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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Directors refer to the profit warning announcement of the Company dated 11 August 2023. The financial highlights of the Group for the six months ended 30 June 2023 are set out as follows:

- Revenue for the six months ended 30 June 2023 was RMB1,905.9 million, representing a decrease of 7.3% as compared to the corresponding period in 2022.
- Coal handling and trading volume and commercial coal production volume for the six months ended 30 June 2023 was approximately 2.7 million tonnes and 2.4 million tonnes respectively, representing an increase of 4.9% and a decrease of 2.3% as compared to the corresponding period in 2022.
- Gross profit margin for the six months ended 30 June 2023 was 20.5% as compared with 34.2% for the corresponding period in 2022. The decrease in gross profit margin was mainly due to the decrease in average selling price of thermal coal.
- Operating profit was RMB259.3 million for the six months ended 30 June 2023 as compared with RMB615.9 million for the corresponding period in 2022.
- Profit after taxation was RMB140.1 million for the six months ended 30 June 2023 as compared with RMB371.2 million for the corresponding period in 2022.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2023 was RMB130.8 million, as compared with RMB327.4 million for the corresponding period in 2022.
- Basic earnings per share of the Company was RMB5.14 cents for the six months ended 30 June 2023, representing a decrease of RMB7.89 cents as compared with RMB13.03 cents for the corresponding period in 2022.
- Diluted earnings per share of the Company was RMB5.01 cents for the six months ended 30 June 2023, representing a decrease of RMB7.53 cents as compared with RMB12.54 cents for the corresponding period in 2022.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023.

The board (the "**Board**") of directors (the "**Directors**") of China Qinfa Group Limited (the "**Company**") refers to the profit warning announcement of the Company dated 11 August 2023. 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 2023 with comparative figures for the six months ended 30 June 2022.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**1,905,924**	2,056,954
Cost of sales		**(1,515,776)**	(1,353,355)
Gross profit		**390,148**	703,599
Other income, gains and losses	*6*	**22,242**	61,531
Distribution expenses		**(979)**	(1,050)
Administrative expenses		**(151,967)**	(133,266)
Reversal of impairment losses on prepayments and other receivables, net		**1,316**	927
Other expenses		**(1,425)**	(15,877)
Operating profit		**259,335**	615,864
Finance income		**6,185**	7,600
Finance costs		**(79,798)**	(141,711)
Net finance costs	*7*	**(73,613)**	(134,111)
Profit before taxation	*8*	**185,722**	481,753
Income tax expense	*9*	**(45,621)**	(110,567)
Profit for the period		**140,101**	371,186
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations			

	Note	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit for the period attributable to:			
Equity shareholders of the Company		**130,798**	327,374
Non-controlling interests		**9,303**	43,812
Profit for the period		**140,101**	371,186
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		**115,392**	330,587
Non-controlling interests		**9,303**	43,812
Total comprehensive income for the period		**124,695**	374,399
Earnings per share attributable to the equity shareholders of the Company during the period	*10*		
Basic earnings per share		**RMB5.14 cents**	RMB13.03 cents
Diluted earnings per share		**RMB5.01 cents**	RMB12.54 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Non-current assets			
Coal mining rights	*11*	**2,017,520**	2,367,351
Property, plant and equipment		**3,623,087**	3,432,903
Right-of-use assets		**11,398**	17,325
Other deposits	*13*	**28,903**	27,858
Interest in an associate		**–**	–
		5,680,908	5,845,437
Current assets			
Inventories		**243,061**	439,373
Trade receivables	*12*	**137,220**	178,867
Prepayments, deposits and other receivables	*13*	**438,009**	387,181
Pledged and restricted deposits		**370,229**	143,676
Cash and cash equivalents		**1,131,141**	855,997
		2,319,660	2,005,094
Current liabilities			
Trade payables	*14*	**(501,511)**	(387,564)
Other payables and contract liabilities	*15*	**(2,019,942)**	(1,967,025)
Lease liabilities		**(6,399)**	(8,794)
Borrowings	*16*	**(3,337,411)**	(3,447,453)
Tax payable		**(276,992)**	(350,097)
		(6,142,255)	(6,160,933)
Net current liabilities		**(3,822,595)**	(4,155,839)
Total assets less current liabilities		**1,858,313**	1,689,598

	Note	At 30 June 2023 *RMB'000* (Unaudited)	At 31 December 2022 *RMB'000* (Audited)
Non-current liabilities			
Accrued reclamation obligations		**(137,892)**	(179,614)
Lease liabilities		**(608)**	(1,534)
Borrowings	*16*	**(230,973)**	(73,307)
Deferred taxation		**(553,558)**	(621,932)
		(923,031)	(876,387)
Net assets		**935,282**	813,211
Capital and reserves			
Share capital		**211,224**	211,224
Perpetual subordinated convertible securities		**156,931**	156,931
Deficit		**(242,279)**	(355,048)
Total deficit attributable to equity shareholders of the Company		**125,876**	13,107
Non-controlling interests		**809,406**	800,104
Total equity		**935,282**	813,211

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**").

Going concern basis

As at 30 June 2023, the Group had net current liabilities of approximately RMB3,822,595,000 (31 December 2022: RMB4,155,839,000). As at 30 June 2023, borrowings and accrued interest (including default interest) that had been due for immediate payment amounting to approximately RMB1,302,136,000 (31 December 2022: RMB1,330,634,000) and approximately RMB221,007,000 (31 December 2022: RMB219,718,000) respectively, in which short-term bank borrowings of RMB562,492,000 (31 December 2022: RMB590,990,000) are short-term bank facilities that have been rolled over upon respective maturities in the past several years, other borrowing of RMB492,444,000 (31 December 2022: RMB492,444,000) and related interest payable of RMB187,146,000 (31 December 2022: RMB199,402,000) 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 RMB50,006,000 (31 December 2022: RMB50,602,000) payable within twelve months from 30 June 2023 (31 December 2022: twelve months from 31 December 2022) 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 (31 December 2022: RMB247,200,000) are due to an asset management company or other lenders with the status as detailed in below note 1.2(ii).

In addition, pursuant to the settlement agreements (as detailed in note 16) entered into during the years ended 31 December 2018 and 2021, there are default clauses that the asset management companies can require the Group to pay the outstanding balance of the original borrowings and interest payable in the event of default. As at 30 June 2023, 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 RMB2,524,154,000 (31 December 2022: RMB2,607,894,000) and related interest payable of RMB187,146,000 (31 December 2022: RMB199,402,000) were recognised in the Group's condensed consolidated statement of financial position. Please see note 16 to the condensed consolidated financial statements for details.

Moreover, there are a number of litigations against the Group of which the details are set out in note 19 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 RMB221,000 (31 December 2022: RMB13,000) 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 2023 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 followings:

(i) For borrowings which will be maturing before 30 June 2024, the Group is actively negotiating with banks/lenders before they fall due to secure their renewals so as to ensure that the necessary funds will be in place to meet the Group's working capital and financial requirements in the future will continue to be met. The directors of the Company are of the view that based on past experience and the current communication with banks, no significant difficulties are expected in renewing the banks' short-term borrowings upon their maturities;

(ii) In relation to those borrowings that have been past due or those borrowings that became immediately repayable due to cross-default clauses set out in the respective loan agreements, which are classified as current liabilities and detailed in note 16, the Group is in the process of negotiating with the relevant banks and other lenders to extend the repayment dates and to obtain waivers from banks. The directors of the Company are of the view that based on past experience and the current communication with banks/lenders, it is not probable that the banks/lenders 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, the Group will accelerate the coal production of those coal mines currently under production and apply for the renewal of expired coal mining right of coal mine 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 RMB999,866,000 during the reporting period (six months ended 30 June 2022: approximately RMB463,499,000); 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 30 June 2023. 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 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

Overview

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two Model Rules

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

Impact on application of Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations.

The amendments had no material impact on the interim condensed consolidated financial statements of the Group.

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 2022.

4. SEGMENT REPORTING

(a) Segment results, assets and liabilities

The Chief Executive Officer (the "**CEO**") reviews the "operating profit" as presented below and the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. The Group has only one reportable segment, coal business, which mainly operates its business in the PRC and earns substantially all of the revenues from external customers attributed to the PRC. As at the end of the reporting period, substantially all of the non-current assets of the Group were located in the PRC. Therefore, no geographical segments are presented. No analysis of segment assets or segment liabilities is presented as they are not used by the CEO when making decisions about allocating resources and assessing performance of the Group.

For the strategic business unit, 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 the 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, right-of-use assets, 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 segment.

– Revenue and expenses are allocated to the reportable segment with reference to revenue generated by the segment and the expenses incurred by the segment.

	Coal business	
	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from external customers	**1,905,924**	2,056,954
Reportable segment profit before taxation	**258,462**	624,530
Reversal of impairment losses on prepayments and other receivables	**1,316**	927

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Reportable segment assets	**7,624,186**	7,649,342
Reportable segment liabilities	**(5,932,694)**	(5,960,443)

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

Revenue

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reportable segment revenue and consolidated revenue	**1,905,924**	2,056,954

Profit before taxation

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reportable segment profit before taxation	**258,462**	624,530
Unallocated head office and corporate income/(expenses)	**873**	(8,666)
Net finance costs	**(73,613)**	(134,111)
Consolidated profit before taxation	**185,722**	481,753

Assets

	At 30 June	At 31 December
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Reportable segment assets	**7,624,186**	7,649,342
Unallocated corporate assets	**376,382**	201,189
Consolidated total assets	**8,000,568**	7,850,531

Liabilities

	At 30 June	At 31 December
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Reportable segment liabilities	**5,932,694**	5,960,443
Tax payable	**276,992**	350,097
Deferred taxation	**553,558**	621,932
Unallocated corporate liabilities	**302,042**	104,848
Consolidated total liabilities	**7,065,286**	7,037,320

5. REVENUE

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of coal	**1,905,924**	2,056,954

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.

6. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Foreign exchange gain, net	**18,072**	12,284
Net loss on disposal of property, plant and equipment	**(49)**	(2)
Government subsidies *(note)*	**3,131**	5,112
Gain on substantial modification upon loan restructuring *(note 16)*	**–**	11,321
Net gain on non-substantial modification upon loan restructuring *(note 16)*	**–**	31,203
Other service income	**–**	880
Others	**1,088**	733
	22,242	61,531

Note: During the current interim period, the government subsidies of RMB3,131,000 (six months ended 30 June 2022: RMB5,112,000) were granted by the PRC local government and received/receivable by the Group as financial subsidies on the Group's business development with conditions that the respective entities would maintain their principal places of businesses for the same period, which were fulfilled.

7. NET FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**(6,185)**	(7,600)
Interest on borrowings	**58,425**	63,708
Interest charge on unwinding of discounts *(note (ii))*	**44,715**	80,009
Total interest expense on financial liabilities not at fair value through profit or loss	**103,140**	143,717
Less: interest capitalised into property, plant and equipment *(note (i))*	**(23,342)**	(2,006)
Finance costs	**79,798**	141,711
Net finance costs	**73,613**	134,111

Notes:

(i) The finance costs have been capitalised at a rate of 6.53% (2022: 6.79%) per annum.

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Borrowings	**69,604**	74,277
Lease liabilities	**269**	535
Accrued reclamation obligations *(note)*	**(25,158)**	5,197
	44,715	80,009

Note: During the six months ended 30 June 2023, the Group reassessed the estimated costs and adjusted the accrued reclamation obligations by reference to the latest geological environment protection and land reclamation plans of Xinglong Coal and Hongyuan Coal prepared by geological survey expert engaged by the Group for the change of development and production plans. As a result, the property, plant and equipment and the accrued reclamation obligation has decreased by RMB16,564,000 and RMB47,097,000 (2022: nil and nil) respectively and the corresponding interest charge on unwinding of discounts of RMB30,533,000 (2022: nil) has been reversed during the period. In addition, the interest charge on unwinding of discounts of RMB5,375,000 (other than the aforesaid reassessment) has been recognised during the period.

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**224,198**	168,574
Depreciation of right-of-use assets	**2,751**	4,064
Amortisation of coal mining rights	**350,412**	334,358

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
− PRC Corporate Income Tax	**113,995**	139,438
Deferred tax credit	**(68,374)**	(28,871)
Income tax expense	**45,621**	110,567

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 (six months ended 30 June 2022: nil).

(ii) No provision for Hong Kong Profits Tax has been made for the subsidiaries located in Hong Kong as these subsidiaries did not have any assessable profits subject to Hong Kong Profits Tax during both periods.

(iii) Provision for the PRC Corporate Income Tax was based on the statutory rate of 25% (six months ended 30 June 2022: 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% (six months ended 30 June 2022: 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 condensed consolidated financial statements as the Group had no assessable profits in Indonesia during both periods.

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 period.

The calculations of basic earnings per share attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2023 and 2022 are based on the following data:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to equity shareholders of the Company	**130,798**	327,374
Less: Distribution relating to perpetual subordinated convertible securities classified as equity	**(2,624)**	(2,427)
Profit for the period attributable to ordinary equity shareholders of the Company in calculating basic earnings per share	**128,174**	324,947
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 six months ended 30 June 2023 and 2022 respectively are based on the following data:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to ordinary equity shareholders of the Company used in calculating basic earnings per share	**128,174**	324,947
Add: Distribution relating to perpetual subordinated convertible securities classified as equity	**2,624**	2,427
Adjusted profit for the period attributable to equity shareholders of the Company used in calculating diluted earnings per share	**130,798**	327,374
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 six months ended 30 June 2023 and 2022, 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 six months ended 30 June 2023 and 2022.

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
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
South Kalimantan, Indonesia	
SDE Coal Mine	14 May 2034

As at 30 June 2023, the Group's coal mining rights of coal mines located in the PRC with net carrying amount of RMB1,983,241,000 (31 December 2022: RMB2,333,653,000) were pledged for the Group's borrowings (note 16).

In respect of the expiry of coal mining rights of Xinglong 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 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.

12. TRADE RECEIVABLES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Trade receivables	**173,522**	215,169
Less: allowance for credit loss	**(36,302)**	(36,302)
	137,220	178,867

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 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Within 2 months	**77,903**	119,550
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
	137,220	178,867

Note: As at 30 June 2023, trade receivables aged over 2 years amounting to approximately RMB59,317,000 (31 December 2022: RMB59,317,000) were due from customers which the Group has trade and other payable balances with the same amount as at the end of the reporting period. The directors of the Company believe that no impairment allowance is necessary in respect of these balances.

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

Credit terms granted to customers mainly range from 0 to 60 days (31 December 2022: 0 to 60 days) depending on customers' relationship with the Group, their creditworthiness and past settlement records.

During the current reporting period, the Group provided impairment loss allowance on trade receivables amounting to nil (six months ended 30 June 2022: nil) in profit or loss based on the provision matrix.

13. PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Included in non-current asset		
Other deposits *(note (v))*	**28,903**	27,858
Included in current assets		
Other deposits and prepayments *(note (i))*	**212,305**	119,860
Amounts due from non-controlling shareholders *(note (ii))*	**322,703**	322,703
Other non-trade receivables *(note (iii))*	**248,628**	289,404
	783,636	731,967
Less: allowance for credit losses *(note (iv))*	**(345,627)**	(344,786)
	438,009	387,181

Notes:

(i) Prepayments for purchase of coal, transportation fee and construction and purchase of property, plant and equipment amounting to approximately RMB14,156,000 (31 December 2022: RMB14,156,000), RMB2,775,000 (31 December 2022: RMB12,655,000) and RMB119,737,000 (31 December 2022: RMB52,711,000) respectively was included in other deposits and prepayments. The remaining amount of RMB75,637,000 (31 December 2022: RMB40,338,000) 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 2023, the carrying amount of RMB322,703,000 (31 December 2022: RMB322,703,000) were fully impaired in prior years.

(iii) Other non-trade receivable mainly represented the government grant receivables of RMB1,401,000 (31 December 2022: RMB5,141,000) and value added tax recoverable of RMB198,237,000 (31 December 2022: RMB186,892,000).

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

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other deposits and prepayments	**4,697**	2,697
Amounts due from non-controlling shareholders	**322,703**	322,703
Other non-trade receivables	**18,227**	19,386
	345,627	344,786

(v) As disclosed in the Company's announcements dated 13 May 2021 and 3 January 2022, a series of agreements, including heads of agreement ("**HOA**") dated 12 May 2021 and addendum of HOA dated 31 December 2021 (collectively, the "**Proposed Acquisition Agreements**") were entered by the Group for proposed acquisitions of 70% equity shareholding of PT Indonesia Multi Energy ("**IME**"), PT Persada Berau Jaya Sakti ("**PBJS**"), PT Tansri Madjid Energi ("**TME**") and PT Vipronity Power Energy ("**VPE**") companies (collectively referred to as the "**Targets**") duly established under the laws of Republic of Indonesia that are engaged in coal mining and trading at coals in Indonesia, from four independent third parties (the "**Four Sellers**") at an aggregate consideration of IDR1,540,000,000 (equivalent to approximately RMB687,200). Pursuant to the Proposed Acquisition Agreements, the Four Sellers (as non-controlling shareholders of the Targets after completion of the proposed acquisition) would be entitled to 15% of the total saleable coal production of the Targets as profit distributions and such Four Sellers' entitlements are secured by the deposits of aggregate USD4,000,000 (equivalent to RMB28,903,000) paid by the Group. The aforesaid deposits paid by the Group are secured by Four Sellers' approximately 25% equity interest in SDE and one of the Four Sellers' 99% equity interest in PT Widyanusa Mandiri until the completion of the proposed acquisitions.

In view of the new government regulation in relation to mining right promulgated by the Government of the Indonesia, the transaction structure under the HOAs was modified, such that, the Group and the Four Sellers established new mining companies, which are owned as to 75% by the Group and 25% by the respective Four Sellers, and the mining business licenses will subsequently be transferred from the Four Sellers to the new mining companies.

As disclosed in the Company's announcements dated 22 August 2022, the registration of the mining business license of TME has been removed from government system. Since then, TME has applied for the restoration of the mining business license and the outcome is so far unfavorable and unsuccessful. Therefore, the Group and TME mutually agreed not to proceed with the proposed transaction in respect of the mining business license. TME shall refund the deposit fund of US$1,000,000 to the Group within the agreed timeline.

The Board considers that the termination of the aforesaid transaction with TME will not have any material adverse effect on the existing business, operations and/or financial position of the Group.

14. TRADE PAYABLES

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

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**413,099**	187,906
Over 1 year but within 2 years	**5,869**	79,814
Over 2 years	**82,543**	119,844
	501,511	387,564

15. OTHER PAYABLES AND CONTRACT LIABILITIES

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Accrued expenses	**518,646**	491,066
Contract liabilities	**18,622**	22,871
Amount due to ultimate controlling shareholder	**–**	161
Amount due to ultimate holding company	**25,325**	21,816
Amount due to an associate	**215,276**	215,276
Amounts due to directors of the Company	**248**	656
Amount due to a related party	**–**	141
Other payables *(note)*	**1,241,825**	1,215,038
	2,019,942	1,967,025

Note: Construction payables of approximately RMB650,313,000 (31 December 2022: RMB595,792,000) and payables relating to mineral exploration and mining rights of approximately RMB242,431,000 (31 December 2022: RMB255,057,000) respectively are included in other payables.

The amounts due to ultimate holding company of the Company, ultimate controlling shareholder of the Company, an associate, directors of the Company and a related party are unsecured, interest-free and have no fixed term of repayment.

16. BORROWINGS

	Notes	**At 30 June 2023** *RMB'000* **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
Bank loans			
– Secured	*(i)*	**234,540**	74,676
– Unsecured	*(ii)*	**562,491**	590,990
		797,031	665,666
Other borrowings	*(iii)*		
– Secured Loan I (as defined below)		**1,936,953**	2,008,380
– Secured Loan II (as defined below)		**94,756**	107,070
– Secured Loan III (as defined below)		**492,444**	492,444
– Unsecured		**247,200**	247,200
		2,771,353	2,855,094
Total borrowings		**3,568,384**	3,520,760

Notes:

(i) Secured bank loans bear interest at rates of 2.5% to 4% (31 December 2022: 2.5%) per annum as at 30 June 2023.

(ii) Unsecured bank loans bear interest at rates ranging from 5.85% to 7.80% (31 December 2022: 5.85% to 7.80%) per annum as at 30 June 2023.

(iii) Other borrowings bear interest at rates ranging from 4.91% to 7.28% (31 December 2022: 4.91% to 7.28%) per annum as at 30 June 2023.

As at 30 June 2023, borrowings of the Group were repayable as follows:

	At 30 June 2023 *RMB'000* **(Unaudited)**	At 31 December 2022 *RMB'000* (Audited)
Within 1 year or on demand	**3,337,411**	3,447,453
Over 1 year but within 2 years	**3,565**	1,370
Over 2 years but within 5 years	**227,408**	71,937
	230,973	73,307
	3,568,384	3,520,760

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 RMB1,302,136,000 (31 December 2022: RMB1,330,634,000), in which the aggregate amount of RMB739,644,000 (31 December 2022: RMB739,644,000) was past due, and aggregate amounts of RMB562,492,000 (31 December 2022: RMB535,990,000) and nil (31 December 2022: RMB55,000,000) 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 RMB702,000 (31 December 2022: RMB207,000) and RMB220,305,000 (31 December 2022: RMB219,511,000) respectively were included in the other payables.

As at 30 June 2023, unsecured bank loans, secured other borrowings and unsecured other borrowings of approximately RMB562,492,000 (31 December 2022: RMB590,990,000), RMB492,444,000 (31 December 2022: RMB492,444,000) and RMB247,200,000 (31 December 2022: RMB247,200,000) 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% (31 December 2022: 4.91% to 7.80%) per annum and also carried additional penalty interest at rate 2.26% to 3.50% (31 December 2022: 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 RMB1,983,241,000 and RMB203,883,000 as at 30 June 2023 respectively (31 December 2022: coal mining rights and property, plant and equipment with RMB2,333,653,000 and RMB255,348,000 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 legally 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 at the date of modification during the year ended 31 December 2022.

As at 30 June 2023, the carrying amount of the Group's borrowings from the asset management company in respect of Loan I was approximately RMB1,936,953,000 (31 December 2022: RMB2,008,380,000).

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 RMB492,950,000 (31 December 2022: RMB4,027,188,000 and RMB458,887,000) 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 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 2022: 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 at the date of modification during the year ended 31 December 2022.

As at 30 June 2023, the carrying amount of the Group's borrowings from the asset management company in respect of Loan II was approximately RMB94,756,000 (31 December 2022: RMB107,070,000).

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 RMB105,084,000 (31 December 2022: RMB295,206,000 and RMB108,432,000) 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 2022: 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 during the year ended 31 December 2021. 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 30 June 2023, 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 RMB187,146,000 (31 December 2022: RMB492,444,000 and RMB199,402,000) 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 30 June 2023, 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:

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**50,006**	50,602
Over 1 year but within 2 years	**195,028**	219,918
	245,034	270,520

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 RMB187,146,000 respectively in respect of Settlement Agreement of Loan III were recognised in the Group's condensed consolidated statement of financial position as at 30 June 2023 (31 December 2022: RMB492,444,000 and RMB199,402,000 respectively).

There is no occurrence of event of default under the Settlement Agreement of Loan III as at the end of the reporting period (31 December 2022: no occurrence of event of default).

Other

During 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 at the date of modification during the year ended 31 December 2022. 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 30 June 2023 (31 December 2022: RMB247,200,000) 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 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 30 June 2023, 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:

	At 30 June 2023	At 31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**203,883**	255,348
Coal mining rights	**1,983,241**	2,333,653

As at 30 June 2023 and 31 December 2022, 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 2023, total borrowings of approximately RMB3,335,845,000 (31 December 2022: RMB3,446,084,000) were guaranteed by the Company, certain subsidiaries of the Company, related parties and/or Mr. Xu.

17. DIVIDEND

19. 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

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 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 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 condensed consolidated statement of financial position as at 30 June 2023. Up to the date when the condensed consolidated financial statements are authorised for issue, the litigation claim is still in progress.

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

During the year ended 31 December 2019, Yu Lin Zhong Kuang initiated a litigation claim against the Group to demand for economic losses in relation to the suspension of construction project of coal mining infrastructure, of which amount are related to compensation to the staff costs and equipment costs incurred during the implementation of the project. The claim amount is approximately RMB10,121,000. Up to the date when the condensed consolidated financial statements are authorised for issue, the litigation claim is still in progress.

(iii) 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 RMB78,432,000, which including the aforesaid payable to this supplier of approximately RMB54,124,000 and late penalty interest of approximately RMB24,308,000. 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 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 30 June 2023.

Other than the disclosure of above, as at 30 June 2023, the Group was not involved in any other material litigation or arbitration. As far as the Group was aware up to the date when the condensed consolidated financial statements are authorised for issue, the Group had no other material litigation or claim which was pending or threatened against the Group. As at 30 June 2023, 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 (Zhuhai) Holding Co., Ltd ("**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 2023 under the guarantees issued is a portion of the outstanding amount of the borrowings of Tongmei Qinfa amounting to approximately RMB259,000,000 (31 December 2022: RMB259,000,000).

The Group has not recognised any financial liability (31 December 2022: nil) in respect of the guarantees granted for general banking facilities of the associate as the directors of the Company considered that the amounts of financial guarantee liabilities are immaterial.

(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 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 and blending of coal in the PRC. During the six months ended 30 June 2023, 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	
	2023	2022
Revenue from coal business *(RMB'000)*	**1,905,924**	2,056,954
Coal handling and trading volume *('000 tonnes)*	**2,702**	2,575

During the six months ended 30 June 2023, the volume of the Group's coal handling and trading increased as compared to the corresponding period in 2022. The coal selling prices during the six months ended 30 June 2023 were in range between RMB557 per tonne and RMB941 per tonne, as compared to the coal selling prices between RMB528 per tonne and RMB1,295 per tonne during the same period in 2022. Average coal selling price decreased mainly due to adjustment on thermal 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 2022, 2021 and 2020, and the six months ended 30 June 2023 and 2022 are set forth in the table below:

	Six months ended 30 June		Year ended 31 December		
	2023	2022	2022	2021	2020
Average coal selling price *(RMB per tonne)*	**705**	799	838	736	367
Average monthly coal handling and trading volume *('000 tonnes)*	**450**	429	377	510	497

Gross profit and gross profit margin

The Group's gross profit was RMB390.1 million during the six months ended 30 June 2023 as compared with gross profit of RMB703.6 million during the same period in 2022. Due to decreased average selling prices of thermal coal, gross profit margin for the six months ended 30 June 2023 was 20.5% as compared with gross profit margin of 34.2% for the corresponding period in 2022.

Net finance costs

Net finance costs of the Group during the six months ended 30 June 2023 amounted to RMB73.6 million, representing a decrease of RMB60.5 million or 45.1% from RMB134.1 million during the corresponding period in 2022. The net finance costs decreased due to the increase of the capitalised borrowing cost during the period and the reduction of unwinding discount for liabilities.

Operating profit

Operating profit of the Group during six months ended 30 June 2023 amounted to RMB259.3 million, representing a decrease of RMB356.5 million or 57.9% from RMB615.9 million during the corresponding period in 2022. Operating profit decreased due to the decreased average selling prices of thermal coal.

Profit after taxation

Profit after taxation of the Group during six months ended 30 June 2023 amounted to RMB140.1 million, representing a decrease of RMB231.1 million or 62.3% from RMB371.2 million during the corresponding period in 2022. Profit after taxation decreased due to the decreased average selling prices of thermal coal.

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 2023 was RMB130.8 million, as compared with profit attributable to the equity shareholders of the Company of RMB327.4 million for the corresponding period in 2022. The decrease in profit attributable to equity shareholders of the Company was mainly attributable to the decreased average selling prices of thermal coal.

BUSINESS REVIEW

Going into 2023, the policy of "Ensuring Supply and Stabilizing Prices" implemented by the Chinese government is yielding results, and the steady release of advanced coal production capacity remains to be the central tenet of the Chinese coal industry. According to the National Bureau of Statistics of China, the production of raw coal amounted to 2,300 million tonnes in the first half of 2023, an increase of 4.4% year-on-year, while the volume of imported coal amounted to 220 million tonnes, an increase of 93.0% year-on-year. This shows a steady increase of raw coal production, while coal import saw a drastic increase, and the resource constraints in the past has been further relieved. In general, for the first half of the year, the energy supply side of the Chinese coal market is relatively at ease.

Renewal of SDE Coal Mining Business License

The success of the Indonesian project has been an important milestone of the internationalization of the Group. Since 2020, the Company launched the acquisition project of the Indonesian coal mine. The team of the Company has been steadily promoting various preparatory work before production, so as to ensure that all aspects such as coal mine construction, laws and regulations and administrative approvals are fully in place, and the risk index is as low as possible, so that the Indonesian coal mine can officially begin operation as soon as possible, and become a new drive of growth for the Group.

As set out in the announcement of the Company dated 15 February 2023, PT Sumber Daya Energi ("**SDE**"), a non-wholly owned subsidiary of the Group, has successfully renewed its mining business license in respect of a coal mine located in Sungai Durian, Kotabaru, South Kalimantan, Indonesia. The renewed mining business license will expire on 14 May 2034.

Purchase of Equipment for the SDE Coal Mine

As set out in the announcement of the Company dated 28 March 2023, Qingdao Qinfa Materials Supply Limited ("**Qingdao Qinfa**"), an indirect wholly-owned subsidiary of the Company, entered into the Procurement Contract with Zhengzhou Coal Mining Machinery Group Company Limited("**ZMJ**"), under which ZMJ agreed to sell equipment and to provide technical support to Qingdao Qinfa at a total consideration of approximately RMB156 million (including value-added tax). Pursuant to the Procurement Contract entered into, the equipment to be sold includes shearers, conveyors, and powered roof supports. Shearer, conveyor and powered roof support are the key machineries used for coal extraction. A shearer is a cutting machine, which cut slices of coal from the coal face. A conveyor is used to transport coal slices from the coal face to elsewhere. Powered roof support is used to support the roof of a mining site, in order to prevent roof fall related casualties.

Promotion and Training of Production Safety

The Group regards our employees as the most valuable assets, and production safety has always been the top priority without compromise. The management team of the Group continues to implement key supervision on coal mine safety, invests resources in innovative technology and production technology, and actively promotes the digitization of coal mines to enhance production safety and safety management culture.

June 2023 is the 22nd National "Safe Production Month". The theme of this year’s event is "Everyone pays attention to safety, everyone knows how to deal with an emergency". In order to stay close to the theme, the management teams of each coal mine of the Group launched special investigation and rectification operations simultaneously, including refining production safety objectives, focusing on the investigation and rectification of major incident hazards, implementing the post responsibilities of safe production for all employees, and conducting emergency rescue drills. Through the above rectification operations, the Group has comprehensively improved the safety level of coal mines, trained employees’ emergency response in situation of disasters and raised the safety awareness of frontline staff. In order to establish a strong safety culture, all core staff of the coal mines have had a safety contract signing ceremony, promising to earnestly implement safe production responsibilities.

Promotion of Ecological Civilization Concept – “5 June World Environment Day”

While the Group is committed to bringing substantial returns to investors, the Group, as a leading Chinese energy enterprise, has always been actively giving back to the society, operating in a responsible manner, and conscientiously implementing the Chinese government’s principles and policies of green energy development.

On 5 June 2023, under the leadership of the management team of the Group, the "5 June World Environment Day" publicity campaign was launched. Activities for the day included distribution of brochures, on-site explanations, etc., conveying the concept of ecological civilization to the employees of the Group, promoting simplicity and moderation, educating employees on a green and low-carbon lifestyle, and further enhance the environmental awareness of the Group’s employees.

As of 30 June 2023, 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	South Kalimantan, Indonesia	70%	185	N/A	Under development

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	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 at 1 January 2023 *(Mt)*							
– Proven reserves	8.39	–	–	–	–	–	8.39
– Probable reserves	4.02	2.81	2.30	13.50	10.46	293.00	326.09
Total reserves as at 1 January 2023 *(Mt)*	12.41	2.81	2.30	13.50	10.46	293.00	334.48
Less: Total raw coal production for the period from 1 January 2023 to 30 June 2023 *(Mt)*	(1.59)	(1.19)	(0.94)	–	–	–	(3.72)
Reserves as at 30 June 2023 *(Mt)*	**10.82**	**1.62**	**1.36**	**13.50**	**10.46**	**293.00**	**330.76**
Resources							
Resources as at 1 January 2023 *(Mt)*	44.83	13.88	14.61	35.08	20.87	589.22	718.49
Less: Total raw coal production for the period from 1 January 2023 to 30 June 2023 *(Mt)*	(1.59)	(1.19)	(0.94)	–	–	–	(3.72)
Resources as at 30 June 2023 *(Mt)*	**43.24**	**12.69**	**13.67**	**35.08**	**20.87**	**589.22**	**714.77**

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

	Six months ended 30 June	
	2023	2022
Raw coal production volume	***('000 tonnes)***	*('000 tonnes)*
Huameiao Energy – Xingtao Coal	**1,593**	805
Huameiao Energy – Fengxi Coal	**1,190**	1,262
Huameiao Energy – Chongsheng Coal	**941**	1,738

Net Current Liabilities and Current Ratio

As of 30 June 2023, the Group had net current liabilities of RMB3,822.6 million, compared with RMB4,155.8 million as of 31 December 2022. The Group's current ratio as of 30 June 2023 was 0.38, compared with 0.33 as of 31 December 2022. 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 1.2 to the consolidated financial statements.

Capital Expenditure and Commitments

For the six months ended 30 June 2023, the Group incurred an aggregate capital expenditure of RMB361.1 million (six months ended 30 June 2022: RMB264.7 million) mainly related to the construction and the purchase of plant and equipment. Capital commitments contracted for but not incurred by the Group as at 30 June 2023 amounted to RMB204.3 million (as at 31 December 2022: RMB264.4 million), which were mainly related to the purchase of plant and equipment.

Capital Structure

Save as disclosed in this announcement, there has been no material change in the capital structure of the Company during the period. The capital of the Group companies are mainly the ordinary shares and perpetual subordinated convertible securities ("**PSCS**").

Liquidity, Financial Resources

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 2023, the Group recorded net current liabilities of RMB3,822.6 million (as at 31 December 2022: RMB4,155.8 million).

The Group has taken initiative to enhance its 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 2023, cash and cash equivalents of the Group amounted to RMB1,131.1 million (as at 31 December 2022: RMB856.0 million), representing an increase of 32.1%.

As at 30 June 2023, the bank and other borrowings of the Group amounting to RMB3,337.4 million (31 December 2022: RMB3,447.5 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 RMB1,302.1 million (31 December 2022: RMB1,330.6 million), in which the aggregate amount of RMB739.6 million (31 December 2022: RMB739.6 million) was past due, and aggregate amounts of RMB562.5 million (31 December 2022: RMB536.0 million) and nil (31 December 2022: RMB55,000,000) 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 become due for immediate repayment. The bank and other borrowings carried interest at rates ranging from 2.5% to 7.8% (as at 31 December 2022: 2.5% to 7.8%) per annum.

As at 30 June 2023, the Group had total banking facilities of RMB3,568.3 million (as at 31 December 2022: RMB3,520.8 million), of which RMB3,568.3 million (as at 31 December 2022: RMB3,520.8 million) were utilised.

As at 30 June 2023, the Group's cash and cash equivalents, were mainly held in RMB, except for the amount of RMB22.7 million in United States dollars ("**USD**"), amount of RMB0.5 million in HKD, amount of RMB10.1 million in Indonesian Rupiah, amount of RMB1.7 million in Euro and amount of RMB0.8 million in Singapore Dollar.

The gearing ratio (calculated as bank and other borrowings netted off sum of cash and cash equivalents and pledged and restricted deposits divided by total assets) of the Group as of 30 June 2023 was 25.8% (as at 31 December 2022: 32.1%). The gearing ratio improved due to increase in cash and cash equivalents.

For the funding policy, the Group funds its working capital and other capital requirements from a combination of various sources, including but not limited to internal resource and external borrowing at reasonable interest rates.

For the treasury policy, the Group adopts centralized management on financing activities and prudent financial management approach on the use of capital.

As at 30 June 2023, the Group had total banking and other borrowing of RMB3,568.4 million (31 December 2022: RMB3,520.8 million), of which RMB84.5 million (31 December 2022: RMB74.7 million) were made in Euro and RMB3,483.9 million (31 December 2022: RMB3,446.1 million) were made in RMB.

Exposure to Fluctuations in Exchange Rates

The Group's cash and cash equivalents are held predominately in RMB and USD. Operating outgoings incurred by the Group's subsidiaries in China are mainly denominated in RMB while overseas purchases are usually denominated in USD. The Group's subsidiaries usually receive revenue in RMB. Hence, the Directors do not consider that the Group faces significant exposure to foreign exchange fluctuation risk.

Pledge of assets of the Group and Guarantee

As at 30 June 2023, the Group's assets in an aggregate amount of RMB2,187.1 million (as of 31 December 2022: RMB2,589.0 million) were in forms of property, plant and equipment, coal mining rights and inventories.

PLEDGE OF SHARES BY THE CONTROLLING SHAREHOLDER

Fortune Pearl International Limited, which is wholly-owned by Mr. Xu Jihua, the controlling shareholder, pledged 949,000,000 shares of the Company, representing approximately 38.06% of the issued share capital of the Company, for the purpose of securing the loans of approximately RMB1,936,954,000 as at 30 June 2023 (as at 31 December 2022: RMB2,008,380,000) owed by certain subsidiaries of the Group to a creditor. In addition, pursuant to the debt restructuring proposal, if there is any material change in the shareholding of the Company held by the controlling shareholder of the Company, the creditor shall have the right to withdraw the debt reduction and the revised repayment schedule granted to the Group. For details, please refer to the announcement of the Company dated 9 August 2018.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the period, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures.

CONTINGENT LIABILITIES AND LITIGATIONS

Except for certain matters related to litigations disclosed in the note 19 to the interim financial statements, the Group did not have any material contingent liabilities as at 30 June 2023.

BUSINESS OUTLOOK

Looking forward to the second half of 2023, although downstream industries will support the demand for coal, it is expected that domestic thermal coal will remain relatively easy with respect to the energy supply fundamentals.

Based on past experience, there will be huge demand for electricity in July and August, which will cause coal consumption to reach its peak. Due to the seasonal demand, domestic coal prices may show a small remedial rebound, but in the long run, after the end of the summer peak period, domestic thermal coal will return to a broad equilibrium of supply and demand.

Expected Progress of the SDE Coal Mine

SDE, an indirect non-wholly owned subsidiary of the Group with 70% equity interest, possesses the SDE mining business license in South Kalimantan, Indonesia. The licensed area is approximately 184.92 sq. km, the amount of resources and probable reserves of the coal mine are 589 million tonnes and 293 million tonnes, respectively. The Group has been actively promoting the construction work of the SDE Coal Mine since 2021, including main shafts, auxiliary shafts, ventilation shafts, roads and wharfs. Unless there are unexpected hindering factors such as geographical environment and geopolitics, the construction work for SDE in the second half of 2023 is also expected to proceed smoothly, and the Group expects that SDE may start trial operation within a year.

Drive Employment, Implement Cultivation of Local Talent

At present, the Group's development in Indonesia is well situated. While actively developing the coal business in Indonesia, the Group also firmly carries out its social responsibilities, actively assisting the local community construction, and successfully driving the development of the surrounding areas of Kotabaru, South Kalimantan, Indonesia, helping the local people with employment. At present, the Group has employed more than 700 local employees. With the development of the SDE project, the Group aims to provide more than 3,000 local job positions in the next three years.

The Group upholds the operation principle of people-oriented and talent-based, and is committed to building a platform for the long-term development of local employees. In the future, the Group will continue to integrate employees' religious beliefs, cultural and social elements into the process of talent training and development, striving to build a sustainable business in Indonesia and become a benchmark enterprise that the Indonesian people yearn for.

Strengthen Business Investigative Exchanges

Indonesia is rich in natural resources and is in a stable political position. The Group firmly believes that its development potential is huge. Therefore, the Group has been deeply involved in the Indonesian coal mining business for several years. At the same time, the Indonesian authorities have been actively creating a quality investment environment for foreign investors, including adopting necessary measures to protect the interests of investors. In the future, the Group will continue to increase investment in Indonesia and make strategic arrangements, strengthen business investigative exchanges with local enterprises, government departments and communities, so as to explore a broader space for cooperation and seize every development opportunity.

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. Ho Ka Yiu Simon, Prof. Sha Zhenquan and Mr. Jing Dacheng. Mr. Ho Ka Yiu Simon 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 2023.

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 2023.

EMPLOYEES AND REMUNERATION

As at 30 June 2023, the Group employed 3,411 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 labor 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 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.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

During the six months ended 30 June 2023, 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 2023 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 Qinfa Group Limited
XU Da
Chairman

Guangzhou, 30 August 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 Prof. SHA Zhenquan, Mr. JING Dacheng and Mr. HO Ka Yiu Simon as the independent non-executive Directors.