

CHINA QINFA GROUP LIMITED
PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP
AS AT 31 DECEMBER 2023

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Introduction to the unaudited pro forma financial information

The following is the unaudited pro forma financial information of China Qinfra Group Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) upon the completion of the disposal of 40% equity interest of Lead Far Development Limited (the “**Target Company**”) (the “**Disposal**”) (the “**Remaining Group**”), comprising the unaudited pro forma consolidated statement of financial position as at 31 December 2023, the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2023 and related notes, which have been prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effects of the completed Disposal on the financial position of the Group as at 31 December 2023 as if the Disposal had been completed on 31 December 2023, and the Group’s financial performance and cash flows for the year ended 31 December 2023 as if both the Disposal had been completed on 1 January 2023. Details of the Disposal are set out in the “**Letter from the Board**” contained in the circular dated 28 June 2024 (the “**Circular**”) issued by the Company.

The unaudited pro forma financial information has been prepared for illustrative purposes only and is based on certain assumptions, estimates, uncertainties and other currently available information. Accordingly, and because of its hypothetical nature, the unaudited pro forma financial information of the Remaining Group may not give a true picture of the financial position, financial performance or cash flows of the Remaining Group following the completion of the Disposal. Further, the unaudited pro forma financial information of the Remaining Group does not purport to predict the Group’s future financial position, financial performance or cash flows.

The unaudited pro forma financial information of the Remaining Group has been prepared based upon the consolidated statement of the financial position of the Group as at 31 December 2023, the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2023, which have been extracted from the published annual report of the Group dated 28 March 2024 for the year ended 31 December 2023 after making pro forma adjustments as summarised in the accompanying notes that are directly attributable to the Disposal, factually supportable and clearly identified as to those have no continuing effect on the Group.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2023

	The Group RMB'000 <i>Note 1</i>	Pro forma adjustments RMB'000 <i>Note 2</i>	The Remaining Group RMB'000
ASSETS			
Non-current assets			
Coal mining rights	1,864,159	-	1,864,159
Property, plant and equipment	4,099,728	-	4,099,728
Right-of-use assets	18,909	-	18,909
Other deposit	28,331	-	28,331
Other receivables	-	127,889	127,889
Interest in an associate	-	-	-
	6,011,127	127,889	6,139,016
Current assets			
Inventories	201,046	-	201,046
Trade and bills receivable	65,741	-	65,741
Prepayments and other receivables	358,632	-	358,632
Pledged and restricted deposits	918,295	-	918,295
Cash and cash equivalents	302,732	2,800,039	3,102,771
	1,846,446	2,800,039	4,646,485
Total assets	7,857,573	2,927,928	10,785,501

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2023 (Continued)

	The Group RMB'000 <i>Note 1</i>	Pro forma adjustments RMB'000 <i>Note 2</i>	The Remaining Group RMB'000
EQUITY			
Share capital	211,224	-	211,224
Perpetual subordinated convertible securities	156,931	-	156,931
Deficit	(841,021)	2,253,404	1,412,383
	(472,866)	2,253,404	1,780,538
Non-controlling interests	791,784	674,524	1,466,308
Total equity	318,918	2,927,928	3,246,846
LIABILITIES			
Non-current liabilities			
Accrued reclamation obligations	115,320	-	115,320
Lease liabilities	7,321	-	7,321
Borrowings	1,689,917	-	1,689,917
Deferred taxation	538,497	-	538,497
Deferred income	16,392	-	16,392
	2,367,447	-	2,367,447
Current liabilities			
Trade payables	420,599	-	420,599
Other payables and contract liabilities	2,579,441	-	2,579,441
Lease liabilities	3,487	-	3,487
Borrowings	1,876,125	-	1,876,125
Tax payable	289,656	-	289,656
Deferred income	1,900	-	1,900
	5,171,208	-	5,171,208
Total liabilities	7,538,655	-	7,538,655
Total equity and liabilities	7,857,573	2,927,928	10,785,501

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2023 (Continued)

	The Group RMB'000 <i>Note 1</i>	Pro forma adjustments RMB'000	The Remaining Group RMB'000
Revenue	3,449,182	-	3,449,182
Cost of sales	(2,571,162)	-	(2,571,162)
	878,020	-	878,020
Gross profit			
Other income, gain and losses	2,016	-	2,016
Distribution expenses	(2,207)	-	(2,207)
Administrative expenses	(297,643)	-	(297,643)
Impairment losses on property, plant and equipment	(32,712)	-	(32,712)
Impairment losses on coal mining right	(12,443)	-	(12,443)
Impairment losses on prepayment and other receivables	(3)	-	(3)
Other expenses	(11,169)	-	(11,169)
Operating profit	523,859	-	523,859
Finance income	12,950	-	12,950
Finance expenses	(184,672)	-	(184,672)
Finance costs - net	(171,722)	-	(171,722)
Profit before income tax	352,137	-	352,137
Income tax expenses	(160,110)	-	(160,110)
Profit for the year	192,027	-	192,027
Other comprehensive income <i>Items that may be reclassified to profit or loss</i>			
- Exchange differences on translation of foreign operation	(8,191)	-	(8,191)
Total comprehensive income for the year, net of tax	183,836	-	183,836

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

2. Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2023 (Continued)

	The Group RMB'000 <i>Note 1</i>	Pro forma adjustments RMB'000	The Remaining Group RMB'000
Profit attributable to:			
- Ordinary shareholders of the Company	200,346	-	200,346
- Non-controlling interests	(8,319)	-	(8,319)
	192,027	-	192,027
Total comprehensive income attributable to:			
- Ordinary shareholders of the Company	192,155	-	192,155
- Non-controlling interests	(8,319)	-	(8,319)
	183,836	-	183,836

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

3. Unaudited pro forma consolidated statements of cash flows of the Remaining Group for the year ended 31 December 2023 (Continued)

	The Group RMB'000 <i>Note 1</i>	Pro forma adjustments RMB'000 <i>Note 3</i>	The Remaining Group RMB'000
Cash flows from operating activities			
Profit before income tax	352,137	-	352,137
Adjustments for:			
Depreciation of property, plant and equipment	426,421	-	426,421
Amortisation of coal mining rights	491,012	-	491,012
Depreciation of right-of-use assets	5,275	-	5,275
Finance income	(12,950)	-	(12,950)
Finance costs	184,672	-	184,672
Net loss on disposal of property, plant and equipment	49	-	49
Impairment losses on property, plant and equipment	32,712	-	32,712
Impairment losses on coal mining rights	12,443	-	12,443
(Reversal of impairment losses)/impairment losses on prepayments and other receivables, net	3	-	3
Net loss on substantial modification of borrowings	8,982	-	8,982
Net loss on non-substantial modification of borrowings	5,476	-	5,476
Net gain on the disposal of the Target Company	-	-	-
	1,506,232	-	1,506,232
Change in working capital:			
Inventories	253,263	-	253,263
Trade receivables	118,169	-	118,169
Prepayments and other receivables	190,739	127,889	318,628
Trade payables	3,980	-	3,980
Other payables	(208,022)	-	(208,022)
Deferred income	18,292	-	18,292
Cash used in operations	1,882,653	127,889	2,010,542
Income tax paid	(118,369)	-	(118,369)
Interest paid	(303,986)	-	(303,986)
Net cash outflow from operating activities	1,460,298	127,889	1,588,187

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

3. Unaudited pro forma consolidated statements of cash flows of the Remaining Group for the year ended 31 December 2023 (Continued)

	The Group RMB'000 <i>Note 1</i>	Pro forma adjustments RMB'000 <i>Note 3</i>	The Remaining Group RMB'000
Cash flows from investing activities			
Interest received	12,950	-	12,950
Proceeds from disposal of property, plant and equipment	332	-	332
Payments for property, plant and equipment	(1,081,452)	-	(1,081,452)
Placement of pledged and restricted deposits	(774,619)	-	(774,619)
Net cash outflow from investment activities	(1,842,789)	-	(1,842,789)
Cash flows from financing activities			
Proceeds from partial disposal of subsidiaries	-	2,800,039	2,800,039
Proceeds from borrowings	1,132,210	-	1,132,210
Repayments of borrowings	(1,332,123)	-	(1,332,123)
Repayments of the portion of principal of lease liabilities	(12,159)	-	(12,159)
Net cash outflow from financing activities	(212,072)	2,800,039	2,587,967
Net (decrease)/increase in cash and cash equivalents	(594,563)	2,927,928	2,333,365
Cash and cash equivalents at beginning of the financial year	855,997	-	855,997
Effect of foreign exchange rate changes	41,298	-	41,298
Cash and cash equivalents at end of the financial year	302,732	2,927,928	3,230,660

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

- The Group's financial information is based upon the consolidated financial information of China Qinfra Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023, which has been derived from the Company's published annual report for the year then ended.

The directors of the Company have determined that upon the completion of the disposal of 40% equity in the Target Group, the Company will retain control over the Target Group. Therefore, the above Unaudited Pro Forma Financial Information of the Remaining Group have been prepared on the assumption that the Target Group will continue to operate as a subsidiary of the Company.

- These adjustments assume the total consideration payable by Zhejiang Energy International Limited (the "**Purchaser**") to the Remaining Group for the acquisition of the 40% equity interest in the Target Company (the "**Consideration**") will be satisfied in cash, in which 95% of the Consideration will be paid upon the completion of the disposal of 40% equity interest of the Target Company (the "Disposal"), and the remaining 5% will be settled two years after the completion of the Disposal in the amount as shown below, as if the Disposal had been completed on 31 December 2023:

		RMB'000
Consideration	<i>Note i</i>	2,950,000
Less: Fair value adjustment for imputed interest		(19,611)
Less: Estimated expenses directly attributable to the Disposal	<i>Note ii</i>	(2,461)
Less: Amount unpaid and included in other receivables		<u>(127,889)</u>
Estimated cash flow from the Disposal		<u>2,800,039</u>
		RMB'000
Consideration	<i>Note i</i>	2,950,000
Less: Fair value adjustment for imputed interest		(19,611)
Less: Estimated expenses directly attributable to the Disposal	<i>Note ii</i>	(2,461)
Less: Carrying amount of equity interest disposed of	<i>Note iii</i>	<u>(674,524)</u>
Estimated gain on the Disposal as equity transaction		<u>2,253,404</u>

The actual amounts of the adjusted Consideration, carrying value of the Target Group and the gain/loss on the Disposal directly recorded in equity can only be determined at the date of completion of the Disposal, which may be substantially different from the estimated amounts used in the preparation of the unaudited pro forma financial information.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP (CONTINUED)

Note i: Pursuant to the sale and purchase agreement (“S&P agreement”) entered into among Qinfa Investment Limited (the “Vendor”), the Company (as guarantor of the Vendor) and the Purchaser, an independent professional institution shall conduct an additional audit within 30 days after the completion date of the Disposal to determine if there is any variation between (a) the indebtedness, asset and financial status of the Target Group as at the completion date of the Disposal and that as at the reference date (i.e. 30 September 2023); and (b) the actual capital expenditure made by the Group in the Target Group as at the completion date of the Disposal and that in the proposed investment plan, which shall be the basis of determination for the downward adjustment to the Consideration. The Vendor and the Purchaser shall agree upon the amount of downward adjustment (the “Consideration Adjustment”). After the Consideration Adjustment is confirmed by the Vendor and the Purchaser, the Vendor shall pay the Consideration Adjustment to the Purchaser.

As at 26 June 2024 (latest practicable date), based on the information currently available to the Company and barring unforeseen circumstances, the Group does not expect there will be any material adjustment to the Consideration.

Note ii: The estimated expenses directly attributable to the Disposal represent costs and expenses directly incurred for the Disposal of approximately to RMB2,461,000 which will be borne by the Group and are assumed to be settled in cash.

Note iii: The carrying amount of the equity interest disposed of is determined as 40% of the Target Group's total equity as if the reorganisation as disclosed in note 2(d) of Appendix II is completed. Therefore, for the purpose of the pro forma adjustment, the carrying amount of the equity interest disposed of is based on the 40% of the Target Group's total equity as at 31 December 2023 as set out in Appendix II and further adjusted for the terms specified in the S&P agreement as detailed below.

Pursuant to the S&P agreement, the Group is required to convert the Target Group's outstanding loans from the Group and payables to the Group, totalling approximately RMB1,808,772,000 into capital contributions by the Group to the Target Company, and to also inject additional RMB52,881,000 as capital contributions by the Group to the Target Company for future settlements of the Target Group's outstanding payables to independent third parties, before the completion of the Disposal.

The adjustments related to the above terms are presented as below:

	RMB'000
Net liabilities of the Target Group	(175,342)
Add: Effect on equity from the Group's capital contributions in respect of the loans from the Group and payables to the Group	1,808,772
Add: Effect on equity from the Group's capital contributions in respect of payables to independent third parties	<u>52,881</u>
Net asset value of the Target Group after the adjustments	1,686,311
Portion of equity interest disposed of	40%
Carrying amount of equity interest disposed of after the adjustments	<u>674,524</u>

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP (CONTINUED)

3. These adjustments represent the estimated cash flow from the Disposal of the Target Group assuming the Disposal had taken place on 1 January 2023:

	RMB'000
Consideration	2,950,000
Less: Fair value adjustment for imputed interest	(19,611)
Less: Estimated expenses directly attributable to the Disposal	<i>Note</i> (2,461)
Less: Amount unpaid and included in other receivables	<u>(127,889)</u>
Estimated cash inflow arising on the Disposal	<u>2,800,039</u>

Note: The estimated expenses directly attributable to the Disposal represent costs and expenses directly incurred for the Disposal of RMB2,461,000 which will be borne by the Group and are assumed to be settled in cash.

4. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 1 January 2023 or 31 December 2023 for the purpose of preparation of The Unaudited Pro Forma Financial Information of the Remaining Group.

APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP



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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Qinfa Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Qinfa Group Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2023, the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2023 and related notes (the "Unaudited Pro Forma Financial Information") as set out in Part A of Appendix III to the circular dated 28 June 2024 (the "Circular") issued by the Company. The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described in Part A of Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the very substantial disposal in relation to the disposal of 40% equity interest in Lead Far Development Limited (the "Disposal") on the Group's financial position as at 31 December 2023 and the Group's financial performance and cash flows for the year ended 31 December 2023 as if the Disposal had taken place at 31 December and 1 January 2023, respectively. As part of this process, information about the Group's financial position as at 31 December 2023 and the Group's financial performance and cash flows for the year ended 31 December 2023 has been extracted by the directors of the Company from the consolidated financial statements of the Company for the year then ended, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").



Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements”, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 31 December 2023 or 1 January 2023 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.



Reporting Accountants' Responsibilities (continued)

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

Except for the existence of material uncertainties that may cast significant doubt in the Group's ability to continue as a going concern, in our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The auditor's report on the consolidated financial statements of the Company for the year ended 31 December 2023 contained an unqualified opinion with material uncertainties related to going concern, as more fully described in the published annual report of the Company for the year ended 31 December 2023 dated 28 March 2024. These facts and circumstances indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.

A handwritten signature in black ink that reads 'Moore CPA Ltd.'.

Moore CPA Limited
Certified Public Accountants

Cheung Sai Kit
Practising Certificate Number: P05544

Hong Kong, 28 June 2024