of 19.7% year-over-year. Under the influence of multiple internal and external factors, the market as a whole saw both tight supply and high demand.

Domestic thermal coal prices have been rising and have stayed at high levels since March, owing to the continuing tight supply as well as strong support from the demand side. According to the sales data of the Group, from March to June, the average FOB price of thermal coal with a heating value of 4500–5000 kilocalories increased from RMB480 per tonne to RMB707 per tonne, hitting a new high for the year. For the six months ended 30 June 2021, the Group's raw coal production and commercial coal production were 4.1 million tonnes and 2.67 million tonnes respectively, representing an increase of 6.6% year-over-year. The Group's average coal selling price was RMB577 for the six months ended 30 June 2021, representing an increase of 87.3% as compared to the corresponding period in 2020.

Disposal of vessel MV “SUPER GRACE”

As disclosed in the announcement of the Group dated 10 March 2021, after prudent consideration and giving priority to the best interest of the Group and its shareholders as a whole, the Group sold a vessel named MV “Super Grace” to an independent third party at a total cash consideration of US\$14.9 million on 10 March 2021. The directors of the Group believe that the disposal has lowered the Group's gearing ratio effectively, enabling the Group to reallocate its financial resources, repay debt and make appropriate investments. The Group believes that there is growth potential and bright prospects for the coal business, and focusing on the coal business will enhance the Group's overall financial position in the long run.

Reaching a loan restructuring proposal

The Group conducted negotiations with domestic financial institutions, including existing creditors, and considered different types of financing and repayment plans to improve cash flow. The Group and the current creditor reached a loan restructuring proposal on the outstanding debts owed by a subsidiary for the repayment of the original debt. According to the proposal, the current creditor agreed to reduce the original debts by approximately RMB202,987,000. Thus, the principal balance of the outstanding debt of a subsidiary shall be RMB189,857,500. The loan restructuring proposal will enable the Group to ease pressure on cash flow and allocate funds with more flexibility.

Completion of discloseable transaction in relation to the proposed acquisition of 70% equity interest of SDE

As disclosed in the announcement of the Group dated 25 May 2021, the Group completed the discloseable transaction in relation to the proposed acquisition of 70% equity interest of PT SUMBER DAYA ENERGI (“SDE”). Currently the Company owns 70% equity interests in SDE and the financial results of SDE have been consolidated into the consolidated financial statements for the reporting period. During the reporting period, experts and technical teams dispatched by the Group to Indonesia were carrying out coal mine exploration and planning in the region. The Group hopes that the coal mines under the SDE project can be duly put into operation as soon as possible, which will increase coal production capacity as well as the Group’s profitability.

Heads of Agreements regarding the acquisition of 70% shareholding interest in new mining companies located in Indonesia

As disclosed in the announcement of the Group dated 13 May 2021, the Group had entered into heads of agreements with the respective sellers regarding the establishment of five new project companies for the purpose of acquiring the relevant mining business licenses in Kotabaru Regency, South Kalimantan, Indonesia and conducting coal mining business in the area. The transactions contemplated under the heads of agreements will enable the Group to expand further into the overseas market if they proceed. The Group will update the shareholders and potential investors with any progress of the heads of agreements as and when appropriate.

As of 30 June 2021, 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	Coal mining right's area (sq. km)	Production capacity (million tonnes)	Operation status
Huameiao Energy – Xingtao Coal	Shuozhou Shanxi, China	80%	4.25	1.5	Under operation
Huameiao Energy – Fengxi Coal	Shuozhou Shanxi, China	80%	2.43	0.9	Under operation
Huameiao Energy – Chongsheng Coal	Shuozhou Shanxi, China	80%	2.88	0.9	Under operation
Shenda Energy – Xinglong Coal	Xinzhou Shanxi, China	100%	4.01	0.9	Under development (Temporarily suspended)
Shenda Energy – Hongyuan Coal	Xinzhou Shanxi, China	100%	1.32	0.9	Under development (Temporarily suspended)
Sumber Daya Energi – SDE Coal	Kalimantan, Indonesia	70%	185	N/A	Under development

The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources of the coal mines in China as at 31 December 2020 in accordance with the JORC Code. The Group engages an independent mineral industry consultant to estimate the total coal reserves and resources of the coal mine in Indonesia with the JORC code. Since the competent person report in respect of the SDE coal mine is still under preparation, the total coal reserves and resources for the SDE coal mine are not yet available as at the date when the condensed consolidated financial statements are authorised for issue.

COAL CHARACTERISTICS

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

Coal Quality Characteristic	Huameiao Energy - Xingtao Coal	Huameiao Energy - Fengxi Coal	Huameiao Energy - Chongsheng Coal	Shenda Energy - Xinglong Coal	Shenda Energy - Hongyuan Coal
Coal Seam	4, 8, 9, 10, 11	4, 9, 11	4, 9, 11	2, 5	2, 5, 6
Moisture (%)	7-10	8-12	8-12	8.5	8.5
Ash (<i>db</i> , %)	20-28	20-28	20-28	21.45	30-72
Sulfur (<i>db</i> , %)	1.4-1.9	1.2-1.6	1.6-2.5	1.52	1.45
Calorific Value (<i>average</i> , <i>kcal/kg, net, ar</i>)	4,650-5,200	4,600-5,150	4,600-5,150	4,838	4,187

	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal	Shenda Energy – Xinglong Coal	Shenda Energy – Hongyuan Coal	Total
Resources						
Resources as at 1 January 2021 (Mt)	49.51	19.93	20.37	35.08	20.87	145.76
Less: Total raw coal production for the period from 1 January 2021 to 30 June 2021 (Mt)	(1.22)	(1.73)	(1.15)	n.a.	n.a.	(4.10)
Resources as at 30 June 2021 (Mt)	<u>48.29</u>	<u>18.20</u>	<u>19.22</u>	<u>35.08</u>	<u>20.87</u>	<u>141.66</u>

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

	Six months ended 30 June	
	2021	2020
Raw coal production volume	(’000 tonnes)	(’000 tonnes)
Huameiao Energy – Xingtao Coal	1,221	1,516
Huameiao Energy – Fengxi Coal	1,735	1,325
Huameiao Energy – Chongsheng Coal	1,154	1,015
Total	<u>4,110</u>	<u>3,856</u>

	Six months ended 30 June	
	2021	2020
Commercial coal production volume	(’000 tonnes)	(’000 tonnes)
Huameiao Energy – Xingtao Coal	794	985
Huameiao Energy – Fengxi Coal	1,128	862
Huameiao Energy – Chongsheng Coal	750	660
Total	<u>2,672</u>	<u>2,507</u>

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

Exploration, Mining and Development Expenses

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

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Materials and consumables	40,112	42,197
Staff cost	142,192	121,880
Other direct cost	23,987	26,631
Amortisation and depreciation	319,615	212,969
Overhead and others	117,207	66,960
Evaluation fee	113	170
	<hr/>	<hr/>
Total	<u>643,226</u>	<u>470,807</u>

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 30 June 2021, the Group recorded net current liabilities of RMB3,534.0 million (as at 31 December 2020: RMB4,204.7 million).

The Group has taken initiative to enhance the financial flexibility by diversifying the funding bases and obtain medium term loans to replace short term loans. The Group is currently negotiating with financial institutions to renew and extend bank borrowings and consider ways to improve the Group's working capital. As at 30 June 2021, cash and cash equivalents of the Group amounted to RMB473.4 million (as at 31 December 2020: RMB152.8 million), representing an increase of 209.6%.

As at 30 June 2021, the bank and other borrowings of the Group amounting to RMB1,874.3 million (2020: RMB1,971.0 million) were classified as current liabilities. Due to breach of loan covenants and/or occurrence of default events (including the breach of cross default clauses), certain bank and other borrowings with the aggregate carrying amount of approximately RMB1,438,714,000 (31 December 2020: RMB1,808,207,000), in which the aggregate amount of RMB790,514,000 (31 December 2020: RMB1,144,567,000) was past due, and aggregate amounts of RMB588,700,000 (31 December 2020: RMB663,640,000) and RMB59,500,000 (31 December 2020: nil) were repayable within one year and after one year respectively from the end of reporting date based on the agreed scheduled repayments set out in the respective loan agreements, had become due for immediate repayment as these bank loans contain cross default clauses are classified as current liabilities. The bank and other borrowings carried interest at rates ranging from 3.9% to 8.48% (as at 31 December 2020: 3.9% to 8.8%) per annum.

As at 30 June 2021, the Group had total banking facilities of RMB895.4 million (as at 31 December 2020: RMB895.4 million)

CONTINGENT LIABILITIES

Except for certain matters disclosed in the note 20 to the interim financial statements, the Group did not have any material contingent liabilities as at 30 June 2021.

BUSINESS OUTLOOK

The Group expects that downstream industries in China will continue to have strong demand for thermal coal and thus support coal sales in the second half of the year. Under China's environmental protection policies and supply-side structural reforms, the supply and demand

AUDIT COMMITTEE

An audit committee was established by the Board on 12 June 2009 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The primary duties of the audit committee are to review and supervise the Group’s financial reporting process and internal controls. The members of the audit committee of the Board are the three independent non-executive Directors, namely Mr. LAU Sik Yuen, Prof. SHA Zhenquan and Mr. JING Dacheng. Mr. LAU Sik Yuen is the chairperson of the audit committee of the Board.

The audit committee has reviewed the unaudited interim financial statements for the six months ended 30 June 2021.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021.

EMPLOYEES AND REMUNERATION

As at 30 June 2021, the Group employed 2,397 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

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.qinfagroup.com) and the Stock Exchange (www.hkex.com.hk). The interim report for the six months ended 30 June 2021 containing all the information required by the Listing Rules will be dispatched to the Shareholders and be available on the above websites in due course.

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

Guangzhou, 30 August 2021

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