

**ACCOUNTANTS' REPORT ON REVIEW
HISTORICAL FINANCIAL INFORMATION OF
LEAD FAR DEVELOPMENT LIMITED
AND ITS SUBSIDIARIES**

**FOR THE YEARS ENDED
31 DECEMBER 2021,
31 DECEMBER 2022
AND 31 DECEMBER 2023**

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP REPORT ON REVIEW OF HISTORICAL FINANCIAL INFORMATION OF LEAD FAR DEVELOPMENT LIMITED (INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

To the Board of Directors of China Qinfra Group Limited

Introduction

We have reviewed the unaudited historical financial information set out on pages 3 to 8 which comprise the unaudited consolidated statements of financial position of Lead Far Development Limited (the "Target Company") and its subsidiaries (together, the "Target Group") as at 31 December 2021, 2022 and 2023 and the unaudited consolidated statements of comprehensive income, the unaudited consolidated statements of changes in equity and the unaudited consolidated statements of cash flows for the year then ended 31 December 2021, 2022 and 2023 and explanatory notes (the "Historical Financial Information"). The Historical Financial Information has been prepared by the directors of the Company solely for the purpose of inclusion in the circular to be issued by China Qinfra Group Limited (the "Company") in connection with the disposal of the 40% of equity interest in the Target Company in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule").

The directors of the Company are responsible for the preparation and presentation of the Historical Financial Information of the Target Group in accordance with the basis of preparation set out in note 3 to the Historical Financial Information and paragraph 14.68(2)(a)(i) of the Listing Rule. The directors are also responsible for such internal control as management determines is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error. The Historical Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in International Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB"). Our responsibility is to express a conclusion on the Historical Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

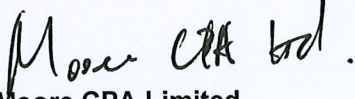
We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by The Hong Kong Institute of Certified Public Accountants ("HKICPA") and with reference to Practice Note 750, Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal issued by the HKICPA. A review of the Historical Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP
REPORT ON REVIEW OF HISTORICAL FINANCIAL INFORMATION OF
LEAD FAR DEVELOPMENT LIMITED
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY) (CONTINUED)**

To the Board of Directors of China Qinfa Group Limited

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Historical Financial Information of the Target Group for the relevant periods is not prepared, in all material respects, in accordance with the basis of preparation set out in note 3 to the Historical Financial Information.



Moore CPA Limited
Certified Public Accountants

Cheung Sai Kit
Practising Certificate Number: P05544

Hong Kong, 28 June 2024

Lead Far Development Limited

Unaudited Consolidated Statement of Comprehensive Income For the year ended 31 December 2021, 2022 and 2023

	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Other income, gains and losses	(2,501)	(1,377)	1,368
Administrative expenses	(21,188)	(36,827)	(47,943)
Operating loss	(23,689)	(38,204)	(46,575)
Finance income	92	-	-
Finance costs	(9,456)	(68)	(282)
Net finance costs	(9,364)	(68)	(282)
Loss before taxation	(33,053)	(38,272)	(46,857)
Income tax expense	(10)	-	(447)
Loss after taxation	(33,063)	(38,272)	(47,304)
Other comprehensive loss Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations	(148)	(1,923)	(4,208)
Other comprehensive loss for the year, net of tax	(148)	(1,923)	(4,208)
Total comprehensive loss for the year	(33,211)	(40,195)	(51,512)
Loss for the year attributable to:			
Equity shareholders of the Target Company	(32,732)	(37,895)	(46,784)
Non-controlling interests	(331)	(377)	(520)
Loss for the year	(33,063)	(38,272)	(47,304)
Total comprehensive loss for the year attributable to:			
Equity shareholders of the Target Company	(32,880)	(39,818)	(50,992)
Non-controlling interests	(331)	(377)	(520)
Total comprehensive loss for the year	(33,211)	(40,195)	(51,512)

Lead Far Development Limited

Unaudited Consolidated Statement of Financial Position 31 December 2021, 2022 and 2023

	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Non-current assets			
Coal mining rights	33,745	33,698	33,962
Property, plant and equipment	82,028	734,706	1,699,079
Right-of-use assets	2,253	788	9,742
	<u>118,026</u>	<u>769,192</u>	<u>1,742,783</u>
Current assets			
Inventories	37,368	199,162	163,672
Prepayments and other receivables	14,593	120,211	180,061
Cash and cash equivalents	6,756	17,631	76,066
	<u>58,717</u>	<u>337,004</u>	<u>419,799</u>
Current liabilities			
Other payables	(80,439)	(422,729)	(739,669)
Lease liabilities	(1,463)	(881)	(2,113)
Borrowings	-	-	(7,105)
	<u>(81,902)</u>	<u>(423,610)</u>	<u>(748,887)</u>
Net current liabilities	<u>(23,185)</u>	<u>(86,606)</u>	<u>(329,088)</u>
Total assets less current liabilities	<u>94,841</u>	<u>682,586</u>	<u>1,413,695</u>
Non-current liabilities			
Other payables	(12,939)	(43,962)	(104,848)
Accrued reclamation obligations	-	(1,723)	(1,723)
Lease liabilities	-	-	(5,598)
Borrowings	(165,589)	(760,783)	(1,476,411)
Deferred taxation	(10)	(10)	(457)
	<u>(178,538)</u>	<u>(806,478)</u>	<u>(1,589,037)</u>
Net liabilities	<u>(83,697)</u>	<u>(123,892)</u>	<u>(175,342)</u>
Capital and reserves			
Share capital	8	8	8
Deficit	(83,196)	(123,014)	(173,993)
Total equity attributable to equity shareholders of the Target Company	<u>(83,188)</u>	<u>(123,006)</u>	<u>(173,985)</u>
Non-controlling interests	<u>(509)</u>	<u>(886)</u>	<u>(1,357)</u>
Total deficit	<u>(83,697)</u>	<u>(123,892)</u>	<u>(175,342)</u>

Lead Far Development Limited

Unaudited Consolidated Statement of Changes in Equity For the year ended 31 December 2021, 2022 and 2023

	Attributable to equity shareholders of the Target Company						
	Share capital RMB'000 (Unaudited)	Share premium RMB'000 (Unaudited)	Exchange reserve RMB'000 (Unaudited)	Accumulated losses RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited) (note i)	Total deficit RMB'000 (Unaudited)
At 1 January 2021	8	(30,986)	518	(19,847)	(50,307)	(178)	(50,485)
Loss for the year	-	-	-	(32,732)	(32,732)	(331)	(33,063)
Other comprehensive loss Foreign currency translation differences for foreign operations	-	-	(149)	-	(149)	-	(149)
At 31 December 2021	8	(30,986)	369	(52,579)	(83,188)	(509)	(83,697)
Loss for the year	-	-	-	(37,895)	(37,895)	(377)	(38,272)
Other comprehensive loss Foreign currency translation differences for foreign operations	-	-	(1,923)	-	(1,923)	-	(1,923)
At 31 December 2022	8	(30,986)	(1,554)*	(90,474)*	(123,006)	(886)	(123,892)
Loss for the year	-	-	-	(46,784)	(46,784)	(520)	(47,304)
Other comprehensive loss Foreign currency translation differences for foreign operations	-	-	(4,208)	-	(4,208)	-	(4,208)
Capital contributions from a non-controlling shareholder	-	-	-	-	-	48	48
Acquisition of additional interest of a subsidiary	-	13	-	-	13	1	14
At 31 December 2023	8	(30,973)*	(5,762)*	(137,258)*	(173,985)	(1,357)	(175,342)

*These reserves accounts comprise the consolidated deficit of RMB173,993,000 (2022: RMB123,014,000) in the unaudited consolidated statements of financial position.

Note (i): The non-controlling interests mainly represent 1% equity interest held by Qinfa Eternal Success Investment Limited in one of the subsidiaries in the Target Group. Qinfa Eternal Success Investment Limited is an indirectly wholly-owned subsidiary of China Qinfa Group Limited. Please refer to note 2 for details of reorganisation undergone after the end of the reporting periods.

Lead Far Development Limited

Unaudited Consolidated Statement of Cash Flows For the year ended 31 December 2021, 2022 and 2023

Notes	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Operating activities			
Loss before taxation	(33,053)	(38,272)	(46,857)
Adjustments for:			
Depreciation of property, plant and equipment	2,790	7,863	31,148
Depreciation of right-of-use asset	554	1,481	2,081
Finance income	(92)	-	-
Finance costs	9,456	68	282
	<u>(20,345)</u>	<u>(28,860)</u>	<u>(13,346)</u>
Changes in working capital:			
Change in inventories	(37,368)	(161,794)	35,490
Change in prepayments and other receivables	2,858	(105,618)	(59,850)
Change in other payables	(23,007)	63,605	(570,619)
	<u>(77,862)</u>	<u>(232,667)</u>	<u>(608,325)</u>
Cash used in operations	(77,862)	(232,667)	(608,325)
Investing activities			
Interest received	92	-	-
Payment for asset acquisition	1,862	-	-
Payments for property, plant and equipment	(11,630)	(349,103)	(47,076)
	<u>(9,676)</u>	<u>(349,103)</u>	<u>(47,076)</u>
Net cash used in investing activities	(9,676)	(349,103)	(47,076)
Financing activities			
Capital contribution from non-controlling shareholders	-	-	48
Addition of interest-bearing borrowings	95,729	569,336	707,483
Repayment of interest-bearing borrowings	-	-	(975)
Repayments of principal portion of lease liabilities	(1,415)	(768)	(4,309)
	<u>94,314</u>	<u>568,568</u>	<u>702,247</u>
Net cash from financing activities	94,314	568,568	702,247
Net increase/(decrease) in cash and cash equivalents	6,776	(13,202)	46,846
Cash and cash equivalents at 1 January	6,525	6,756	17,631
Effect of foreign exchange rate changes	(6,545)	24,077	11,589
Cash and cash equivalents at 31 December	6,756	17,631	76,066

Lead Far Development Limited

Notes to the unaudited historical financial information For the year ended 31 December 2021, 2022 and 2023

1. GENERAL

China Qinfra Group Limited (the "Company") was incorporated in the Cayman Islands on 4 March 2008 as an exempted company with limited liability under the Companies Law, Cap. 22 (2007 Revision) of the Cayman Islands. The directors of the Company consider the immediate and ultimate holding companies of the Group to be Fortune Pearl International Limited ("Fortune Pearl"), a company incorporated in the British Virgin Islands and the ultimate controlling shareholder to be Mr. Xu Jihua ("Mr. Xu"), the sole shareholder of Fortune Pearl. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 3 July 2009 (the "Listing Date"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is Unit Nos. 2201 to 2208, level 22, South Tower, Poly International Plaza, No. 1 Pazhou Avenue East, Haizhu District, Guangzhou City, the People's Republic of China (the "PRC").

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

Lead Far Development Limited (the "Target Company") is a private company incorporated in Hong Kong. The Target Company is an indirect wholly-owned subsidiary of the Company. The address of its registered office and principal place of business is Suite 5706,57/F., Central Plaza 18 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Target Company and its subsidiaries (together, the "Target Group") are coal mining, purchases and sales, filtering, storage, blending of coal in Indonesia.

On 25 June 2024 (after trading hours), Qinfra Investment Limited, a direct wholly-owned subsidiary of the Company established in the British Virgin Islands with limited liability (the "Vendor") and Zhejiang Energy International Limited, a company incorporated in Hong Kong with limited liability (the "Purchaser") and an independent third party, entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing 40% shareholding interest in the Target Company, at a cash consideration of RMB2,950 million. Upon the completion of the disposal of 40% equity interest of the Target Company (the "Completion"), the Company will hold 60% of the issued share capital of the Target Company. As such, the Target Company will become an indirect non-wholly owned subsidiary of the Company, and its financial results will continue to be consolidated in the financial statements of the Group upon Completion.

Lead Far Development Limited

Notes to the unaudited historical financial information For the year ended 31 December 2021, 2022 and 2023

2. REORGANISATION

Pursuant to the reorganisation from 2022 to 2024, the equity of PT. Qinfa Mining Industri ("QMI"), PT. Lintas Timur Investama ("LTI") and PT. Sumber Daya Energi ("SDE") were transferred by the Company to the Target Company in the following steps:

- (a) Qinfa Overseas Investment Limited, a wholly-owned subsidiary of the Company, transferred 99% equity of QMI on 22 February 2022 to the Target Company at a consideration of USD5,000,000 and was settled. QMI holds 70% equity of SDE.
- (b) QMI, a wholly-owned subsidiary of the Company, acquired 99% equity of LTI from third parties on 16 August 2023 at a consideration of IDR99,000,000 and was settled. LTI holds 5% equity of SDE.
- (c) Qinfa Eternal Success Investment Limited, a wholly-owned subsidiary of the Company, acquired 1% equity of LTI on from third parties on 16 August 2023 at a consideration of IDR1,000,000 and was settled. LTI holds 5% equity of SDE.
- (d) Qinfa Eternal Success Investment Limited, a wholly-owned subsidiary of the Company, transferred 1% equity of QMI and LTI to Far Link Development Limited, a wholly-owned subsidiary of the Target Company, on 20 February 2024, at a consideration of USD1 and IDR101,000,000 respectively and was settled. QMI and LTI holds 70% and 5% equity of SDE respectively.

After completing the above mentioned reorganisation, QMI and LTI become indirectly wholly-owned subsidiaries of the Target Company. Therefore, no non-controlling interest in respect of Qinfa Eternal Success Investment Limited is recognised in the consolidated financial statements of the Target Group since then.

However, the reorganisation took place after the track record period, there are still some non-controlling interests as of the track record date. The Company believes that the impact of these non-controlling interests is not significant to affect stakeholders' review of the unaudited financial statements.

3. BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rule"), and solely for the purposes of inclusion in this circular.

The unaudited Historical Financial Information has been prepared by the directors of the Company in accordance with the same accounting policies as those adopted by the Group in the preparation of the consolidated financial statements of the Group for the relevant periods, including the application of new International Financial reporting standards ("IFRS Accounting Standards" or "IFRSs"). The consolidated financial statements of the Group have been prepared in accordance with the IFRSs issued by the IASB. The unaudited Historical Financial Information does not contain sufficient information to constitute a complete set of financial statements as described in International Accounting Standard 1 "Presentation of Financial Statements" issued by the IASB and should be read in connection with the relevant published annual report of the Company.