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 2019

The Directors refer to the profit warning announcement of the Company dated 12 August 2019. The financial highlights of the Group for the six months ended 30 June 2019 are set out as follows:

- Revenue for the six months ended 30 June 2019 was RMB1,328.7 million, representing a decrease of 28.3% as compared to the corresponding period in 2018.

- Coal handling and trading volume for the six months ended 30 June 2019 was 3.39 million tonnes, representing a decrease of 23.2% as compared to the corresponding period in 2018.

- Gross profit margin for the six months ended 30 June 2019 was 14.36% as compared with gross profit margin 16.92% to the corresponding period in 2018.

- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2019 was RMB45.5 million, as compared with profit of RMB96.8 million for the corresponding period in 2018.

- Basic earnings per share of the Company was RMB1.72 cents for the six months ended 30 June 2019, representing a decrease of RMB2.06 cents as compared with basic earnings per share of RMB3.78 cents for the corresponding period in 2018.

- Diluted earnings per share of the Company was RMB1.74 cents for the six months ended 30 June 2019, representing a decrease of RMB1.97 cents as compared with diluted earnings per share of RMB3.71 cents for the corresponding period in 2018.

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 12 August 2019. 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 2019 with comparative figures for the six months ended 30 June 2018.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue	5	**1,328,667**	1,853,400
Cost of sales		**(1,137,880)**	(1,539,878)
Gross profit		**190,787**	313,522
Other income, gains and losses	6	**20,679**	29,353
Distribution expenses		**(2,802)**	(28,528)
Administrative expenses		**(85,908)**	(105,283)
Reversal of impairment losses on trade receivables, net		**18,261**	11,177
Reversal of impairment losses/(impairment losses) on prepayments and other receivables, net		**10,119**	(360)
Other expenses		**(8,245)**	(5,320)
Results from operating activities		**142,891**	214,561
Finance income		**108**	16
Finance costs		**(139,379)**	(180,849)
Net finance costs	7	**(139,271)**	(180,833)
Profit before taxation	8	**3,620**	33,728
Income tax credit	9	**47,864**	79,083
Profit for the period		**51,484**	112,811
Other comprehensive (expenses)/income			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		**(95)**	3,146
Other comprehensive (expenses)/income for the period, net of tax		**(95)**	3,146
Total comprehensive income for the period		**51,389**	115,957

	Note	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Profit for the period attributable to:			
Equity shareholders of the Company		**45,466**	96,774
Non-controlling interests		**6,018**	16,037
Profit for the period		**51,484**	112,811
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		**45,371**	99,920
Non-controlling interests		**6,018**	16,037
Total comprehensive income for the period		**51,389**	115,957
Earnings per share attributable to the equity shareholders of the Company during the period	*10*		
Basic earnings per share		**RMB1.72 cents**	RMB3.78 cents
Diluted earnings per share		**RMB1.74 cents**	RMB3.71 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	At 30 June 2019 RMB'000 (Unaudited)	At 31 December 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**4,776,319**	4,793,147
Coal mining rights	*11*	**4,145,881**	4,250,347
Right-of-use assets		**10,461**	–
Lease prepayments		**–**	4,793
Interest in an associate		**–**	–
		8,932,661	9,048,287
Current assets			
Inventories		**38,919**	61,850
Trade receivables	*12*	**297,859**	313,728
Prepayments and other receivables	*13*	**423,557**	335,181
Pledged and restricted deposits		**765**	43
Cash and cash equivalents		**112,541**	115,680
		873,641	826,482
Current liabilities			
Trade payables	*14*	**(672,575)**	(562,454)
Other payables and contract liabilities	*15*	**(2,583,252)**	(2,647,970)
Lease liabilities		**(3,212)**	–
Borrowings	*16*	**(2,186,904)**	(1,987,770)
Tax payable		**(245,443)**	(275,298)
		(5,691,386)	(5,473,492)
Net current liabilities		**(4,817,745)**	(4,647,010)
Total assets less current liabilities		**4,114,916**	4,401,277
Non-current liabilities			
Other payables	*15*	**(18,965)**	(47,155)
Accrued reclamation obligations		**(119,238)**	(114,465)
Lease liabilities		**(2,554)**	–
Borrowings	*16*	**(2,227,630)**	(2,505,622)
Deferred taxation		**(1,212,294)**	(1,251,189)
		(3,580,681)	(3,918,431)
Net assets		**534,235**	482,846

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital and reserves		
Share capital	**211,224**	211,224
Perpetual subordinated convertible securities	**156,931**	156,931
Deficit	**(748,256)**	(793,627)
Total deficit attributable to equity shareholders of the Company	**(380,101)**	(425,472)
Non-controlling interests	**914,336**	908,318
Total equity	**534,235**	482,846

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2019

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 2018, 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 2019 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 2018. 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 2018.

The condensed consolidated financial statements are unaudited.

Going concern basis

As at 30 June 2019, the Group's current liabilities exceed its current assets by approximately RMB4,817,745,000 (31 December 2018: RMB4,647,010,000). As at 30 June 2019, borrowings and accrued interest amounting to approximately RMB750,362,000 and approximately RMB229,419,000 respectively (31 December 2018: RMB750,362,000 and RMB194,472,000 respectively) that have been past due and due for immediate payment were not renewed or rolled over upon maturity. Besides, certain borrowings of approximately RMB215,020,000 as at 30 June 2019 (31 December 2018: RMB260,100,000) in total which are subject to cross default clauses that the lenders could require the Group to make immediate payment (but not repayable within one year from the end of reporting date based on the agreed scheduled repayments set out in the loan agreements) have been classified as current liabilities at the end of the reporting period.

As at the date when the condensed consolidated financial statements are authorised for issue, the Group has not obtained waivers from the relevant banks on these cross default clauses, and the banks have not taken any action against the Group to demand immediate repayment except for as disclosed in note 19(a)(i). In addition, as at 30 June 2019, there were several pending litigations mainly requesting repayment of long outstanding payables with interest against the Group, as set out in note 19(a). 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 2019 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 not limited to, the followings:

(i) The Group applies cost control measures in cost of sales, administrative expenses and capital expenditures;

(ii) The Group is maximising its sales efforts including seeking long term orders from power plants and coal trading companies in the PRC with a view to improve operating cash flows. Considering the stability of coal market and steady coal prices, the Group is expected to generate operating cash inflows in the coming years from its existing production facilities continuously;

(iii) 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, 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; and

(iv) For borrowings which will be maturing before 30 June 2020, the Group will actively negotiate with banks before they fall due to secure their renewals so as to ensure that the necessary funds to meet the Group's working capital and financial requirements in the future will continue to be met. In view that there have been no history of which the banks and other lenders exercised their rights to call for immediate repayment of borrowings and their respective interests in similar cases in the past, the directors of the Company are of the opinion that the Group has good relationship with banks which would enhance the Group's ability to renew the existing short-term borrowings upon maturity.

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 satisfied 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 2019. 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 new and amendments to IFRSs issued by the ISAB which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Except as described in note 2(b), the application of the new and 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.

(b) IFRS 16 "Leases"

(i) Impacts and changes in accounting policies of application on IFRS 16

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 "Leases", and the related interpretations.

Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

As a lessor

<u>Allocation of consideration to components of a contract</u>

Effective on 1 January 2019, the Group applies IFRS 15 "Revenue from Contracts with Customers" to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect (if any) recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening balance of equity and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining term for a similar class of underlying assets in a similar economic environment;

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised lease liabilities of RMB7,238,000 and right-of-use assets of RMB12,031,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied was 5.38%.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	9,082
Lease liabilities discounted at relevant incremental borrowing rates	8,249
Less: Recognition exemption – short-term leases	(1,011)
Lease liabilities as at 1 January 2019	7,238
Analysed as	
Current	3,134
Non-current	4,104
	7,238

The Group recognised right-of-use assets at the date of initial application based on the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position immediately before the date of initial application.

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	**At 1 January 2019**
		RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		7,238
Reclassified from prepaid lease payments	*(a)*	4,793
		12,031
By class:		
Leasehold lands		4,793
Buildings		7,238
		12,031

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the prepaid lease payments amounting to RMB4,793,000 were reclassified to right-of-use assets.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amount under IFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Right-of-use assets	–	12,031	12,031
Lease prepayments	4,793	(4,793)	–
Current liabilities			
Lease liabilities	–	(3,134)	(3,134)
Non-current liabilities			
Lease liabilities	–	(4,104)	(4,104)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

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 2018, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16.

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	
	30 June 2019	30 June 2018	**30 June 2019**	30 June 2018	**30 June 2019**	30 June 2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue from external customers	**1,288,964**	1,760,793	**39,703**	92,607	**1,328,667**	1,853,400
Reportable segment profit before taxation	**150,021**	179,798	**1,190**	42,359	**151,211**	222,157
(Reversal of impairment losses)/ impairment losses on trade receivables	**(18,904)**	(11,061)	**643**	(116)	**(18,261)**	(11,177)
(Reversal of impairment losses)/ impairment losses on prepayments and other receivables	**(10,119)**	360	**–**	–	**(10,119)**	360

	At 30 June 2019	At 31 December 2018	**At 30 June 2019**	At 31 December 2018	**At 30 June 2019**	At 31 December 2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Reportable segment assets (including interest in an associate)	**9,949,186**	10,114,474	**324,346**	307,667	**10,273,532**	10,422,141
Reportable segment liabilities	**(8,018,026)**	(8,187,828)	**(461,473)**	(812,935)	**(8,479,499)**	(9,000,763)

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

Revenue

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reportable segment revenue and consolidated revenue	**1,328,667**	1,853,400

Profit before taxation

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reportable segment profit before taxation	**151,211**	222,157
Unallocated head office and corporate expenses	**(8,320)**	(7,596)
Net finance costs	**(139,271)**	(180,833)
Consolidated profit before taxation	**3,620**	33,728

Assets

	At 30 June	At 31 December
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Reportable segment assets	**10,273,532**	10,422,141
Elimination of inter-segment receivables	**(625,968)**	(617,893)
Unallocated corporate assets	**158,738**	70,521
Consolidated total assets	**9,806,302**	9,874,769

Liabilities

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Reportable segment liabilities	**8,479,499**	9,000,763
Elimination of inter-segment payables	**(514,723)**	(1,144,464)
Tax payable	**245,443**	275,298
Deferred taxation	**1,212,294**	1,251,189
Unallocated corporate liabilities	**(150,446)**	9,137
Consolidated total liabilities	**9,272,067**	9,391,923

5. REVENUE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of coal	**1,288,964**	1,760,793
Charter hire income	**39,703**	92,607
	1,328,667	1,853,400

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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Foreign exchange (loss)/gain, net	**(316)**	396
Net gain on disposal of property, plant and equipment	**46**	13,977
Recovery of trade and other receivable previously written off	**8,967**	12,523
Reversal of coal mineral resource compensation provided in prior years	**6,276**	–
Others	**5,706**	2,457
	20,679	29,353

7. NET FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**(108)**	(16)
Interest on borrowings	**57,336**	180,745
Penalty interest	**15,683**	14,254
Interest charge on unwinding of discounts *(Note ii)*	**90,521**	4,593
Less: interest capitalised into property, plant and equipment *(Note i)*	**(24,161)**	(18,743)
Finance costs	**139,379**	180,849
Net finance costs	**139,271**	180,833

Note:

(i) The borrowing costs have been capitalised at a rate of 6.83% (six months ended 30 June 2018: 6.63%) per annum.

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Borrowings	**85,572**	–
Lease liabilities	**177**	–
Accrued reclamation obligations	**4,772**	4,593
	90,521	4,593

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**142,719**	143,245
Depreciation of right-of-use assets	**1,630**	–
Amortisation of coal mining rights	**104,466**	87,154
Amortisation of lease prepayments	**–**	70
Property, plant and equipment written-off	**638**	5,437

9. INCOME TAX CREDIT

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
– PRC Corporate Income Tax	**21,816**	7,971
– Overprovision of PRC Corporate Income tax in prior years *(Note (iv))*	**(30,785)**	(43,674)
	(8,969)	(35,703)
Deferred tax credit	**(38,895)**	(43,380)
Income tax credit	**(47,864)**	(79,083)

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 2018: 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 the period (six months ended 30 June 2018: nil).

(iii) Provision for the PRC Corporate Income Tax was based on the statutory rate of 25% (six months ended 30 June 2018: 25%) of the assessable profits of subsidiaries which carried on businesses in the PRC.

(iv) During the period, the directors of the Company reviewed the subsidiaries' provision for the PRC Corporate Income Tax made in previous years and they are of the opinion that the likelihood of utilisation of certain tax provision had become remote and therefore decided to release those tax provision of RMB30,785,000 (six months ended 30 June 2018: RMB48,980,000) to profit and loss.

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 2019 and 2018 are based on the following data:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to equity shareholders of the Company	**45,466**	96,774
Less: Distribution relating to perpetual subordinated convertible securities classified as equity	**(2,563)**	(2,402)
Profit for the period attributable to ordinary equity shareholders of the Company	**42,903**	94,372
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 calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company. The adjusted weighted average number of ordinary shares is the number of ordinary shares in issue during the period and assumed conversion of all dilutive potential ordinary shares.

The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the period) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

The perpetual subordinated convertible securities were assumed to have been converted into ordinary shares, and the profit for the period attributable to ordinary equity shareholders of the Company is adjusted to eliminate the distribution relating to perpetual subordinated convertible securities.

For the six months ended 30 June 2019 and 2018, 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 2019 and 2018.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to ordinary equity shareholders of the Company	**42,903**	94,372
Add: Distribution relating to perpetual subordinated convertible securities classified as equity	**2,563**	2,402
Profit for the period used to determine diluted earnings per share	**45,466**	96,774
Weighted average number of ordinary shares	**2,493,413,985**	2,493,413,985
Adjustment for:		
– Assumed conversion of perpetual subordinated convertible securities	**118,000,000**	118,000,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,611,413,985**	2,611,413,985

11. COAL MINING RIGHTS

The balance represents the rights to conduct mining activities in Shanxi Province. All the mine sites are located on lands in the PRC to which the Group has no formal title of ownership, hence none of the carrying amount of right-of-use assets/lease prepayments relate to these lands. The Department of Land Resources of Shanxi Province 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
Xingtao Coal Mine	14 October 2020
Fengxi Coal Mine	24 January 2034
Chongsheng Coal Mine	28 December 2020
Xinglong Coal Mine	29 November 2019
Hongyuan Coal Mine	28 December 2020

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

As at 30 June 2019, the Group's coal mining rights with carrying amount of RMB4,145,881,000 (31 December 2018: RMB4,250,347,000) were pledged for the Group's borrowings (note 16).

12. TRADE RECEIVABLES

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**419,181**	567,462
Less: allowance for credit loss	**(121,322)**	(253,734)
	297,859	313,728

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 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 2 months	**84,737**	126,600
Over 2 months but within 6 months	**16,794**	3,755
Over 6 months but within 1 year	**112,077**	2,326
Over 1 year but within 2 years	**1,851**	56,695
Over 2 years *(Note)*	**82,400**	124,352
	297,859	313,728

Note: As at 30 June 2019, trade receivables aged over 2 years amounting to approximately RMB80,499,000 (31 December 2018: RMB119,959,000) 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. Based on past experience and repayment history of the trade debtors, the directors of the Company believe that no impairment loss 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 2018: 0 to 60 days) depending on the customers' relationship with the Group, their creditworthiness and past settlement records.

During the current interim period, the Group provided impairment loss allowance on trade receivables amounting to RMB3,803,000 (six months ended 30 June 2018: RMB1,076,000) based on the provisional matrix.

13. PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other deposits and prepayments *(Note (i))*	**408,404**	332,855
Amounts due from non-controlling shareholders *(Note (ii))*	**322,703**	322,703
Other non-trade receivables	**83,814**	81,102
	814,921	736,660
Less: allowance for credit losses *(Note (iii))*	**(391,364)**	(401,479)
	423,557	335,181

Notes:

(i) Prepayments for purchase of coal and transportation fee amounting to RMB195,880,000 (31 December 2018: RMB158,235,000) and RMB67,484,000 (31 December 2018: RMB42,038,000) respectively was included in other deposits and prepayments.

(ii) Amounts due from non-controlling shareholders are unsecured, interest free and have no fixed term of repayment. As at 30 June 2019, the carrying amount of RMB322,703,000 (31 December 2018: RMB322,703,000) were fully impaired.

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

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other deposits and prepayments	**36,882**	36,881
Amounts due from non-controlling shareholders	**322,703**	322,703
Other non-trade receivables	**31,779**	41,895
	391,364	401,479

14. TRADE PAYABLES

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

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**314,529**	31,519
Over 1 year but within 2 years	**5,397**	3
Over 2 years	**352,649**	530,932
	672,575	562,454

15. OTHER PAYABLES AND CONTRACT LIABILITIES

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Current		
Accrued expenses	**484,726**	503,960
Contract liabilities	**37,968**	66,479
Amount due to ultimate holding company	**1,847**	2,165
Amount due to ultimate controlling shareholder	**677**	501
Amount due to an associate	**378,246**	360,694
Amounts due to directors	**884**	796
Amount due to a related party	**141**	141
Receipts in advance from customers	**63,536**	25,386
Other payables *(Note)*	**1,615,227**	1,687,848
	2,583,252	2,647,970
Non-current		
Other payables *(Note)*	**18,965**	47,155
	2,602,217	2,695,125

Note: Construction payables of approximately RMB765,504,000 (31 December 2018: RMB958,073,000) and payables relating to mineral exploration and mining rights of approximately RMB356,335,000 (31 December 2018: RMB382,978,000) respectively are included in other payables.

The amounts due to ultimate holding company, ultimate controlling shareholder, an associate, directors of the Company and a related party are unsecured, interest-free and are repayable on demand.

16. BORROWINGS

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Bank loans		
– Secured *(Note (i))*	**296,034**	296,033
– Unsecured *(Note (ii))*	**944,719**	961,370
	1,240,753	1,257,403
Other borrowings *(Note (iii))*	**3,173,781**	3,235,989
	4,414,534	4,493,392

Notes:

(i) Secured bank loans bear interest at rates ranging from 4.75% to 6.72% (31 December 2018: 4.35% to 6.72%) per annum as at 30 June 2019.

(ii) Unsecured bank loans bear interest at rates ranging from 4.75% to 8.00% (31 December 2018: 4.75% to 7.00%) per annum as at 30 June 2019.

(iii) Other borrowings bear interest at rates ranging from 4.75% to 7.28% (31 December 2018: 4.86% to 7.28%) per annum as at 30 June 2019.

As at 30 June 2019, borrowings of the Group were repayable as follows:

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Within 1 year or on demand	**2,186,904**	1,987,770
Over 1 year but within 2 years	**562,094**	332,774
Over 2 years but within 5 years	**1,665,536**	2,172,848
	2,227,630	2,505,622
	4,414,534	4,493,392

Bank loans amounting to approximately RMB215,020,000 (31 December 2018: RMB260,100,000) in aggregate due for repayment after one year which contain cross default clauses that demand immediate repayment when there is default in any bank loans repayment had become repayable on demand and hence 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 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year or on demand	**1,971,884**	1,727,670
Over 1 year but within 2 years	**777,114**	524,274
Over 2 years but within 5 years	**1,665,536**	2,241,448
	4,414,534	4,493,392

Interest payables on the borrowings are included in other payables.

As at 30 June 2019, a secured bank loan and other borrowings of RMB148,534,000 and RMB601,828,000 respectively (31 December 2018: RMB148,534,000 and RMB601,828,000 respectively), have been past due and due for immediate payment. These borrowings carried interest at rates ranging from 4.86% to 7.28% (31 December 2018: 4.86% to 7.28%) per annum. These borrowings are secured by coal mining rights and property, plant and equipment with a carrying amount of approximately RMB528,104,000 and RMB119,370,000 respectively (31 December 2018: RMB528,104,000 and RMB120,827,000 respectively).

The above mentioned borrowings are also secured by 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 Chongsheng Coal, Xinglong Coal, Hongyuan Coal and Super Grace and guaranteed by the Company, certain subsidiaries of the Company, related parties and Mr. Xu, the controlling shareholder.

During the year ended 31 December 2018, the Group entered into the settlement agreement with an asset management company in the PRC, to reduce the amounts of outstanding bank loans assigned by two banks and the relevant interest and penalty interest amounting to approximately RMB4,027,188,000 and RMB582,028,000 in total respectively. The management of the Group considers that the terms of the settlement agreement are substantially different as the discounted present value of the cash flows under the new terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial liability by more than 10 per cent. Accordingly, such modification of terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Therefore, the Group derecognised the original borrowings outstanding and recognised new borrowings measured at fair value as at the date of extinguishment. The difference between the carrying amount of the borrowings derecognised and the fair value of the new borrowings recognised amounting to approximately RMB1,904,853,000 is recognised in profit or loss for the year ended 31 December 2018. No other settlement agreement was entered by the Group during the six months ended 30 June 2019.

The settlement agreement 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 in the event of default. The directors of the Company are of the opinion that there is no event of default as at the end of the reporting period.

During the year ended 31 December 2018, certain banks assigned their bank loans, interests and penalty interests due from the Group amounting to approximately RMB543,314,000 in total and RMB112,023,000 in total to certain asset management companies in the PRC. As at the end of the reporting period, the terms of these assigned loans remained unchanged. The Group is still in the process of negotiating with the asset management companies to renew the terms of the loans assigned.

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

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**1,098,020**	1,167,451
Coal mining rights	**4,145,881**	4,250,347
Inventories	**1,980**	10,607
	5,245,881	5,248,405

As at 30 June 2019 and 31 December 2018, the Group's total borrowings are also secured by other receivables of a related company of which Mr. Xu is the shareholder, a property held by Mr. Xu, Fortune Pearls' equity interest in the Company and the Group's equity interest in Huameiao Energy, Xingtao Coal, Fengxi Coal, Chongsheng Coal, Xinglong Coal, Hongyuan Coal, Shuozhou Guangfa and Super Grace. As at 30 June 2019, total borrowings of approximately RMB4,414,534,000 (31 December 2018: RMB4,493,692,000) were guaranteed by the Company, certain subsidiaries of the Company, related parties and/or Mr. Xu.

17. 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.

18. CAPITAL COMMITMENTS

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

	At 30 June 2019	At 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**12,674**	29,318

19. CONTINGENT LIABILITIES

(a) Outstanding litigation

i) Litigation claims relating to default of repayment of bank borrowings

In 2015, a bank filed a lawsuit in Zhuhai Municipal Intermediate People's Court against the Group to demand immediate repayment of the defaulted bank borrowings of approximately RMB148,882,000 and interest charges of approximately RMB328,000 respectively. The principal of approximately RMB148,882,000 and respective interest charges of approximately RMB328,000 had already been recognised as borrowings and accrued expenses included in other payables respectively in the consolidated statement of financial position as at 31 December 2015.

In 2016, another bank filed lawsuit in Shanxi Province High Peoples Court against the Group to demand immediate repayment of the defaulted bank borrowings of approximately RMB492,444,000 and interest charges of approximately RMB13,068,000 respectively. The principal of approximately RMB492,444,000 and respective interest charges of approximately RMB13,068,000 had already been recognised as borrowings and accrued expenses included in other payables respectively in the consolidated statement of financial position as at 31 December 2016. On June 2019, the bank applied the appeal of the conclusion of the lawsuit regarding the collective responsibility of repayment among defendants. Such appeal is in the progress up to the date when the condensed consolidated financial statements are authorised for issue.

Pursuant to the judgements, several bank accounts of the Group were frozen for one year from the date of the judgements and the coal mining rights of the Group and two properties of the Group's related companies were frozen for three years from the date of judgement. In addition, the Group was ordered to make immediate repayment of the aforesaid balances.

In 2017, two banks filed lawsuit in Zhuhai Municipal Intermediate People's Court against the Group to demand immediate repayment of the bank borrowings of approximately RMB210,771,000 and interest charges of approximately RMB11,110,000 respectively. The principal of approximately RMB210,771,000 and respective interest charges of approximately RMB11,110,000 had already been recognised as borrowings and accrued expenses included in other payables respectively in the consolidated statement of financial position as at 31 December 2017. Pursuant to the judgement by Shenzhen Court of International Arbitration dated 28 June 2018, the Group was ordered to make immediate repayment of bank borrowings of approximately RMB62,970,000 and interest charges of approximately RMB2,700,000 due to one of the banks. Pursuant to the judgment issued by Zhuhai Principal Intermediate People's Court dated 7 July 2018, the other bank withdrawn the lawsuit. Accordingly, such litigation claim was released.

Up to the date when the condensed consolidated financial statements are authorised for issue, the remaining litigation claims are still in progress. The Group is still in the progress of negotiating with the four banks to renew its loans outstanding.

(ii) Litigation claim relating to the performance of the contract execution Beijing Zhongkuang Wantong Technology Development Company Limited ("Beijing Zhongkuang") and Huameiao Energy and Hongyuan Coal

During the year ended 31 December 2017, there was a litigation claim initiated by Beijing Zhongkuang against the Group to demand immediate repayment of overdue payable in relation to production of coal and maintenance of coal mining system with an aggregate amount of approximately RMB10,547,000 and late penalty charges of approximately RMB2,084,000. The amount of approximately RMB10,547,000 had already been recognised as payable to this supplier included in other payables in the consolidated statement of financial position as at 31 December 2017.

Pursuant to the judgement of the Shenchi County Peoples Court dated 20 December 2017, the Group was ordered to make immediate repayment of payable to Beijing Zhongkuang, with additional late penalty charges of approximately RMB2,084,000. As a result of the foregoing, the Group further recognised the late penalty charges of approximately RMB2,084,000 in the consolidated financial statements for the year ended 31 December 2017. Subsequently, the Group appealed to Shanxi Provincial High Peoples Court. Pursuant to the judgement of the Shanxi Provincial Xinzhou Municipal Intermediate People's Court dated 16 April 2018, the Group was ordered to make immediate repayment of payable to Beijing Zhongkuang, with additional corresponding legal costs. As a result of the foregoing, the Group further recognised the corresponding legal costs of approximately RMB149,000 in the consolidated financial statements for the year ended 31 December 2018.

As at 30 June 2019, the payable to Beijing Zhongkuang has not been settled. In the opinion of the directors of the Company, no further provision for this litigation claim was required to be made in the condensed consolidated financial statements for the period.

(iii) ***Litigation claims relating to repayment to non-controlling shareholders***

During the year ended 31 December 2018, there were litigation claims initiated by the non-controlling shareholders of Xingtao Coal mine, Fengxi Coal mine and Chongsheng Coal mine against the Group to demand immediate repayment of funds provided to the Group in 2011 with an aggregate amount of approximately RMB134,414,000 before the acquisition of these coal mines by the Group. The amount of approximately RMB134,414,000 had already been recognised and offset with the amounts due from respective non-controlling shareholders in the condensed consolidated statement of financial position as at 30 June 2019. The directors of the Company are in the opinion that the Group has a valid ground to defend for the charge. Up to the date when the condensed consolidated financial statement are authorised for issue, these litigation claims are still in progress and no judgements have been available.

As at 30 June 2019, 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 2019.

(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 Xinglong Coal and Hongyuan Coal***

During the year ended 31 December 2016, there was a litigation claim initiated by Yu Lin Zhong Kuang against the Group to demand immediate repayment of overdue payable in relation to construction of coal mining infrastructure. The amount of approximately RMB101,323,000 had already been recognised as payable to this supplier included in other payables in the consolidated statement of financial position as at 31 December 2016.

Pursuant to the judgement issued by Shanxi Provincial Xinzhou City Intermediate People's Court dated 9 January 2017, the Group was ordered to make immediate repayment of payable of approximately RMB130,769,000, which including the aforesaid payable to this supplier of approximately RMB101,323,000 and late penalty charges of approximately RMB16,345,000 and interest of approximately RMB13,101,000. As a result of the foregoing, the Group further recognised the late penalty charges of approximately RMB16,345,000 and interest of approximately RMB13,101,000 in the consolidated financial statements for the year ended 31 December 2016.

On 22 February 2017, the Group appealed to Shanxi Provincial High People's Court. Pursuant to the judgement dated 21 July 2017, Shanxi Provincial High People's Court concluded that in the absence of reliable evidence on the valuation of construction work performed by the plaintiff, the original judgement was overturned and a retrial was ordered. On 9 May 2019, the court concluded the judgement of retrial that based on the valuation report of the construction work and the Group would pay less amounts than that in the judgement announced in first trial, of which payable amount of approximately RMB57,965,000. However, Yu Lin Zhong Kuang submitted appeal application of the judgement of retrial on 4 June 2019 and the appeal is still in the progress up to the date when the condensed consolidated financial statements are authorised for issue.

In the opinion of the directors of the Company, no further provision for these litigation claims was required to be made in the condensed consolidated financial statements for the period.

(v) ***Litigation claims relating to the performance of the purchase contract execution between Datong Gaoqiang Coal Machine Manufacturing Co., Ltd. ("Datong Gaoqiang") and Huameiao Energy, Xingtao Coal, Fengxi Coal and Chongsheng Coal***

Pursuant to the judgement issued by Pinglu District People's Court of Zhangzhou City dated 22 March 2019, the Group was ordered to make immediate repayment of payable in relation to purchases of consumables by the Group of approximately RMB45,744,000, which including the aforesaid payable to this supplier of approximately RMB42,925,000 and late penalty charges of approximately RMB2,819,000. This payable, in addition to the corresponding legal costs of approximately RMB318,000, have already been recognised as provision and accrued expenses included in other payables respectively in the condensed consolidated statement of financial position as at 30 June 2019.

Other than the disclosure above, as at 30 June 2019, 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 2019, the Group was the defendant of certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the management of the Group believes 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 2019 under the guarantees issued is a portion of the outstanding amount of the borrowings of Tongmei Qinfa amounting to approximately RMB625,262,000 (31 December 2018: RMB637,710,000).

(c) Borrowing default clause

The settlement agreement entered into between the Group and an asset management company contained a default clause which the Group will be required to repay the outstanding balance of the original borrowings in the event of default. Particulars of the settlement agreement are disclosed in note 16.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a 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 and shipping transportation. During the six months ended 30 June 2019, the Group continued to focus on these business activities. 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	
	2019	2018
Revenue from coal business *(RMB'000)*	**1,288,964**	1,760,793
Coal handling and trading volume *('000 tonnes)*	**3,387**	4,412

During the six months ended 30 June 2019, the volume of the Group's coal handling and trading decreased as compared to the corresponding period in 2018. The coal selling prices during the six months ended 30 June 2019 were in range between RMB127 per tonne and RMB486 per tonne, which were less than the selling prices between RMB224 per tonne and RMB697 per tonne during the same period in 2018. Average coal selling price slightly decreased, the decrease in coal handling and trading volume was principally because the Group decreased external purchase due to low gross profit margin on trading business.

The average coal selling prices and the average monthly coal handling and trading volume for each of the three years ended 31 December 2018 and the six months ended 30 June 2019 and 2018 are set forth in the table below:

	Six months ended 30 June		Year ended 31 December		
	2019	2018	2018	2017	2016
Average coal selling price *(RMB per tonne)*	**381**	399	343	405	287
Average monthly coal handling and trading volume *('000 tonnes)*	**565**	735	847	589	177

Revenue from shipping transportation

The revenue for the shipping transportation segment for the six months ended 30 June 2019 was RMB39.7 million, representing a decrease of RMB52.9 million or 57.1% from RMB92.6 million for the corresponding period in 2018. The decrease in revenue was primarily due to disposal of vessel in 2018 and decrease in freight rates.

Gross profit and gross profit margin

The Group's gross profit was RMB190.8 million during the six months ended 30 June 2019 as compared with gross profit of RMB313.5 million during the same period in 2018. Under the circumstances of decreased average selling prices of thermal coal, gross profit margin for the six months ended 30 June 2019 was 14.36% as compared with gross profit margin of 16.92% for the corresponding period in 2018. The decrease in profit attributable to equity shareholders of the Company was mainly attributable to the decrease of average coal selling price, partially offset by decrease in the fixed unit cost due to increase in the production volume of coal mines of the Group.

Net finance costs

Net finance costs of the Group during the six months ended 30 June 2019 amounted to RMB139.3 million, representing a decrease of RMB41.5 million or 23.0% from RMB180.8 million during the corresponding period in 2018. The decrease in net finance cost was mainly attributable to the debt restructuring in the August of 2018.

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 2019 was RMB45.5 million, as compared with profit attributable to the equity shareholders of the Company of RMB96.8 million for the corresponding period in 2018. The decrease in profit attributable to equity shareholders of the Company was mainly attributable to the decrease of average coal selling price, partially offset by decrease in the fixed unit cost and increase in the production volume of coal mines of the Group.

BUSINESS REVIEW

As a result of the improvement of the production efficiency of coal mines, commercial coal production volume was 2,846,000 tonnes, representing an increase of 18% as compared with that for the corresponding period in 2018. Coal handling and trading volume was 3,387,000 tonnes, representing a decrease of 23.2% as compared with that for the corresponding period in 2018. Based on the thermal coal price as indicated by the CCI China Coal Index 5000, the thermal coal price continued to fall where the coal price once reached its peak at approximately RMB693 per tonne in 2018 before gradually declining to the current level of approximately RMB530 per tonne.

Domestic coal consumption remained steady in general

Based on the survey of China National Coal Association, coal consumption in China remained steady in 2019 in general. Despite the slowdown in the growth rate of the supply of thermal coal both domestically and abroad, the scale of supply still gradually expanded. The balance between coal supply and demand in China has gradually changed from "tightening" under the supply-side reform in 2016 to "easing" during the period.

Expansion to overseas market

In the first half of 2019, the Group focused on expanding overseas coal market. In view of the Memorandum of Understanding on Building AIIB (《籌建亞投行備忘錄》) formally signed between 22 countries including China and Indonesia in 2014, which mentioned the policy on cobuilding the "Silk Road Economic Belt", to seize the prevailing opportunities and respond to the direction of national development, the Group is currently preparing for the possible investment opportunities in Indonesia. A local branch company has been set up and the Group is actively seeking opportunities to carry out investment and to export exploration technology while stepping up the efforts of sustainable development.

Strengthening mine production safety

Strengthening mine production safety has been the Group's top priority. During the period, the Group strictly implemented high safety standard and optimised the safety management operational system. Coal mines' management personnel implemented strict and effective management on frontline production processes. At the same time, technologies on monitoring and inspection are continuously strengthened to ensure that the production standards are in compliance with the requirements of State Administration of Coal Mine Safety.

Expanding sales network

In the first half of 2019, the Group extended the sales network and successfully entered into sales contracts with new customers, including competent state-owned enterprises and their subsidiaries. Currently, the Group's sales network covers a number of cities in China including Ordos, Ningbo, Beijing, Wenzhou, Huai'an, Hangzhou, Jiangsu, Zhejiang, Yancheng, Fujian and Shandong. The Group endeavours to build a long-term relationship with customers to expand the source of income and continue to optimise the sales network.

Rationalising structure to save costs

The Group re-examined the companies within the structure and de-registered some dormant subsidiaries so as to more effectively control the costs of maintenance and release more liquidity and resources.

As of 30 June 2019, the Group owned and operated five coal mines in China. The table sets forth certain information about these coal mines.

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

The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources as at 30 June 2016 in accordance with the JORC Code.

COAL CHARACTERISTICS

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

Coal Quality Characteristic	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal
Seam	4	9	9
Moisture *(%)*	9.13–12.11%	2.07–2.90%	8.70–11.84%
Ash *(%)*	21.07–29.94%	18.36–30.42%	21.25–23.85%
Sulfur *(%)*	0.76–1.81%	0.31–0.84%	1.78–2.40%
Volatile Matter *(%)*	21.96–27.49%	19.90–29.49%	27.54–28.88%
Energy Content *(MJ/kg)*	17.30–18.13%	17.08–22.03%	20.36–22.25%

OPERATING DATA

Reserves and Resources

	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal	Shenda Energy – Xinglong Coal	Shenda Energy – Hongyuan Coal	Total
Reserves						
Reserves as at 1 January 2019 *(Mt)*						
– Proven reserves	59.94	14.53	27.20	22.49	30.16	154.32
– Probable reserves	9.28	24.95	18.09	9.53	1.13	62.98
Total reserves as at 1 January 2019 *(Mt)*	69.22	39.48	45.29	32.02	31.29	217.30
Less: Total raw coal production for the period from 1 January 2019 to 30 June 2019 *(Mt)*	(1.78)	(1.48)	(1.12)	n.a.	n.a.	(4.38)
Reserves as at 30 June 2019 ***(Mt)***	**67.44**	**38.00**	**44.17**	**32.02**	**31.29**	**212.92**
Resources						
Resources as at 1 January 2019 *(Mt)*	105.60	63.61	68.99	45.96	41.74	325.90
Less: Total raw coal production for the period from 1 January 2019 to 30 June 2019 *(Mt)*	(1.78)	(1.48)	(1.12)	n.a.	n.a.	(4.38)
Resources as at 30 June 2019 ***(Mt)***	**103.82**	**62.13**	**67.87**	**45.96**	**41.74**	**321.52**

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

Raw coal production volume	Six months ended 30 June **2019** ***('000 tonnes)***	 2018 *('000 tonnes)*
Huameiao Energy – Xingtao Coal	**1,782**	1,371
Huameiao Energy – Fengxi Coal	**1,478**	1,459
Huameiao Energy – Chongsheng Coal	**1,117**	868
Total	**4,377**	3,698

Commercial coal production volume	Six months ended 30 June **2019** ***('000 tonnes)***	 2018 *('000 tonnes)*
Huameiao Energy – Xingtao Coal	**1,159**	891
Huameiao Energy – Fengxi Coal	**961**	948
Huameiao Energy – Chongsheng Coal	**726**	564
Total	**2,846**	2,403

+: Per the competent person's report issued on 25 July 2016, the volume of commercial coal produced by Huameiao Energy is calculated by a yield rate of 65% of raw coal.

Exploration, Mining and Development Expenses

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

	Six months ended 30 June **2019** ***RMB'000***	 2018 *RMB'000*
Materials and consumables	**99,171**	29,355
Staff cost	**76,915**	116,672
Other direct cost	**24,332**	21,884
Overhead and others	**314,645**	291,229
Evaluation fee	**287**	785
Total	**515,350**	459,925

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 2019, the Group recorded net current liabilities of RMB4,817.7 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 2019, cash and cash equivalents of the Group amounted to RMB112.5 million (as at 31 December 2018: RMB115.7 million), representing a decrease of 2.77%.

As at 30 June 2019, the total bank and other borrowings of the Group were RMB2,186.9 million (at of 31 December 2018: RMB1,987.8 million), which were classified as current liabilities. As a result of the non-payment of loan principal and interests of RMB750.4 million and RMB229.4 million respectively (as at 31 December 2018: RMB750.4 million and RMB194.5 million), borrowings amounting to RMB215.0 million (as at 31 December 2018: RMB260.1 million) due for repayment after one year which contain a cross default clause that demands immediate repayment when there is default in any bank loans repayment are classified as current liabilities. The bank and other borrowings carried interest at rates ranging from 4.75% to 8.00% (as at 31 December 2018: 4.35% to 7.28%) per annum.

As at 30 June 2019, the Group had total banking facilities of RMB1,240.8 million (as at 31 December 2018: RMB1,257.4 million), of which RMB1,240.8 million (as at 31 December 2018: RMB1,257.4 million) were utilised.

As at 30 June 2019, the Group's cash and cash equivalents, except amounts of RMB0.36 million and RMB2.9 million which were held in Hong Kong dollars ("**HKD**") and United States dollars ("**USD**"), respectively, were held in RMB. All the Group's bank and other borrowings were made in RMB.

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 2019 was 43.9% (as at 31 December 2018: 44.3%). The gearing ratio remained stable.

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 and charter hire income 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 2019, the Group's assets in an aggregate amount of RMB5,245.9 million (as of 31 December 2018: RMB5,248.4 million) in forms of property, plant and equipment, coal mining rights, inventories and trade receivables were pledged to banks for credit facilities granted to the Group.

CONTINGENT LIABILITIES

Except for certain matters disclosed in the note 19 to the interim financial statements, the Group did not have any material contingent liabilities as at 30 June 2019.

BUSINESS OUTLOOK

In the second half of 2019, the Group will continue to implement strict control on the operating costs and to facilitate effective utilisation of various resources internally. The Group will strive to maintain operating costs at steady level. The Group targets to maximise economic benefits through internal monitoring, assessment and budgeting of costs with the optimised accounting and IT system, coupled with more effective allocation of resources.

The Company strongly adheres to the development of a stronger integrated operation of "Production, Transportation and Sales". In the second half of the year, the Company will vigorously strengthen the communication between the three operations to explore potential and to increase internal efficiency. The Group strongly believes that transparent internal co-operation is key to enhancing economic benefits and operational quality. As a result, lower operating costs and higher production will be achieved.

In addition, the Group understands that expansion is crucial to the Group's development. The management is actively locating possibility of strategic development of investment projects in both the domestic and overseas markets. The Group will closely monitor the market opportunities and consider the projects' quality and other factors while acting and making decisions in the best interest of the shareholders.

AUDIT COMMITTEE

The Board established an audit committee on 12 June 2009 with specific written terms of reference. The audit committee consists of 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 primary duties of the audit committee included reviewing and approving the Group's financial reporting process.

An Audit Committee meeting was held on 26 August 2019 to review the unaudited interim financial statements for the six months ended 30 June 2019 with the management.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the"**Listing Rules**") throughout the six months ended 30 June 2019.

EMPLOYEES AND REMUNERATION

As at 30 June 2019, the Group employed 2,215 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 social insurance contribution plans organised by the PRC 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 the applicable Hong Kong laws and regulations.

The Company has also adopted a share option scheme for the purpose of providing incentive to eligible employees. 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 2019 (six months ended 30 June 2018: Nil).

REVIEW OF THE INTERIM RESULTS

The Group's interim results for the six months ended 30 June 2019 have not been audited but have been reviewed by the audit committee of the Board, and by Moore Stephens CPA Limited, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

During the six months ended 30 June 2019, 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 2019 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
Mr. XU Da
Chairman

Guangzhou, 26 August 2019

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