THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Qinfa Group Limited** (中國秦發集團有限公司), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information only and does not constitute an invitation or offer to shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

QINFA

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)

(1) VERY SUBSTANTIAL DISPOSAL – DISPOSAL OF 40% INTEREST IN THE TARGET COMPANY; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the EGM of China Qinfa Group Limited to be held at Meeting Rooms 6 and 7, Level 2, InterContinental Guangzhou Exhibition Center, No. 828, Yuejiang Middle Road, Haizhu District, Guangzhou City, the PRC on Tuesday, 23 July 2024 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting (i.e. by Sunday, 21 July 2024 at 11:00 a.m.) or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting at the meeting or any adjournment thereof if they so wish and in such event, the form of proxy shall be deemed to be revoked.

28 June 2024

CONTENTS

In this circular, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"Board"	the Board of Directors
"Company"	China Qinfa Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the transactions pursuant to the Sale and Purchase Agreement
"Completion Date"	the seventh business day after the date on which all conditions precedent are satisfied (or waived), or another date as agreed in writing by both the Vendor and the Purchaser
"Consideration"	the total consideration of RMB2,950 million, subject to adjustment, payable by the Purchaser to the Vendor in respect of the Disposal pursuant to the Sale and Purchase Agreement
"Director(s)"	director(s) of the Company
"Disposal"	the proposed disposal of 40% shareholding interest in the Target Company by the Vendor to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement
"EGM"	an extraordinary general meeting of the Company to be held on Tuesday, 23 July 2024 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder
"Escrow Account"	the escrow account to be opened by the Vendor, the Purchaser and an escrow agent on or before the Completion Date
"Far Link"	Far Link Development Limited (遠聯發展有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Internal Reorganisation"	the reorganisation of the Target Group pursuant to the Sale and Purchase Agreement, comprising the following steps: (i) the incorporation of Far Link; and (ii) the transfer of 1% shareholding interest in QMI and LTI from Qinfa Eternal Success Investment Limited, an indirect wholly-owned subsidiary of the Company, to Far Link, which has been completed as at the Latest Practicable Date
"Latest Practicable Date"	25 June 2024
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Capitalisation"	the allotment and issue of shares in the capital of the Target Company to the Vendor, capitalising the loan payable by the Target Group to the Vendor in the amount of approximately RMB1.8 billion
"Long Stop Date"	22 December 2024, being 180 days from the signing date of the Sale and Purchase Agreement
"LTI"	PT Lintas Timur Investama, a company established under the laws of Republic of Indonesia, which is held as to 99% and 1% by QMI and Far Link, respectively
"PRC"	the People's Republic of China
"Purchaser"	Zhejiang Energy International Limited (浙江能源國際有限公司), a company incorporated in Hong Kong with limited liability
"QMI"	PT Qinfa Mining Industri, a company established under the laws of Republic of Indonesia, which is held as to 99% and 1% by the Target Company and Far Link, respectively
"Remaining Group"	the Group after completion of the Disposal
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 25 June 2024 entered into among the Vendor, the Purchaser and the Company as guarantor
"Sale Shares"	such number of shares representing 40% of the total issued shares of the Target Company after completion of the Loan Capitalisation, representing 40% of the total issued shares of the Target Company upon Completion

"SDE"	PT Sumber Daya Energi, a company established under the laws of Republic of Indonesia, which is held indirectly as to 75% by the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Share(s)"	the share(s) of HK$0.10 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Agreement"	the shareholders' agreement dated 25 June 2024 entered into among the Vendor, the Purchaser, the Target Company and the Company in respect of the Target Company, which shall become effective on the Completion Date
"Target Company"	Lead Far Development Limited (力遠發展有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Target Group"	the Target Company and its subsidiaries
"Target Mines"	the coal mines located in Indonesia, the mining rights of which are held by SDE
"Transition Period"	the period from 30 September 2023 to the Completion Date
"Valuation Report"	the valuation report as prepared by the Valuer, as set out in Appendix VI to this circular
"Valuer"	BMI Appraisals Limited, an independent valuer
"Vendor"	Qinfa Investment Limited (秦發投資有限公司), a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of the Company
"WM"	PT Widyanusa Mandiri, a company established under the laws of the Republic of Indonesia, which holds 25% equity interest of SDE as at the Latest Practicable Date
"%"	per cent.

QINFA

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)

Executive Directors:
Mr. XU Da *(Chairman)*
Mr. BAI Tao *(Chief Executive Officer)*
Mr. ZHAI Yifeng
Ms. DENG Bingjing

Independent Non-executive Directors:
Prof. SHA Zhenquan
Mr. JING Dacheng
Mr. HO Ka Yiu Simon

Registered office:
Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

Principal place of business in Hong Kong:
Room 5706, 57th Floor,
Central Plaza
18 Harbour Road
Wanchai,
Hong Kong

28 June 2024

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL – DISPOSAL OF 40% INTEREST IN THE TARGET COMPANY; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Company's announcement dated 25 June 2024.

On 25 June 2024, the Vendor (a wholly-owned subsidiary of the Company), the Purchaser and the Company (as guarantor) entered into the Sale and Purchase Agreement, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares, representing 40% shareholding interest in the Target Company at Completion, at a consideration of RMB2,950 million, subject to adjustment.

The purpose of this circular is to provide you with, amongst other things, (i) further details of the Disposal; (ii) financial information of the Target Group; (iii) other information as required to be contained in the circular under the Listing Rules; and (iv) a notice convening the EGM to be convened for the purpose of considering and approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

INTRODUCTION

On 25 June 2024 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company), the Purchaser and the Company (as guarantor) entered into the Sale and Purchase Agreement, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares, representing 40% shareholding interest in the Target Company at Completion, at a consideration of RMB2,950 million, subject to adjustment.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out as follows:

Date: 25 June 2024

Parties:

(i) Vendor: Qinfa Investment Limited (秦發投資有限公司);

(ii) Purchaser: Zhejiang Energy International Limited (浙江能源國際有限公司);

(iii) Vendor's guarantor: the Company.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject Matter

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares on the Completion Date. The Sale Shares shall represent 40% of the total issued shares of the Target Company after the completion of the Loan Capitalisation. The Company (as guarantor) has agreed to guarantee the performance of the Vendor's obligations under the Sale and Purchase Agreement and the Shareholders' Agreement. The Purchaser may designate its nominee to acquire the Sale Shares.

As at the Latest Practicable Date, the Vendor holds 100% of the total issued shares of the Target Company, and the Target Company, indirectly through Far Link, QMI and LTI, holds 75% equity interest in SDE. SDE holds a coal mining business license for the Target Mines.

Consideration

The Consideration payable from the Purchaser to the Vendor is RMB2,950 million, subject to adjustment as detailed below. The Consideration was determined between the Vendor and the Purchaser after arm's length negotiations and on normal commercial terms, taking into account the value of approximately RMB2,970 million (the "**Appraised Value**") for 40% equity interest in the Target Group based on the valuation of the Target Group as at 31 December 2023 as appraised by the Valuer, using the income approach. The Consideration (prior to adjustment) represents a slight discount of approximately 0.7% to the Appraised Value. Based on the above, the Directors consider the Consideration fair and reasonable, and is in the interest of the Company and the Shareholders as a whole.

For further details of the valuation of the Target Company, please refer to the Valuation Report set out in Appendix VI to this circular.

Payment Arrangement

Upon satisfaction or waiver of the conditions precedent, on the Completion Date, the Purchaser shall:

(i) pay 95% of the Consideration into the designated bank account of the Vendor; and

(ii) deposit the remaining five percent (5%) of the Consideration into the Escrow Account.

Escrow Account and Indemnity

The Vendor shall indemnify the Purchaser if the Purchaser suffers any penalties, liabilities or losses as a result of the following circumstances:

(i) defects in SDE's land documents, or if the processing of land ownership certificates has not been completed within one year from the Completion Date;

(ii) failure to extend the mining operating permit (IUP-OP) due to the Target Company's failure to comply with the extension regulations before the Completion Date, or negligence resulting in the automatic expiration of the mining operating permit in accordance with the relevant laws;

(iii) inconsistencies between the environmental permit and the mining right certificate of the Target Mines;

(iv) LTI failing to adjust its business identification number in accordance with current Indonesian laws and regulations;

(v) failure of the Target Group to prepare Indonesian (Bahasa) versions of contracts to be conducted in Indonesia;

(vi) SDE's reclamation and mine closure plans not being adapted to and approved in accordance to the latest environmental permit;

(vii) failure to register QMI as a mining service business license company (IUJP) due to its inter-company cooperation with SDE;

(viii) failure to duly and accurately submit employment reports *(Wajib Lapor Ketenagakerjaan)* before Completion, resulting in (a) liabilities such as being demanded to pay the underpaid amount of social security and provident fund contributions in previous years; (b) penalties due to failure to pay employees' social security on time and in accordance with regulations; or (c) liability for compensation resulting from demands, lawsuits or claims filed by third parties;

(ix) the tax authorities' recovery of underpaid taxes, late fees and fines which were underpaid by the Target Group prior to Completion;

(x) capital expenditure for bridge construction to meet obligations under the forest land use permit, and other expenses caused by violations or failure to complete the obligations under relevant licenses or mining right certificates of the Target Mines;

(xi) the failure of SDE, QMI and LTI to submit accurate periodic investment realization reports (*Laporan Kegiatan Penanaman Modal)* before Completion;

(xii) violations or non-compliance with local content requirements (TKDN) in relation to the procurement of goods and services in Indonesia prior to Completion;

(xiii) SDE's failure to comply with the submission of export realization reports prior to Completion;

(xiv) risks arising from the construction of the pier at the Target Mines without prior approval, including penalties, losses and liabilities arising from demolition of the existing structure, and the costs of obtaining the required environmental and construction permits;

(xv) SDE's failure to obtain a formal operating permit for the pier under-construction at the Target Mines before Completion;

(xvi) failure to submit overseas loan reports in compliance with Indonesian currency laws before Completion;

(xvii) failure to notarise the share purchase agreement between Qinfa Overseas Investment Limited (秦發海外投資有限公司) ("**Qinfa Overseas Investment**"), a wholly-owned subsidiary of the Company, and the Target Company in respect of equity interest in QMI, or the failure to complete the pre- and post-announcement requirements of the transaction in accordance with the applicable law, and penalties or unfavorable consequences to the Target Group's shareholding in SDE as a result of the failure to complete the announcement of the transaction in respect of the equity interest in SDE in accordance with the relevant laws;

(xviii) additional tax liabilities on the Target Group due to the debt restructuring;

(xix) losses caused by claims filed by WM against the Target Group;

(xx) losses incurred by the Target Group as a result of any breaches of the pre-Completion undertakings set out in Sale and Purchase Agreement;

(xxi) failure on the part of Qingdao Qinfa Material Supply Co., Ltd. (青島秦發物資供應有限公司) ("**Qingdao Qinfa Material**"), a subsidiary of the Company, to provide warranty of the quality in respect of materials and equipment procured by the Target Mines from Qingdao Qinfa Material;

(xxii) any liability resulting from intentional concealment, material omission, misrepresentation or fraud prior to Completion.

For the two years following Completion, the Purchaser may deduct its entitled compensation from the Escrow Account. The Purchaser and the Vendor consider the retained amount in Escrow Account (i.e. 5% of the Consideration) to be a reasonable and sufficient sum to cover the compensation arising from the above circumstances.

After the initial two year period, or if the balance of the Escrow Account is not sufficient to satisfy the amount of compensation at anytime during the two-year period, the Vendor shall pay the compensation or the shortfall (as the case may be) to the Purchaser directly. The remaining balance (if any) in the Escrow Account shall be released to the Vendor two years after the Completion Date.

Adjustment Mechanism

Within 30 days after the Completion Date, an independent professional institution shall conduct an additional audit (the "**Supplementary Audit**") on (i) the debt restructuring of the Target Group; (ii) the asset and financial status of the Target Group during the Transition Period and as at the Completion Date; and (iii) the capital expenditure of the Target Group against the proposed investment plan as agreed by the parties and set out in the Sale and Purchase Agreement, to determine if there is any variation between (a) the indebtedness, asset and financial status of the Target Group as at the Completion Date 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 Company as at the Completion Date 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**"), which shall be equal to 30% (being the effective interest in SDE to be held by the Purchaser after Completion) of the difference between the relevant financial metrics as at the Completion Date and that as at the reference date and/or in the proposed investment plan. After the Consideration Adjustment is confirmed by the Vendor and the Purchaser, the Vendor shall pay the Consideration Adjustment to the Purchaser within seven days. If the Vendor fails to do so, the Purchaser may withdraw such amount from the Escrow Account.

As at the Latest Practicable Date, based on the information currently available to the Company and barring unforeseen circumstances, the Company does not expect there will be any material adjustment to the Consideration, having considered the following:

(i) the Company does not contemplate any material change in the debt restructuring, and the asset and financial status of the Target Group during the Transition Period; and

(ii) the proposed investment plan is composed of the actual capital expenditure made by the Group in the Target Group from 30 September 2023 to the date of the Sale and Purchase Agreement, and the estimated future investment amount from the date of the Sale and Purchase Agreement up to the Completion Date. Barring unforeseen circumstances, the capital expenditure of the Target Group shall follow the proposed investment plan. Hence, it is not expected that there will be any material variation between the actual capital expenditure made by the Group in the Target Group and the proposed investment plan.

The capital expenditure made by the Vendor or its affiliates in the Target Group for the production and operation needs of the Target Group during the Transition Period which has not been included in the debt restructuring (after confirmation by the Supplementary Audit) (the "**Additional Expenses**") shall be borne by the Vendor and the Purchaser in the proportion of 70% and 30%, respectively. In this regard, the Purchaser agrees to provide a shareholder's loan to the Target Group in respect of 30% of the Additional Expenses in substitution for part of the existing shareholder's loan provided by the Vendor, at a rate and on terms no higher than the market interest rate and equal to those of the Vendor.

Upon Completion, the Purchaser will hold 30% effective interest in SDE. Therefore, the Purchaser shall be responsible for 30% of the Additional Expenses. The Board considers such allocation to be fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

The Sale and Purchase Agreement shall be established on the date on which it is signed by the parties and shall become effective on the date on which the following conditions are satisfied:

(i) the signing of the Shareholders' Agreement and the amendment of the Target Company's articles of association;

(ii) the Company obtaining Shareholders' approval at the EGM with regard to the Sale and Purchase Agreement and the transactions contemplated thereunder, in accordance with the Listing Rules; and

(iii) the Purchaser obtaining written approval from and/or completing filing with Zhejiang Provincial Energy Group Company Ltd. (浙江省能源集團有限公司), the State-owned Assets Supervision and Administration Commission of Zhejiang Provincial People's Government (浙江省國有資產監督管理委員會), the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and the Ministry of Commerce of the PRC (中華人民共和國商務部), in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

If the parties fail to complete the aforementioned conditions within 120 days after the signing of the Sale and Purchase Agreement (or a later date as otherwise agreed by the parties), the Sale and Purchase Agreement shall be terminated.

Completion is conditional upon and subject to the satisfaction of the following conditions (the "**Completion Conditions**"):

(i) the completion of the debt restructuring (including the Loan Capitalisation), upon which the capital and borrowing status of each company in the Target Group shall reach a status mutually accepted by both the Vendor and the Purchaser;

(ii) the completion of the Internal Reorganisation;

(iii) there being no material adverse effect since the signing of the Sale and Purchase Agreement;

(iv) the Vendor and WM reaching a written agreement regarding dividend arrangements and coal supply rights in respect of WM's entitlement of 15% of the saleable coal production of SDE;

(v) (a) the signing of a package agreement between SDE, QMI and Qingdao Qinfa Material in relation to the settlement arrangement of a procurement contract entered into among SDE, QMI and Qingdao Qinfa Material; (b) the completion of the sale and purchase agreement (including the payment of consideration) between Qinfa Overseas Investment and the Target Company in respect of equity interest in QMI; and (c) the completion of the settlement and elimination of intercompany balance between the Group and the Target Group;

(vi) the pier under construction at the Target Mines obtaining its environmental permit and beginning legal operation;

(vii) the extension of the term of forest land use permit (*Persetujuan Penggunaan Kawasan Hutan* or PPKH) of the Target Mines, to be consistent with the current term of the mining right certificate;

(viii) the completion of the trial burn test on the raw coal produced by the Target Mines at the Purchaser's power plant; and

(ix) if the transaction requires approval under the competition or antitrust laws of the relevant countries, and the completion of the transaction without such approval will be illegal, prohibited or restricted, all approval decisions issued (or deemed to have been issued) or decisions stipulating that the transaction can be implemented by the market regulatory authorities and/ or other competent antitrust review bodies in the relevant countries or regions, must be obtained by the Vendor on its own initiative.

If the Completion Conditions are not satisfied or waived by the Long Stop Date, the Sale and Purchase Agreement shall terminate unless the Vendor and the Purchaser agree in writing to extend the Long Stop Date, and as compensation, the Vendor shall pay to the Purchaser one percent (1%) of the Consideration (i.e. RMB29.5 million) within ten (10) business days after the termination of the Sale and Purchase Agreement. For the avoidance of doubt, compensation will not be required if the conditions set out in (viii) and (ix) are not met due to reasons not attributable to the Vendor.

Completion

Completion shall take place on the Completion Date, after the fulfillment or waiver of all the conditions precedent under the Sale and Purchase Agreement.

Upon Completion, the Company will hold 60% of the total issued shares of the Target Company through the Vendor. As such, the Target Company will remain to be a subsidiary of the Company, and its financial results will continue to be consolidated in the financial statements of the Group upon Completion.

Coal Supply Arrangement

Pursuant to the Sale and Purchase Agreement, the parties agreed that after Completion, SDE shall supply 51% and 34% of its total annual coal production to the Vendor and the Purchaser, respectively. The allocation of coal was determined based on the shareholding of SDE and the Target Company. As at the Latest Practicable Date and upon Completion, SDE is, and will remain to be, held as to 75% by the Target Group and 25% by WM. Pursuant to an agreement previously entered into by the Group and WM, WM will be entitled to 15% of SDE's total annual coal production instead of dividend payment from SDE. The remaining 85% of SDE's annual coal production will be allocated in proportion to the Vendor and the Purchaser's shareholding in the Target Company (i.e. a 60/40 split). Based on this calculation, the Vendor and the Purchaser will therefore be entitled to 51% and 34% of SDE's annual coal production, respectively.

The coal sale price shall be calculated based on a 120% mark-up on the cost per tonne incurred by SDE plus corporate income tax. If the shareholding of SDE held by the Vendor and the Purchaser changes, the ratio of coal supplied to both the Vendor and the Purchaser will also be adjusted accordingly.

It is contemplated that within six months after Completion, each of the Vendor and the Purchaser (or an associated company as designated by it) shall enter into a coal supply agreement (the "**Coal Supply Agreement**") for a term of 20 years with SDE.

Upon Completion, the Purchaser will be interested in 40% shareholding of the Target Company, while the remaining 60% shareholding of the Target Company will continue to be owned by the Group. Accordingly, the Purchaser will become a connected person of the Company by virtue of being a substantial shareholder of the Company's non-wholly owned subsidiary upon Completion. As such, the transactions with the Purchaser under the Coal Supply Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company will fully comply with Chapter 14A of the Listing Rules when it enters into the Coal Supply Agreement.

As the continuing connected transactions contemplated under the Coal Supply Agreement will exceed a term of three years, an independent financial adviser will be appointed pursuant to Rule 14A.52 of the Listing Rules to explain why a term longer than three years is required and to confirm that it is a normal business practice for agreements of this type to be of such duration. The independent financial adviser's view will be set out in the announcement to be published by the Company upon signing of the Coal Supply Agreement.

SHAREHOLDERS' AGREEMENT

On 25 June 2024, the Purchaser and the Vendor entered into the Shareholders' Agreement, which subject to Completion, shall become effective on the Completion Date. If the Purchaser designates its nominee to acquire the Sale Shares upon Completion, the Purchaser will novate all of its rights and obligations under the Shareholders' Agreement to its nominee.

The principal terms of the Shareholders' Agreement are set out as follows:

Date: 25 June 2024

Parties:

(i) Company: Lead Far Development Limited (力遠發展有限公司)

(ii) Party A: Qinfa Investment Limited (秦發投資有限公司);

(iii) Party B: Zhejiang Energy International Limited (浙江能源國際有限公司);

(iv) Guarantor: the Company.

Board Composition

Unless obtaining unanimous written consent from all the shareholders of the Target Company, the board of directors of the Target Company shall be composed of five directors, of which three directors shall be nominated by the Vendor and two directors shall be nominated by the Purchaser, and the chairman of the board of directors shall be appointed by the Vendor.

Reserved Matters

During the term of the Shareholders' Agreement, each of the shareholders shall take all appropriate actions to ensure that the Target Group does not implement the following actions without prior unanimous agreement from the shareholders of the Target Company:

(i) profit distribution plan, loss recovery plan and distribution of any dividends;

(ii) provision of any warranties or indemnities to any persons or guarantee indebtedness or liabilities for any persons;

(iii) issuance of shares (capital increase) and reduction of shares (capital reduction);

(iv) passing of any resolution which results in the close-down, liquidation or bankruptcy of the company or its subsidiaries or the entering into of any settlement or debtors' and creditors' agreement, or any similar cases;

(v) change of business scope of the Target Group;

(vi) amendments to the Target Group's articles of association;

(vii) issuance of corporate bonds;

(viii) carrying out any acquisition, merger or consolidation, reorganization, restructuring or consolidation, and entering into any partnership or joint venture agreement;

(ix) disposal, sub-division, spin-off or restructure of all or part of the business of the Target Group;

(x) the direct or indirect sale, transfer and disposal of shareholding in companies (excluding the Target Company) within the Target Group;

(xi) listing of the shares of the Target Group on any stock exchange; and

(xii) change of the class of issued shares or change of the rights or obligations attached to any issued shares.

Right of First Refusal and Tag-along Right

If any party intends to sell all or part of its shares in the Target Company to a third party (excluding sales to related parties), the other shareholder of the Target Company is entitled to a right of first refusal to purchase all (but not part only) of the shares in the Target Company which the selling party intends to dispose of at the same price.

If any party intends to sell part or all of its equity interest in the Target Company to a third party, the other party may exercise its tag-along right to sell their respective shares. The selling party shall procure the third party to acquire the shares held by the other party on the same terms as the proposed sale.

VALUATION

The valuation of the Target Group (the "**Valuation**") was conducted by the Valuer, using the income approach. The income approach was considered to be the most appropriate valuation approach in this valuation for valuing the Target Group, as it takes the future growth potential and the specific issues of the Target Group into consideration. Under the income approach, the discounted cash flow ("**DCF**") method was adopted. Also, the DCF method takes into account the cyclical, capital intensive and finite nature of the mining operations. Accordingly, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. For the purpose of complying with Rule 14.60A of the Listing Rules, the details of the principal assumptions, including commercial assumptions, upon which the Valuation was based are as follows:

General Market Assumptions:

1. There will be no material change in the existing political, legal, fiscal, technological, economic and market conditions in the jurisdiction where the Target Group is currently or will be situated;

2. There will be no material change in the taxation laws and regulations in the jurisdiction where the Target Group is currently or will be situated, that the tax rates will remain unchanged and that all applicable laws and regulations will be complied with;

3. The market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;

4. The supply and demand, both domestically and internationally, of the products and/or services of the Target Group or similar products and/or services will not differ materially from those of present or expected;

5. The market prices and the relevant costs, both domestically and internationally, of the products and/or services of the Target Group or similar products and/or services will not differ materially from those of present or expected;

6. The products and/or services of the Target Group or similar products and/or services are marketable and liquid, that there are active markets for the exchange of the products and/or services of the Target Group or similar products and/or services; and

7. The market data, industry information and statistical figures obtained from publicly available sources are true and accurate.

Company-specific Assumptions:

1. All licenses, permits, certificates and consents issued by any local, provincial or national government or other authorized entity or organization that will affect the operation of the Target Group have been obtained or can be obtained upon request with an immaterial cost;

2. The core operation of the Target Group will not differ materially from those of present or expected;

3. The financial and operational information in respect of the Target Group have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Target Group;

4. The information in respect of the Target Mines stated in the competent person's report have been prepared on a reasonable basis after due and careful considerations by the competent person;

5. The Target Group currently has, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of the Target Group, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of the Target Group;

6. The Target Group has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;

7. The senior management of the Target Group will implement only those prospective financial and operational strategies that will maximize the efficiency of the operation of the Target Group;

8. The senior management of the Target Group has sufficient knowledge and experience in respect of the operation of the Target Group, and the turnover of any director, management or key person will not affect the operation of the Target Group;

9. The senior management of the Target Group has adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operation of the Target Group; and

10. The senior management of the Target Group has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operation of the Target Group.

Specific assumptions adopted in the discounted cash flow ("DCF") method:

1. A mine life of 28 years has been assumed;

2. Coal production ranges from 1,450,000 tonnes to 19,000,000 tonnes during the life of mine;

3. Coal price of approximately RMB400 per tonnes, which was determined with reference to the historical selling price of coal sold by the Target Group, and the coal price was expected to growth at a rate of 1.3% per year, with reference to the inflation rate in the PRC; and

4. Average annual capital expenditure of approximately RMB170 million per annum until the end of the mine life.

Profit forecast:

Under the income approach, the DCF method was adopted in the Valuation. The DCF method is the most fundamental and prominent method of the income approach. In applying the DCF method, the free cash flows were computed using the following formula:

$$FCF = NI + NCE + Int\ (1 - T_{int}) - NCI - InvFA - InvNWC$$

Where:

FCF	=	*free cash flow*
NI	=	*net income after tax*
NCE	=	*non-cash expenses*
Int	=	*interest expenses*
T_{int}	=	*tax rate applied to interest expense*
$Int\ (1 - T_{int})$	=	*after-tax interest expense*
NCI	=	*non-cash incomes*
InvFA	=	*investment in capital expenditure*
InvNWC	=	*investment in net working capital*

The projected future financial performance of the Target Group for years with maximum and minimum free cash flow throughout the life of mine are as follows:

(RMB)	**Year with Maximum Free Cash Flow**	**Year with Minimum Free Cash Flow**
Revenue	7,542,712,950	862,473,215
Operating Expenses and Tax	4,817,605,813	631,223,324
Net Operating Profit After Tax	2,725,107,137	231,249,891
Depreciation and Amortisation	487,057,530	73,172,303
Investment in Capital Expenditure	124,667,491	17,248,934
Investment in Net Working Capital	(101,419,883)	285,911,075
Free Cash Flow	3,188,917,059	1,262,185

The results were then discounted using a discount rate to determine the present value of the expected cash flows and the concluded value of the Target Group.

In order to estimate the value of the Target Group and perform an overall reasonability assessment, it is required to determine an appropriate discount rate for the Target Group. As such, the Valuer adopted the weighted average cost of capital ("**WACC**") as the discount rate for the Target Group.

The WACC was computed using the following formula:

$$WACC = R_e (E/V) + R_d (D/V) (1 - T_c)$$

Where:

$WACC$	=	*weighted average cost of capital*
R_e	=	*cost of equity*
R_d	=	*cost of debt*
E	=	*value of the firm's equity*
D	=	*value of the firm's debt*
V	=	*sum of the values of the firm's equity and debt*
T_c	=	*corporate tax rate*

The WACC comprises two components: the cost of equity and the cost of debt. The cost of equity was determined using the Capital Asset Pricing Model ("**CAPM**"). The CAPM describes the relationship between the risk of a particular asset, its market price and the expected return to the investor, that investors required additional return to compensate additional risk associated.

The cost of equity under the modified CAPM was computed using the following formula:

$$R_e = R_f + \beta * MRP + RP_S + RP_U$$

Where:

R_e	=	*cost of equity*
R_f	=	*risk-free rate*
β	=	*beta coefficient*
MRP	=	*market risk premium*
RP_S	=	*size premium*
RP_U	=	*company-specific risk premium*

In the Valuation, the adopted rates of the above-mentioned valuation parameters are as follows:

	Valuation Parameter	As at the Valuation Date (i.e. 31 December 2023)
a.	Risk-free Rate	6.45%
b.	Beta Coefficient	0.851
c.	Market Risk Premium	9.64%
d.	Size Premium	3.05%
e.	Company-specific Risk Premium	3.00%
f.	Cost of Equity	20.70%
g.	Cost of Debt	7.13%
h.	After-tax Cost of Debt	5.56%
i.	Weight of Debt	15.31%
j.	Weight of Equity	84.69%
k.	Discount Rate	18.38%

18.38% was adopted as the discount rate for the valuation of the Target Group as of the Valuation Date (i.e. 31 December 2023).

With 1% increase and decrease in the discount rate, the equity value of 40% interest in the Target Group will be approximately RMB2.8 billion and RMB3.1 billion respectively.

Confirmations

Moore CPA Limited has been engaged by the Company to review the calculations of the discounted future estimated cash flows upon which the Valuation was based, which do not involve the adoption of accounting policies, and the appropriateness and validity of the assumptions.

The Board has reviewed and considered the Valuation including the principal assumptions upon which the Valuation was based. The Board has also considered the report from Moore CPA Limited. On the basis of the foregoing, the Board is of the opinion that the Valuation has been made after due and careful enquiry.

A report from Moore CPA Limited and a letter from the Board are included in Appendix VII and Appendix VIII to this circular for the purpose of Rule 14.60A of the Listing Rules.

INFORMATION ON THE GROUP, THE PURCHASER AND THE TARGET GROUP

The Group

The Company is an investment holding company incorporated in the Cayman Islands with limited liability. Its subsidiaries are principally engaged in the coal operation business, which involves the mining, purchase and sales, filtering, storage and blending of coal. The Vendor is a company established in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.

The Company has no plans or intentions to downsize its businesses or the number of employees of the Group and the Target Group in the 12 months following Completion. The Group will continue to focus on and operate its existing coal mining business.

The Purchaser

The Purchaser, a company incorporated in Hong Kong with limited liability, is an investment holding company. The Purchaser is owned as to approximately 64.17% and 35.83% by Zhejiang Provincial Energy Group Co., Ltd. and Zheneng Capital Holdings Limited (浙能資本控股有限公司), respectively.

Zheneng Capital Holdings Limited is owned as to 100% by Zhejiang Provincial Energy Group Co., Ltd.

Zhejiang Provincial Energy Group Co., Ltd., a company established in the PRC, is headquartered in Hangzhou, the PRC, and holds and manages over 500 enterprises, with business covering areas such as electricity, coal, natural gas, petroleum, new energy, energy services, energy finance, energy technology innovation, and high-end energy equipment manufacturing. It is a modern comprehensive energy group with a full range of energy categories. The State-owned Assets Supervision and Administration Commission of Zhejiang Provincial People's Government (浙江省人民政府國有資產監督管理委員會) and Zhejiang Financial Development Co., Ltd. (浙江省財務開發有限責任公司) hold 90% and 10% of the state-owned equity of Zhejiang Provincial Energy Group Co., Ltd., respectively.

Zhejiang Financial Development Co., Ltd. is owned as to 100% by the Department of Finance of Zhejiang Province (浙江省財政廳).

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Target Group

The Target Company is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is an investment holding company with subsidiaries principally engaged in the coal mining industry. The Target Company indirectly holds 75% equity interest in SDE. SDE is the holder of mining business license in respect of the Target Mines located in Sungai Durian, Kotabaru, South Kalimantan, Indonesia with a total area of approximately 185 square kilometers.

The financial information of the Target Group for the two years ended 31 December 2023 are set out as follows:

	Year ended 31 December	
	2022	**2023**
	(unaudited)	*(unaudited)*
	(RMB'000)	*(RMB'000)*
Revenue	–	–
Profit/(loss) before taxation	(38,272)	(46,857)
Profit/(loss) after taxation	(38,272)	(47,304)

The unaudited net liabilities value of the Target Group as at 31 December 2023 was approximately RMB175,342,000.

The Target Mines were under construction for most of the last two years. Therefore, no revenue was generated by the Target Group for the two years ended 31 December 2023.

SDE began trial production on coal mining on 18 December 2023. As at 31 May 2024, SDE has produced approximately 0.88 million tonnes of raw coal since the beginning of the trial production. Income shall be generated after the formal operating permit for the pier (which is located at the Target Mines) is obtained.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Purchaser's holding company, a state-owned enterprise that owns national power plants in China, is looking for a stable and affordable source of coal for its power plant in China. Through purchasing the Sale Shares, the Purchaser shall be able to invest in an overseas coal mine with sufficient coal reserves.

The Vendor seeks partial realisation of its investment in SDE in return for cash. The Consideration received by the Vendor shall relieve its financial stress on capital expenditure and loan repayment. By entering into the Coal Supply Agreement, the Vendor will have a stable source of revenue due to continual demand from the Purchaser's stated-owned power plant.

Based on the above, the Board is of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, 95% of Consideration shall be received by the Vendor on the Completion Date and 5% of the Consideration shall remain in the Escrow Account for two years after the Completion Date. It is expected that the Group's gearing ratio shall be significantly improved upon receipt of the funds.

It is estimated that upon the Completion, the Group will record an estimated unaudited equity account on the Disposal of approximately RMB2,253 million. Such unaudited equity account is estimated based on the consideration receivable from the Disposal of RMB2,950 million, less the non-controlling interest of the Target Group of approximately RMB675 million as at 31 December 2023, the fair value adjustment for imputed interest of the Consideration to be deposited into the Escrow Account of approximately RMB19.6 million, and the estimated expenses (including audit fees, legal fees, valuation fee and competent person fee as a result of the Disposal) of approximately RMB2.4 million.

The estimated unaudited equity account of the Disposal of RMB2,253 million does not refer to the gain or loss on the Disposal in the statement of comprehensive income.

In accordance with International Financial Reporting Standards 10 ("**IFRS 10**"), if the control of a subsidiary is not lost upon the partial disposal of the subsidiary, any difference between the fair value of the consideration received and the carrying amount of the equity interest disposed of is directly recognized in equity. IFRS 10 requires the aforesaid transactions with non-controlling interests to be equity transactions. Therefore, no gain or loss will arise on the Disposal in the statement of comprehensive income.

The above financial impact is shown for illustrative purpose only and the actual financial effect as a result of the Disposal to be recorded by the Company is subject to review by the auditors of the Group and will be assessed after Completion.

INTENDED USE OF PROCEEDS

Upon Completion, the net proceeds of the Disposal received by the Group shall be approximately RMB2,800 million (assuming no downward adjustments are made), excluding the five percent (5%) of the Consideration to be deposited into the Escrow Account and after taking into account the estimated expenses (including audit fees, legal fees, valuation fee and competent person fee as a result of the Disposal) of approximately RMB2.4 million. The Board intends to use (i) approximately 64% of the net proceeds for repayment of debts; (ii) approximately 16% for the general working capital of the Group; (iii) approximately 18% for the capital expenditure of the Group; and (iv) approximately 2% for dividend distribution. The remaining balance, if any, from the Escrow Account to be released to the Vendor shall be used as working capital.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules, and is therefore subject to reporting, announcement and Shareholders' approval requirements thereunder.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of their respective associates has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, and as such, no Shareholder would be required to abstain from voting on the relevant resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

EGM

Set out on pages EGM-1 to EGM-2 of this circular is the notice of EGM at which, inter alia, ordinary resolution(s) will be proposed to Shareholders to consider and approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be Tuesday, 23 July 2024. All transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than 4:00 p.m. on Wednesday, 17 July 2024.

The register of members of the Company will be closed from Thursday, 18 July 2024 to Tuesday, 23 July 2024 (both days inclusive). During such period, no transfer of Shares will be registered for the purpose of determining the entitlement to attend and vote at the EGM. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Wednesday, 17 July 2024.

A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting at the meeting or any adjournment thereof if they so wish and in such event, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

The Directors consider that the terms of the Sale and Purchase Agreement are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendices to this circular.

On behalf of the Board
China Qinfa Group Limited
XU DA
Chairman

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 December 2023 are disclosed in the following documents which are published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www. qinfagroup.com.

- Annual report of the Company for the year ended 31 December 2021:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042900386.pdf

- Annual report of the Company for the year ended 31 December 2022:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042700097.pdf

- Annual report of the Company for the year ended 31 December 2023:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042904363.pdf

2. INDEBTEDNESS STATEMENT

Indebtedness

As at the close of business on 31 May 2024, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, the Group had the following indebtedness:

	The Group				
	Secured		Unsecured		
	Guaranteed	Non-guaranteed	Guaranteed	Non-guaranteed	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings					
– current	5,546	–	486,500	–	492,046
– non-current	425,188	–	18,500	–	443,688
Other borrowings					
– current	1,049,000	–	2,806	–	1,051,806
– non-current	1,192,454	–	42,829	–	1,235,283
Lease liabilities					
– current	–	–	–	2,461	2,461
– non-current	–	–	–	7,340	7,340
Amount due to ultimate holding company	–	–	–	28,896	28,896
Amount due to ultimate controlling shareholder	–	–	–	55	55
Amount due to directors of the Company	–	–	–	354	354
Amount due to associate	–	–	–	344,487	344,487
	2,672,188	–	550,635	383,593	3,606,416

Interest-bearing bank borrowings

The amounts of interest-bearing bank borrowings of approximately RMB487 million are unsecured.

The amount of interest-bearing bank borrowing of approximately RMB431 million is secured by certain bank deposit of the Group of RMB488 million.

Other borrowings

The Group's other borrowings of approximately RMB2,241 million are secured by:

(i) certain property, plant and equipment of the Group of RMB125 million;

(ii) certain coal mining rights of the Group of RMB1,635 million;

(iii) equity interest in certain subsidiaries of the Company;

(iv) equity interest in Fortune Pearl, the ultimate holding company of the Group;

(v) other receivables of a related company of which Mr. XU is the shareholder; and

(vi) a property held by Mr. XU.

The amount of other borrowings of approximately RMB46 million are unsecured.

Contingent liabilities

For the contingent liabilities relating to outstanding litigations, please refer to paragraph "Litigation" of Appendix IX to this circular.

The settlement agreements entered into between the Group and asset management companies contained default clauses which the Group will be required to repay the outstanding balance of the original borrowings and interest payable if the Group fails to repay the new borrowings by instalments in accordance with the respective repayment schedule.

Save as aforesaid, the Group did not have any outstanding loan capital, debt securities, bank overdrafts, loans, mortgages, charges or other similar indebtedness, or hire purchase of finance lease commitments, liabilities under acceptances or acceptance credits, guarantees or other material contingent liabilities as at the close of business on 31 May 2024.

For the purpose of the above statement of indebtedness, foreign currency amounts have been translated into RMB at the approximate exchange rates prevailing at close of business on 31 May 2024.

3. MATERIAL ADVERSE CHANGE

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated accounts of the Group were made up.

4. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Group including the internally generated funds, the current available facilities and the effects of the Disposal, and in the absence of unforeseen circumstances, the Group has sufficient working capital for its normal business for at least the next twelve months from the date of this circular. The Company has obtained the relevant confirmations as required under Rule 14.66(12) of the Listing Rules.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is a leading non-state owned thermal coal supplier in China, and it operates an integrated coal supply chain, including coal mining, purchase and sales, filtering, storage and blending of coal in the PRC and Indonesia. The Group continued to focus on these business activities and expanded its integrated coal supply chain to the overseas.

Looking forward, domestic stabilising economic policies will gradually be put into place, and production and supply are steadily increasing. It is expected that various policies and measures that China will continue to introduce to stabilise, promote growth, and optimize the structure of the economy would increase market demand and improve the job market. From the demand side, good domestic economic fundamentals will support coal demand, and production capacity and demand are expected to be fully released in 2024.

From the supply side, China's policy of increasing production and ensuring supply will continue, and high-quality coal production capacity will continue to be released. The energy consumption structure in Asian countries is still dominated by coal. In the absence of new coal supply sources, competition for coal among countries will be fierce. Supply and demand of domestic thermal coal is expected to remain fundamentally sufficient.

Overall, the global economy in 2024 will face in-depth adjustment. However, as coal is expected to remain as a main energy source in the foreseeable future, and international tensions and the competition for coal procurement will support the international coal market price, the international coal price is expected to remain relatively stable under the influence of many international factors.

SDE Coal Mine is an important project in which the Group has invested huge resources in recent years. It is also a milestone in the Group's international expansion. In 2024, the Group will make full use of resources of SDE Coal Mine and carry out follow-up construction of the SDE project with high standards, including strengthening terminal construction to ensure that coal can be quickly transported by sea from the SDE mining area to ports in southern China.

The Group will continue to develop new underground mining projects, promote the industrial upgrading of Indonesia's coal mining industry and import smart mining technology to the local area. At this stage, the second SDE mine is still under active construction. Once the second SDE mine begins its operation, it is believed that the synergy between the two SDE mines will create great development potential for the Group.

UNAUDITED 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 Qinfa Group Limited,

Introduction

We have reviewed the unaudited historical financial information set out on pages II-3 to II-12 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 Qinfa 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.

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

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)

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
	118,026	769,192	1,742,783
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
	58,717	337,004	419,799
Current liabilities			
Other payables	(80,439)	(422,729)	(739,669)
Lease liabilities	(1,463)	(881)	(2,113)
Borrowings	–	–	(7,105)
	(81,902)	(423,610)	(748,887)
Net current liabilities	(23,185)	(86,606)	(329,088)
Total assets less current liabilities	94,841	682,586	1,413,695
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)
	(178,538)	(806,478)	(1,589,037)
Net liabilities	(83,697)	(123,892)	(175,342)
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	(83,188)	(123,006)	(173,985)
Non-controlling interests	(509)	(886)	(1,357)
Total deficit	(83,697)	(123,892)	(175,342)

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	Share premium	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total deficit
	RMB'000 (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited) *(note i)*	*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.

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
		(20,345)	(28,860)	(13,346)
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)
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)
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)
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

1. GENERAL

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, 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), Qinfa 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.

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.

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 Qinfa 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.

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

	The Group *RMB'000* *(Note 1)*	Pro forma adjustments *RMB'000* *(Note 2)*	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

	The Group *RMB'000* *(Note 1)*	Pro forma adjustments *RMB'000* *(Note 2)*	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

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

	The Group *RMB'000* *(Note 1)*	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)
Gross profit	878,020	–	878,020
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			
Items that may be reclassified to profit or loss			
– Exchange differences on translation of foreign operation	(8,191)	–	(8,191)
Total comprehensive income for the year, net of tax	183,836	–	183,836

	The Group *RMB'000* *(Note 1)*	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

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

	The Group *RMB'000* *(Note 1)*	Pro forma adjustments *RMB'000* *(Note 3)*	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

	The Group *RMB'000* *(Note 1)*	Pro forma adjustments *RMB'000* *(Note 3)*	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

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. The Group's financial information is based upon the consolidated financial information of China Qinfa 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.

2. 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	*Note i*	2,950,000
Less: Fair value adjustment for imputed interest		(19,611)
Less: Estimated expenses directly attributable to the Disposal	*Note ii*	(2,461)
Less: Amount unpaid and included in other receivables		(127,889)
Estimated cash flow from the Disposal		2,800,039

		RMB'000
Consideration	*Note i*	2,950,000
Less: Fair value adjustment for imputed interest		(19,611)
Less: Estimated expenses directly attributable to the Disposal	*Note ii*	(2,461)
Less: Carrying amount of equity interest disposed of	*Note iii*	(674,524)
Estimated gain on the Disposal as equity transaction		2,253,404

   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.

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 25 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	52,881
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	674,524

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	*Note*	(2,461)
Less: Amount unpaid and included in other receivables		(127,889)
Estimated cash inflow arising on the Disposal		2,800,039

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.

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.

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.

Moore CPA Limited
Certified Public Accountants

Cheung Sai Kit
Practising Certificate Number: P05544

Hong Kong, 28 June 2024

Following the Disposal, the Target Company will continue to be a subsidiary of the Company, and the financial results of the Target Group will continue to be consolidated with the Group's results. Set out below are the management discussion and analysis of the Group for each of the three financial years ended 31 December 2021, 2022 and 2023.

(A) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

As of 31 December 2021, the Group owned and operated five coal mines in China and one coal mine in Indonesia. 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%	4.25	1.5	Under operation
Huameiao Energy – Fengxi Coal	Shuozhou Shanxi	80%	2.43	0.9	Under operation
Huameiao Energy – Chongsheng Coal	Shuozhou Shanxi	80%	2.88	0.9	Under operation
Shenda Energy – Xinglong Coal	Xinzhou Shanxi	100%	4.01	0.9	Under development (Temporarily suspended)
Shenda Energy – Hongyuan Coal	Xinzhou Shanxi	100%	1.32	0.9	Under development (Temporarily suspended)
Sumber Daya Energi – SDE Coal	Kalimantan, Indonesia	70%	185	N/A	Under development

Coal Characteristics

Characteristics and typical commercial coal quality 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	Shenda Energy – Xinglong Coal	Shenda Energy – Hongyuan Coal	Sumber Daya Energi – SDE Coal
Coal Seam	4, 8, 9, 10, 11	4, 9, 11	4, 9, 11	2, 5	2, 5, 6	B, D
Moisture (%)	7-10	8-12	8-12	8.5	8.5	8-11
Ash (db, %)	20-28	20-28	20-28	21.45	30-72	22-25
Sulfur (db, %)	1.4-1.9	1.2-1.6	1.6-2.5	1.52	1.45	0.18-1.2
Calorific Value (average, kcal/kg, net, ar)	4,650-5,200	4,600-5,150	4,600-5,150	4,838	4,187	5,300

Operating Data

Reserves and Resources

	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal	Shenda Energy – Xinglong Coal	Shenda Energy – Hongyuan Coal	Sumber Daya Energi – SDE Coal	Total
Reserves							
Reserves as of 1 January 2021 (Mt)							
– Proven reserves	13.07	1.61	1.56	–	–	–	16.24
– Probable reserves	4.02	7.25	6.50	13.50	10.46	293.00	334.73
Total reserves as of 1 January 2021 (Mt)	17.09	8.86	8.06	13.50	10.46	293.00	350.97
Less: Total raw coal production for the year (Mt)	(2.84)	(3.79)	(2.89)	–	–	–	(9.52)
Reserves as of 31 December 2021 (Mt)	**14.25**	**5.07**	**5.17**	**13.50**	**10.46**	**293.00**	**341.45**
Resources (measured + indicated)							
Resources as of 1 January 2021 (Mt)	49.51	19.93	20.37	35.08	20.87	589.22	734.98
Less: Total raw coal production for the year (Mt)	(2.84)	(3.79)	(2.89)	–	–	–	(9.52)
Resources as of 31 December 2021 (Mt)	**46.67**	**16.14**	**17.48**	**35.08**	**20.87**	**589.22**	**725.46**

The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources of the SDE Coal Mine in Indonesia as at 31 December 2021 in accordance with the JORC Code.

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

	Year ended 31 December	
Raw coal production volume	**2021**	**2020**
	('000 tonnes)	*('000 tonnes)*
Huameiao Energy – Xingtao Coal	2,843	3,296
Huameiao Energy – Fengxi Coal	3,790	2,839
Huameiao Energy – Chongsheng Coal	2,889	2,650
Total	9,522	8,785

	Year ended 31 December	
Commercial coal production volume *(Note)*	**2021**	**2020**
	('000 tonnes)	*('000 tonnes)*
Huameiao Energy – Xingtao Coal	1,848	2,142
Huameiao Energy – Fengxi Coal	2,463	1,846
Huameiao Energy – Chongsheng Coal	1,878	1,722
Total	6,189	5,710

Note: According to the competent person's report issued on 29 March 2021, the historical operation of the Xingtao Coal, Fengxi Coal and Chongsheng Coal achieved an average of 65% of mixed marketable raw coal yield.

Exploration, Mining and Development Expenses

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

	Year ended 31 December	
	2021	**2020**
	RMB'000	*RMB'000*
Materials and consumables	105,913	85,592
Staff cost	340,642	256,492
Other direct cost	56,850	46,248
Overhead and others	1,180,525	666,917
Evaluation fee	586	170
Total	1,684,516	1,055,419

Financial Review

Revenue

	Year ended 31 December	
	2021	**2020**
	RMB'000	*RMB'000*
Coal business	4,498,980	2,190,112
Shipping transportation	60,200	57,251
	4,559,180	2,247,363

Coal business

	Year ended 31 December	
	2021	**2020**
	('000 tonnes)	*('000 tonnes)*
Coal Handling and Trading Volume of Coal Business	6,115	5,964

During the year ended 31 December 2021, the volume of the Group's coal handling and trading increased as compared with 2020. The coal selling prices during the year ended 31 December 2021 were in range between RMB345 per tonne and RMB1,916 per tonne, as compared to the coal selling prices between RMB192 per tonne and RMB586 per tonne in 2020. Average coal selling price increased mainly due to significant raise on coal market price during the year.

The average coal selling price and the average monthly coal handling and trading volume for each of the three years ended 31 December 2021 are set forth in the table below:

	Year ended 31 December	
	2021	**2020**
Average coal selling price (RMB per tonne)	736	367
Average monthly coal handling and trading volume ('000 tonnes)	510	497

The Group sells blended coal which is sourced solely from the PRC domestic markets to customers, including power plants and coal traders. Most of the Group's customers are located in the coastal regions of China. Power plants purchase coal for use in the combustion processes to produce steam for power and heat. The following table sets forth information regarding the Group's revenue from coal business by industry segment during the year ended 31 December 2021:

	Year ended 31 December			
	2021		2020	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	*% of total*	*RMB'000*	*% of total*
Power plants	518,815	11.5	329,677	15.1
Coal traders	3,980,165	88.5	1,860,435	84.9
Total	4,498,980	100.0	2,190,112	100.0

Shipping transportation

The segment revenue for shipping transportation from external customers for the year ended 31 December 2021 was RMB60.2 million as compared with RMB57.3 million in 2020. The effect on disposal of the Group's vessels during 2021 was offset by the increase in freight rate, therefore the segment revenue for shipping remained constant. The Group disposed all its vessels as at 31 December 2021.

Cost of Sales

Cost of sales of the Group in 2021 amounted to RMB2,618.1 million, representing an increase of 38.4% compared with RMB1,892.0 million in 2020. The increase was due to the increase in transportation fee, depreciation, amortisation and staff costs.

The table below set forth the cost of sales of the coal business segment:

	Year ended 31 December	
	2021	**2020**
	RMB million	*RMB million*
Cost of purchase	9.0	66.9
Cost of coal transportation	890.3	723.6
Cost of self-produced coal	1,684.5	1,055.4
Materials, fuel, power	162.8	131.8
Staff costs	340.6	256.5
Depreciation and amortisation	723.6	461.7
Others	457.5	205.4
Total cost of sales of coal business segment	2,583.8	1,845.9

The Group produced coal mainly from Shanxi province in the PRC. The following table sets forth information regarding the Group's origins of coal based on sales volume and revenue in 2021 and 2020:

	Year ended 31 December			
	2021		**2020**	
	Sales volume	**Revenue**	**Sales volume**	**Revenue**
Origins of coal	*'000 tonnes*	*RMB'000*	*'000 tonnes*	*RMB'000*
China	6,115	4,498,980	5,964	2,190,112

The Group has stable coal production and has established stable cooperative relationships with its key PRC domestic customers.

Gross Profit

The Group's gross profit margin was 42.6% during the year ended 31 December 2021 as compared with gross profit margin of 15.8% during the year of 2020. Gross profit margin increased mainly due to the increase on average coal price.

Other Income, Gains and Losses

During the year ended 31 December 2021, the Group's other income, gains and losses amounted to a net gain of RMB377.5 million, representing an increase of approximately of RMB514.6 million, as compared with a net loss of RMB137.1 million in 2020. The increase in other income, gains and losses in 2021 was mainly due to the one-off gain on substantial modification upon loan restructuring and increase in government subsidies for the year ended 31 December 2021.

Distribution Expenses

Distribution expenses increase by 100.4% to RMB4.5 million for the year ended 31 December 2021, as compared with RMB2.3 million in 2020. The increase in distribution expenses was due to the one off commission expenses on the disposal of vessels during the year.

Administrative Expenses

During the year ended 31 December 2021, the Group's administrative expenses amounted to RMB250.7 million, representing an increase of 20.3%, as compared with RMB208.4 million in 2020. The increase was mainly attributable to the increase in staff costs and other taxes. The Group strived to provide competitive remuneration package to existing staffs.

Other Expenses

During the year ended 31 December 2021, the Group's other expenses amounted to RMB44.5 million, representing an increase of 33.0%, as compared with RMB33.5 million in 2020. The increase in other expenses was mainly due to increase in capital occupation fee and surcharge on resource tax payment.

Net Finance Costs

Net finance costs of the Group in 2021 amounted to RMB360.8 million, representing a decrease of 2.2%, as compared with RMB369.0 million in 2020. The amount remained constant.

Profit attributable to the equity shareholders of the Company

Profit attributable to the equity shareholders of the Company for the year ended 31 December 2021 was RMB2.8 billion, as compared with loss attributable to the equity shareholders of the Company of RMB2.9 billion in 2020. The increase in profit attributable to equity shareholders of the Company was mainly attributable to (i) the Group had benefited from external economic factors that the market price for coal experienced significant increase during the year which led to a substantial increase in the operating profit; (ii) the Group had reached loan restructuring arrangements with certain creditors of the Group, pursuant to which a non-operating profit resulting from the gain on debt restructuring is expected to be recorded; and (iii) reversal of impairment losses on property, plant and equipment and coal mining rights due to significant increase in coal price.

Reversal of impairment losses on coal mining rights, property, plant and equipment

As at 31 December 2021, with the continuing significant favourable coal market circumstances of the coal business segment, the directors of the Company, with the assistance from an independent professional qualified valuer, namely Apac Asset Valuation & Consulting Ltd, assessed the recoverable amounts of the Group's coal mines and related property, plant and equipment. Each of the Group's coal mines and the related property, plant and equipment are considered as an individual cash-generating unit. The recoverable amount of each of the cash-generating unit was estimated based on its value in use calculation which uses cash flow projections based on the most recent financial budgets approved by the directors of the Company covering a five-year period, and discount rates ranging from 15.87% to 23.25% (2020: 13.75% to 20.14%), and the available coal reserves of approximately 48.45 million tonnes (2020: 57.97 million tonnes), which comprise approximately 14.25 million tonnes (2020: 17.09 million tonnes) in Xingtao Coal Mine, approximately 5.07 million tonnes (2020: 8.86 million tonnes) in Fengxi Coal Mine, approximately 5.17 million tonnes (2020: 8.06 million tonnes) in Chongsheng Coal Mine, approximately 13.50 million tonnes (2020: 13.50 million tonnes) in Xinglong Coal Mine and approximately 10.46 million tonnes (2020: 10.46 million tonnes) in Hongyuan Coal Mine, together with other key inputs including the estimated coal prices of CGUs ranging from RMB543 to RMB669 per tonne (2020: RMB325 to RMB373 per tonne) and production costs etc. Cash flows beyond the five- year period have been extrapolated using an estimated 1.80% (2020: 2.22%) growth rate which do not exceed the average growth rate for the relevant markets. With the assistance from Apac Asset Valuation & Consulting Ltd, the directors of the Company concluded that the estimated recoverable amount of each of the following cash-generating units as at 31 December 2021 was higher than the respective carrying amount of the cash-generating unit. As a result, reversal of impairment losses on the Group's coal mining rights and the related property, plant and equipment, amounting to approximately RMB1,441,315,000 and RMB852,991,000 respectively were recognised for the year ended 31 December 2021.

Net Current Liabilities and Current Ratio

As of 31 December 2021, the Group had net current liabilities of HK$2,709.1 million, compared with HK$4,204.7 million as of 31 December 2020. The Group's current ratio as of 31 December 2021 was 0.41, compared with 0.18 as of 31 December 2020. The current liabilities and current ratio was slightly improved due to increase in current assets and decrease in current liabilities.

Capital Expenditure and Commitments

For the year ended 31 December 2021, the Group incurred an aggregate capital expenditure of HK$157.9 million (2020: HK$48.2 million) mainly related to the purchase of plant and equipment. Capital commitments contracted for but not incurred by the Group as of 31 December 2021 amounted to HK$157.0 million (2020: HK$35.0 million), which were mainly related to the purchase of plant and equipment.

Capital Structure

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

Liquidity and Financial Resources

The Group adopts stringent financial management policies and strives to maintain a healthy financial condition. The Group funds its business operations and general working capital by internally generated financial resources and bank and other borrowings. As at 31 December 2021, the Group recorded net current liabilities of RMB2,709.1 million (2020: RMB4,204.7 million).

The Group has taken initiative to enhance the financial flexibility by diversifying the funding bases and obtain medium term loans to replace short term loans. The Group is currently negotiating with financial institutions to renew and extend bank borrowings and consider ways to improve the Group's working capital. As of 31 December 2021, the cash and cash equivalents of the Group amounted to RMB1,030,439,000 (2020: RMB154,900,000), representing an increase of 565%.

As at 31 December 2021, the bank and other borrowings of the Group amounting to RMB1,475.9 million (31 December 2020: RMB1,971.0 million) were classified as current liabilities. Due to breach of loan covenants and/or occurrence of default events (including the breach of cross default clauses), certain bank and other borrowings with the aggregate carrying amount of approximately RMB1,428,514,000 (31 December 2020: RMB1,808,207,000), in which the aggregate amount of RMB790,514,000 (31 December 2020: RMB1,144,567,000) was past due, and aggregate amounts of RMB577,000,000 (31 December 2020: RMB663,640,000) were repayable within one year and after one year respectively from the end of reporting date based on the agreed scheduled repayments set out in the respective loan agreements, had become due for immediate repayment. The bank and other borrowings carried interest at rates ranging from 5.7% to 8.8% (as at 31 December 2020: 3.9% to 8.8%) per annum.

As at 31 December 2021, the Group had total banking and other borrowing facilities of RMB3,692.6 million (2020: RMB4,596.4 million), of which RMB3,692.6 million (2020: RMB4,596.4 million) were utilised.

As at 31 December 2021, the Group's cash and cash equivalents, except amount of RMB25.9 million in United States dollars ("**USD**") and amount of RMB1 million in HKD, were held in RMB. All the Group's bank and other borrowings were made in RMB.

The gearing ratio (calculated as borrowings netted off sum of cash and cash equivalents and pledged and restricted deposits divided by total assets) of the Group as at 31 December 2021 was 33.8% (2020: 83.8%). The gearing ratio decreased due to the total asset increase according to increase in profit attributable to equity shareholders for the year.

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 the PRC are mainly denominated in RMB while overseas purchases are usually denominated in USD. The Group's subsidiaries usually receive revenue in RMB. Hence, the Directors do not consider that the Group faces significant exposure to foreign exchange fluctuation risk.

Pledge of Assets of the Group

As at 31 December 2021, the Group's assets in an aggregate amount of RMB3,333.9 million (2020: RMB2,534.2 million) in forms of property, plant and equipment, coal mining rights, lease prepayments, inventories, trade and bill receivables and bank deposits were pledged to banks and asset management companies for credit facilities granted to the Group.

Pledge of Shares by the Controlling Shareholder

Fortune Pearl International Limited, which is wholly-owned by Mr. Xu Jihua, the controlling shareholder, pledged 949,000,000 shares of the Company, representing approximately 38.06% of the issued share capital of the Company, for the purpose of securing the loans of approximately RMB2,145,073,000 as at 31 December 2021 owed by certain subsidiaries of the Group to a creditor. In addition, pursuant to the debt restructuring proposal, if there is any material change in the shareholding of the Company held by the controlling shareholder of the Company, the creditor shall have the right to withdraw the debt reduction and the revised repayment schedule granted to the Group. For details, please refer to the announcement of the Company dated 9 August 2018, 22 December 2020 and 10 May 2021.

Employees and Remuneration

As of 31 December 2021, the Group employed 2,645 employees. The Group has adopted a performance-based reward system to motivate its staff and such system is reviewed on a regular basis. In addition to the basic salaries, year-end bonuses may be offered to staff members with outstanding performance.

Subsidiaries of the Company established in the PRC are also subject to central pension scheme operated by the local municipal government. In accordance with the relevant national and local labour and social welfare laws and regulations, subsidiaries of the Company established in the PRC are required to pay on behalf of their employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and other relevant insurance. Subsidiaries of the Company incorporated in Hong Kong have participated in mandatory provident fund scheme, if applicable, in accordance with Mandatory Provident Fund Schemes Ordinance.

Moreover, the Company adopted a pre-IPO share option scheme and a post-IPO share option scheme to incentivise and retain staff members who have made contribution to the success of the Group. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

(B) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

As of 31 December 2022, the Group owned five coal mines in China and one coal mine in Indonesia. The table sets forth certain information about these coal mines.

	Location	Ownership	Site area *(sq. km)*	Production capacity *(million tonnes)*	Operation status
Huameiao Energy – Xingtao Coal	Shuozhou Shanxi	80%	4.25	1.5	Under operation
Huameiao Energy – Fengxi Coal	Shuozhou Shanxi	80%	2.43	0.9	Under operation
Huameiao Energy – Chongsheng Coal	Shuozhou Shanxi	80%	2.88	0.9	Under operation
Shenda Energy – Xinglong Coal	Xinzhou Shanxi	100%	4.01	0.9	Under development (Temporarily suspended)
Shenda Energy – Hongyuan Coal	Xinzhou Shanxi	100%	1.32	0.9	Under development (Temporarily suspended)
Sumber Daya Energi – DE Coal	Kalimantan, Indonesia	70%	185	N/A	Under development

Coal Characteristics

Characteristics and typical commercial coal quality 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	Shenda Energy – Xinglong Coal	Shenda Energy – Hongyuan Coal	Sumber Daya Energi – SDE Coal
Coal Seam	4, 8, 9, 10, 11	4, 9, 11	4, 9, 11	2, 5	2, 5, 6	B, D
Moisture (%)	7-10	8-12	8-12	8.5	8.5	8-11
Ash (db, %)	20-28	20-28	20-28	21.45	30-72	22-25
Sulfur (db, %)	1.4-1.9	1.2-1.6	1.6-2.5	1.52	1.45	0.18-1.2
Calorific Value (average, kcal/kg, net, ar)	4,650-5,200	4,600-5,150	4,600-5,150	4,838	4,187	5,300

Operating Data

	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal	Shenda Energy – Xinglong Coal	Shenda Energy – Hongyuan Coal	Sumber Daya Energi – SDE Coal	Total
Reserves							
Reserves as of 1 January 2022 (Mt)							
– Proven reserves	10.23	–	–	–	–	–	10.23
– Probable reserves	4.02	5.07	5.17	13.50	10.46	293.00	331.22
Total reserves as of 1 January 2022 (Mt)	14.25	5.07	5.17	13.50	10.46	293.00	341.45
Less: Total raw coal production for the year (Mt)	(1.84)	(2.26)	(2.87)	–	–	–	(6.97)
Reserves as of 31 December 2022 (Mt)	**12.41**	**2.81**	**2.30**	**13.50**	**10.46**	**293.00**	**334.48**
Resources (measured + indicated)							
Resources as of 1 January 2022 (Mt)	46.67	16.14	17.48	35.08	20.87	589.22	725.46
Less: Total raw coal production for the year (Mt)	(1.84)	(2.26)	(2.87)	–	–	–	(6.97)
Resources as of 31 December 2022 (Mt)	**44.83**	**13.88**	**14.61**	**35.08**	**20.87**	**589.22**	**718.49**

The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources of the SDE Coal Mine in Indonesia as at 31 December 2021 in accordance with the JORC Code.

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

	Year ended 31 December	
Raw coal production volume	**2022**	**2021**
	'000 tonnes	*'000 tonnes*
Huameiao Energy – Xingtao Coal	1,837	2,843
Huameiao Energy – Fengxi Coal	2,259	3,790
Huameiao Energy – Chongsheng Coal	2,870	2,889
Total	6,966	9,522

	Year ended 31 December	
Commercial coal production volume ***(Note)***	**2022**	**2021**
	'000 tonnes	*'000 tonnes*
Huameiao Energy – Xingtao Coal	1,188	1,848
Huameiao Energy – Fengxi Coal	1,468	2,463
Huameiao Energy – Chongsheng Coal	1,866	1,878
Total	4,522	6,189

Note: According to the competent person's report issued on 29 March 2021, the historical operation of the Xingtao Coal, Fengxi Coal and Chongsheng Coal achieved an average of 65% of mixed marketable raw coal yield.

Exploration, Mining and Development Expenses

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

	Year ended 31 December	
	2022	**2021**
	RMB'000	*RMB'000*
Materials and consumables	115,022	105,913
Staff cost	455,921	340,642
Utilities	59,951	56,850
Overhead and others	1,152,120	1,180,525
Evaluation fee	1,054	586
Total	1,784,068	1,684,516

Financial Review

Revenue

	Year ended 31 December	
	2022	**2021**
	RMB'000	*RMB'000*
Coal business	3,794,039	4,498,980
Shipping transportation	–	60,200
	3,794,039	4,559,180

Coal business

	Year ended 31 December	
	2022	**2021**
	'000 tonnes	*'000 tonnes*
Coal Handling and Trading Volume of Coal Business	4,528	6,115

During the year ended 31 December 2022, the volume of the Group's coal handling and trading decreased as compared with 2021. The coal selling prices during the year ended 31 December 2022 were in range between RMB528 per tonne and RMB1,295 per tonne, as compared to the coal selling prices between RMB345 per tonne and RMB1,916 per tonne in 2021. Average coal selling price increased during the year.

The average coal selling price and the average monthly coal handling and trading volume for each of the three years ended 31 December 2022 are set forth in the table below:

	Year ended 31 December	
	2022	**2021**
Average coal selling price (RMB per tonne)	838	736
Average monthly coal handling and trading volume ('000 tonnes)	377	510

The Group sells blended coal which is sourced solely from the PRC domestic markets to customers, including power plants and coal traders. Most of the Group's customers are located in the coastal regions of China. Power plants purchase coal for use in the combustion processes to produce steam for power and heat. The following table sets forth information regarding the Group's revenue from coal business by industry segment during the years ended 31 December 2022 and 2021:

	Year ended 31 December			
	2022		2021	
	Revenue	Percentage of revenue	Revenue	Percentage of revenue
	RMB'000	*% of total*	*RMB'000*	*% of total*
Power plants	850,414	22.4	518,815	11.5
Coal traders	2,943,625	77.6	3,980,165	88.5
Total	3,794,039	100	4,498,980	100.0

Shipping transportation

The segment revenue for shipping transportation from external customers for the year ended 31 December 2022 was nil as compared with RMB60.2 million in 2021. The Group disposed all its vessels as at 31 December 2021.

Cost of Sales

Cost of sales of the Group in 2022 amounted to RMB2,520.8 million, representing a decrease of 4.0% compared with RMB2,618.1 million in 2021. The cost remained constant.

The table below set forth the cost of sales of the coal business segment:

	Year ended 31 December	
	2022	2021
	RMB million	*RMB million*
Cost of purchase	–	9
Cost of coal transportation	737	890
Cost of self-produced coal	1,784	1,685
Materials, fuel, power	175	163
Staff costs	456	341
Depreciation and amortisation	958	724
Others	195	457
Total cost of sales of coal business segment	2,521	2,584

The Group produced coal mainly from Shanxi province in the PRC. The following table sets forth information regarding the Group's origins of coal based on sales volume and revenue in 2022 and 2021:

The Group has stable coal production and has established stable cooperative relationships with its key PRC domestic customers.

	Year ended 31 December			
	2022		2021	
Origins of coal	**Sales volume**	**Revenue**	**Sales volume**	**Revenue**
	'000 tonnes	*RMB'000*	*'000 tonnes*	*RMB'000*
China	4,528	3,794,039	6,115	4,498,980

Gross Profit

The Group's gross profit margin was 33.6% during the year ended 31 December 2022 as compared with gross profit margin of 42.6% during the same period in 2021. Gross profit margin decreased mainly due to decrease in production volume and revenue while cost of sales remained relatively constant.

Other Income, Gains and Losses

During the year ended 31 December 2022, the Group's other income, gains and losses amounted to a net gain of RMB85.5 million, representing a decrease of approximately of RMB292.0 million, as compared with a net gain of RMB377.5 million in 2021. The decrease in other income, gains and losses in 2022 was mainly due to a decrease in net gain on the substantial/non-substantial modification of borrowing from approximately RMB238.7 million for the year ended 31 December 2021 to approximately RMB42.5 million for the year ended 31 December 2022.

Distribution Expenses

Distribution expenses decreased by 53.6% to RMB2.1 million for the year ended 31 December 2022, as compared with RMB4.5 million in 2021. The decrease in distribution expenses was due to no one-off commission expenses on the disposal of vessels during the year ended 31 December 2022.

Administrative Expenses

During the year ended 31 December 2022, the Group's administrative expenses amounted to RMB305.3 million, representing an increase of 21.8%, as compared with RMB250.7 million in 2021. The increase was mainly attributable to the increase in staff costs. The Group strived to provide competitive remuneration package to existing staffs.

Other Expenses

During the year ended 31 December 2022, the Group's other expenses amounted to RMB27.9 million, representing a decrease of 37.4%, as compared with RMB44.5 million in 2021. The decrease in other expenses was mainly due to decrease in capital occupation fee and surcharge on resource tax payment.

Net Finance Costs

Net finance costs of the Group in 2022 amounted to RMB253.7 million, representing a decrease of 29.7%, as compared with RMB360.8 million in 2021. The decrease was mainly due to repayment in borrowings.

Profit attributable to the equity shareholders of the Company

Profit attributable to the equity shareholders of the Company for the year ended 31 December 2022 was RMB456.5 million, as compared with profit attributable to the equity shareholders of the Company of RMB2.8 billion in 2021. The decrease in profit attributable to equity shareholders of the Company was mainly attributable to:

(i) COVID lockdown on transportation infrastructure causing a decrease in the Group's sale volume by over 60% in the fourth quarter of 2022 as compared to fourth quarter of 2021;

(ii) the absence of reversal of impairment losses on property, plant and equipment and coal mining rights of RMB2.3 billion for the year ended 31 December 2022, as compared to such reversal being made for the year ended 31 December 2021;

(iii) an increase in the depreciation of property, plant and equipment and amortisation of coal mining rights for the year ended 31 December 2022 due to significant reversal of impairment losses on property, plant and equipment and coal mining rights as at 31 December 2021; and

(iv) a decrease in net gain on the substantial/non-substantial modification of borrowings from approximately RMB238.7 million for the year ended 31 December 2021 to approximately RMB42.5 million for the year ended 31 December 2022.

Net Current Liabilities and Current Ratio

As of 31 December 2022, the Group had net current liabilities of RMB4,155.8 million, compared with RMB2,709.1 million as of 31 December 2021. The Group's current ratio as of 31 December 2022 was 0.33, compared with 0.41 as of 31 December 2021. The current liabilities and current ratio was worsen because certain borrowing is due in the next twelve months. 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.

Capital Expenditure and Commitments

For the year ended 31 December 2022, the Group incurred an aggregate capital expenditure of RMB780.3 million (2021: RMB157.9 million) mainly related to the purchase of plant and equipment. Capital commitments contracted for but not incurred by the Group as of 31 December 2022 amounted to RMB264.4 million (2021: RMB157.0 million), which were mainly related to the purchase of plant and equipment.

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 31 December 2022, the Group recorded net current liabilities of RMB4,155.8 million (2021: RMB2,709.1 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 of 31 December 2022, the cash and cash equivalents of the Group amounted to RMB856.6 million (2021: RMB1,030.4 million), and is remained constant.

As at 31 December 2022, the bank and other borrowings of the Group amounting to RMB3,447.5 million (31 December 2021: RMB1,475.9 million) were classified as current liabilities. Due to breach of loan covenants and/or occurrence of default events (including the breach of cross default clauses), certain bank and other borrowings with the aggregate carrying amount of approximately RMB1,330.6 million (31 December 2021: RMB1,428.5 million), in which the aggregate amount of RMB739.6 million (31 December 2021: RMB790.5 million) was past due, and aggregate amounts of RMB536.0 million (31 December 2021: RMB577.0 million) were repayable within one year and after one year respectively from the end of reporting date based on the agreed scheduled repayments set out in the respective loan agreements, had become due for immediate repayment. The bank and other borrowings carried interest at rates ranging from 4.91% to 7.8% (as at 31 December 2021: 5.66% to 8.8%) per annum.

As at 31 December 2022, the Group had total banking and other borrowing facilities of RMB3,520.8 million (2021: RMB3,692.6 million), of which RMB3,520.8 million (2021: RMB3,692.6 million) were utilised.

As at 31 December 2022, the Group's cash and cash equivalents, mainly except amount of RMB3.4 million in United States dollars ("**USD**"), amount of RMB0.6 million in HKD, amount of RMB8.9 million in Indonesian Rupiah, amount of RMB1.6 million in Euro, amount of RMB0.8 million in Singapore Dollar, were held in RMB.

The gearing ratio (calculated as borrowings netted off sum of cash and cash equivalents and pledged and restricted deposits divided by total assets) of the Group as at 31 December 2022 was 32.1% (2021: 33.7%). The gearing ratio decreased due to repayment of loan during the year.

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

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

As at 31 December 2022, the Group had total banking and other borrowing of RMB3,520.8 million (2021: RMB3,692.6 million), of which RMB74.7 million (2021: Nil) were made in Euro and RMB3,446.1 million (2021: RMB3,692.6 million) were made in RMB.

There has been no material change in the capital structure of the Company during the year. The capital of the Group companies are mainly the ordinary shares and perpetual subordinated convertible securities ("**PSCS**").

Exposure to Fluctuations in Exchange Rates

The Group's cash and cash equivalents are held predominately in RMB, USD and Indonesian Rupiah. Operating outgoings incurred by the Group's subsidiaries in the PRC are mainly denominated in RMB while overseas purchases are usually denominated in USD and Indonesian Rupiah. 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

As at 31 December 2022, the Group's assets in an aggregate amount of RMB2,589.0 million (2021: RMB3,316.3 million) in forms of property, plant and equipment, coal mining rights, lease prepayments, inventories, trade and bill receivables and bank deposits were pledged to banks and asset management companies for credit facilities granted to the Group.

Pledge of Shares by the Controlling Shareholder

Fortune Pearl International Limited, which is wholly-owned by Mr. Xu Jihua, the controlling shareholder, pledged 949,000,000 shares of the Company, representing approximately 38.06% of the issued share capital of the Company, for the purpose of securing the loans of approximately RMB2,008,380,000 as at 31 December 2022 owed by certain subsidiaries of the Group to a creditor. In addition, pursuant to the debt restructuring proposal, if there is any material change in the shareholding of the Company held by the controlling shareholder of the Company, the creditor shall have the right to withdraw the debt reduction and the revised repayment schedule granted to the Group. For details, please refer to the announcement of the Company dated 9 August 2018, 22 December 2020 and 10 May 2021.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

Employees and Remuneration

As of 31 December 2022, the Group employed 3,067 employees. The Group has adopted a performance-based reward system to motivate its staff and such system is reviewed on a regular basis. In addition to the basic salaries, year-end bonuses may be offered to staff members with outstanding performance.

Subsidiaries of the Company established in the PRC are also subject to central pension scheme operated by the local municipal government. In accordance with the relevant national and local labour and social welfare laws and regulations, subsidiaries of the Company established in the PRC are required to pay on behalf of their employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and other relevant insurance. Subsidiaries of the Company incorporated in Hong Kong have participated in mandatory provident fund scheme, if applicable, in accordance with Mandatory Provident Fund Schemes Ordinance.

Moreover, the Company adopted a pre-IPO share option scheme and a post-IPO share option scheme to incentivise and retain staff members who have made contribution to the success of the Group. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

(C) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

As of 31 December 2023, the Group owned five coal mines in China and one coal mine in Indonesia. The table sets forth certain information about these coal mines.

	Location	Ownership	Site area *(sq. km)*	Production capacity *(million tonnes)*	Operation status
Huameiao Energy – Xingtao Coal	Shuozhou Shanxi	80%	4.25	1.5	Under operation
Huameiao Energy – Fengxi Coal	Shuozhou Shanxi	80%	2.43	0.9	Under operation
Huameiao Energy – Chongsheng Coal	Shuozhou Shanxi	80%	2.88	0.9	Under operation
Shenda Energy – Xinglong Coal	Xinzhou Shanxi	100%	4.01	0.9	Under development (Temporarily suspended)
Shenda Energy – Hongyuan Coal	Xinzhou Shanxi	100%	1.32	0.9	Under development (Temporarily suspended)
Sumber Daya Energi – SDE Coal	Kalimantan, Indonesia	75%	185	N/A	Trial operation

Coal Characteristics

Characteristics and typical commercial coal quality 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	Shenda Energy – Xinglong Coal	Shenda Energy – Hongyuan Coal	Sumber Daya Energi – SDE Coal
Coal Seam	4, 8, 9, 10, 11	11	9.2, 11	2, 5	2, 5, 6	B
Moisture (%)	7-10	8-12	8-12	8.5	8.5	6.8-7.7
Ash (db, %)	20-28	20-28	20-28	21.45	30-72	33.7-35.1
Sulfur (db, %)	1.4-1.9	1.2-1.6	1.6-2.5	1.52	1.45	0.6-1
Calorific Value (average, kcal/kg, net, ar)	4,650-5,200	4,500-5,100	4,600-5,150	4,838	4,187	4,450-4,500

Operating Data

Reserves and Resources

	Huameiao Energy – Xingtao Coal	Huameiao Energy – Fengxi Coal	Huameiao Energy – Chongsheng Coal	Shenda Energy – Xinglong Coal	Shenda Energy – Hongyuan Coal	Sumber Daya Energi – SDE Coal	Total
Reserves							
Reserves as of 1 January 2023 (Mt)	12.41	6.87	4.43	13.50	10.46	308.71	356.38
Less: Total coal reserve depleted from mining operation for the year (Mt)	(2.88)	(2.89)	(1.74)	–	–	(0.76)	(8.27)
Reserves as of 31 December 2023 (Mt)	9.53	3.98	2.69	13.50	10.46	307.95	348.11
– Proven reserves	5.51	–	–	–	–	8.70	14.21
– Probable reserves	4.02	3.98	2.69	13.50	10.46	299.25	333.90
Resources (measured + indicated)							
Resources as of 1 January 2023 (Mt)	44.83	8.12	9.88	35.08	20.87	589.22	708.00
Less: Total coal reserve depleted from mining operation for the year (Mt)	(2.88)	(2.89)	(1.74)	–	–	(0.31)	(7.82)
Resources (measured + indicated) as of 31 December 2023 (Mt)	**41.95**	**5.23**	**8.14**	**35.08**	**20.87**	**588.91**	**700.18**
Resources (inferred) as of 31 December 2023 (Mt)	**5.82**	**1.40**	**3.97**	**10.75**	**2.58**	**379.4**	**403.92**

Note:

The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources in accordance with the JORC Code of:

(i) the Fengxi Coal, Chongsheng Coal and SDE Coal with cut-off date of 31 December 2023;

(ii) the Xingtao Coal, Xinglong Coal and Hongyuan Coal with cut-off date of 31 December 2020.

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

	Year ended 31 December	
Raw coal production volume	**2023**	**2022**
	'000 tonnes	*'000 tonnes*
Huameiao Energy – Xingtao Coal	2,878	1,837
Huameiao Energy – Fengxi Coal	2,894	2,259
Huameiao Energy – Chongsheng Coal	1,740	2,870
Sumber Daya Energi – SDE Coal	139	–
Total	7,651	6,966

	Year ended 31 December	
Commercial coal production volume *(Note)*	**2023**	**2022**
	'000 tonnes	*'000 tonnes*
Huameiao Energy – Xingtao Coal	1,870	1,188
Huameiao Energy – Fengxi Coal	1,881	1,468
Huameiao Energy – Chongsheng Coal	1,131	1,866
Total	4,882	4,522

Note: According to the competent person's report as at cut-off date of 31 December 2021, the historical operation of the Xingtao Coal achieved an average of 65% of mixed marketable raw coal yield. According to the competent person's report as at cut-off date of 31 December 2023, the historical operation of the Fengxi Coal and Chongsheng Coal achieved an average of 65% of mixed marketable raw coal yield.

Exploration, Mining and Development Expenses

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

	Year ended 31 December	
	2023	**2022**
	RMB'000	*RMB'000*
Materials and consumables	210,661	115,022
Staff cost	406,239	455,921
Utilities	47,635	59,951
Overhead and others	1,038,803	1,152,120
Evaluation fee	113	1,054
Total	1,703,451	1,784,068

Financial Review

Revenue

	Year ended 31 December	
	2023	**2022**
	RMB'000	*RMB'000*
Coal business	3,449,182	3,794,039
	3,449,182	3,794,039

Coal business

	Year ended 31 December	
	2023	**2022**
	'000 tonnes	*'000 tonnes*
Coal Handling and Trading Volume of Coal Business	5,187	4,528

During the year ended 31 December 2023, the volume of the Group's coal handling and trading decreased as compared with 2022. The coal selling prices during the year ended 31 December 2023 were in range between RMB330 per tonne and RMB941 per tonne, as compared to the coal selling prices between RMB528 per tonne and RMB1,295 per tonne in 2022. Average coal selling price decreased during the year.

The average coal selling price and the average monthly coal handling and trading volume for each of the three years ended 31 December 2023 are set forth in the table below:

	Year ended 31 December	
	2023	**2022**
Average coal selling price (RMB per tonne)	665	838
Average monthly coal handling and trading volume ('000 tonnes)	432	377

The Group sells blended coal which is sourced solely from the PRC domestic markets to customers, including power plants and coal traders. Most of the Group's customers are located in the coastal regions of China. Power plants purchase coal for use in the combustion processes to produce steam for power and heat. The following table sets forth information regarding the Group's revenue from coal business by industry segment during the years ended 31 December 2023 and 2022:

	Year ended 31 December			
	2023		**2022**	
	Revenue	**Percentage of revenue**	**Revenue**	**Percentage of revenue**
	RMB'000	*% of total*	*RMB'000*	*% of total*
Power plants	347,344	10.1	850,414	22.4
Coal traders	3,101,840	89.9	2,943,625	77.6
Total	3,449,184	100	3,794,039	100

Cost of Sales

Cost of sales of the Group in 2023 amounted to RMB2,571.2 million, compared with RMB2,520.8 million in 2022. The cost remained largely constant.

The table below set forth the cost of sales of the coal business segment:

	Year ended 31 December	
	2023	**2022**
	RMB million	*RMB million*
Cost of coal transportation	868	737
Cost of self-produced coal	1,703	1,784
Materials, fuel, power	258	175
Staff costs	406	456
Depreciation and amortisation	898	958
Others	141	195
Total cost of sales of coal business segment	2,571	2,521

The Group produced coal mainly from Shanxi province in the PRC. The following table sets forth information regarding the Group's origins of coal based on sales volume and revenue in 2023 and 2022:

	Year ended 31 December			
	2023		**2022**	
Origins of coal	**Sales volume**	**Revenue**	**Sales volume**	**Revenue**
	'000 tonnes	*RMB'000*	*'000 tonnes*	*RMB'000*
China	5,187	3,449,182	4,528	3,794,039

The Group has stable coal production and has established stable cooperative relationships with its key PRC domestic customers.

Gross Profit

The Group's gross profit margin was 25.5% during the year ended 31 December 2023 as compared with gross profit margin of 33.6% during the year ended 31 December 2022. Gross profit margin decreased mainly due to the decrease in average selling price of thermal coal.

Other Income, Gains and Losses

During the year ended 31 December 2023, the Group's other income, gains and losses amounted to a net gain of RMB2.0 million, representing a decrease of approximately RMB83.5 million, as compared with a net gain of RMB85.5 million in 2022. The decrease in other income, gains and losses in 2023 was mainly due to a decrease in net gain on the substantial/non-substantial modification of borrowing from approximately RMB42.5 million for the year ended 31 December 2022 to net loss on non-substantial/non-substantial modification of borrowing approximately RMB14.5 million for the year ended 31 December 2023.

Distribution Expenses

Distribution expenses increased by 5.1% to RMB2.2 million for the year ended 31 December 2023, as compared with RMB2.1 million in 2022. The distribution expenses remained constant although trading volume increased.

Administrative Expenses

During the year ended 31 December 2023, the Group's administrative expenses amounted to RMB297.6 million, representing a decrease of 2.5%, as compared with RMB305.3 million in 2022. The administrative expenses remained constant.

Other Expenses

During the year ended 31 December 2023, the Group's other expenses amounted to RMB11.2 million, representing a decrease of 59.9%, as compared with RMB27.9 million in 2022. The decrease in other expenses was mainly due to decrease in penalty.

Net Finance Costs

Net finance costs of the Group in 2023 amounted to RMB171.7 million, representing a decrease of 32.3%, as compared with RMB253.7 million in 2022. The decrease was mainly due to repayment in borrowings.

Profit attributable to the equity shareholders of the Company

Profit attributable to the equity shareholders of the Company for the year ended 31 December 2023 was RMB200.3 million, as compared with profit attributable to the equity shareholders of the Company of RMB456.5 million in 2022. The decrease in profit attributable to equity shareholders of the Company was mainly attributable to the net effect of:

(i) the decrease in the average coal selling price in 2023 as compared with 2022;

(ii) the increase in the coal handling and trading volume in 2023 as compared with 2022; and

(iii) impairment losses on property, plant and equipment and coal mining rights due to decrease in average coal selling price.

Net Current Liabilities and Current Ratio

As of 31 December 2023, the Group had net current liabilities of RMB3,224.9 million, compared with RMB4,155.8 million as of 31 December 2022. The Group's current ratio as of 31 December 2023 was 0.36, compared with 0.33 as of 31 December 2022. The current liabilities and current ratio was improved because repayment schedule of certain borrowing is renewed.

Capital Expenditure and Commitments

For the year ended 31 December 2023, the Group incurred an aggregate capital expenditure of RMB1,136.3 million (2022: RMB780.3 million) mainly related to the purchase of plant and equipment. Capital commitments contracted for but not incurred by the Group as of 31 December 2023 amounted to RMB26.2 million (2022: RMB264.4 million), which were mainly related to the purchase of plant and equipment.

Capital Structure

There has been no material change in the capital structure of the Company during the year. The capital of the Group companies are mainly the ordinary shares and perpetual subordinated convertible securities ("**PSCS**").

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 31 December 2023, the Group recorded net current liabilities of RMB3,324.8 million (2022: RMB4,155.8 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 of 31 December 2023, the cash and cash equivalents of the Group amounted to RMB302.7 million (2022: RMB856.6 million) because of the repayment of loan at the end of 2023.

As at 31 December 2023, the bank and other borrowings of the Group amounting to RMB1,876.1 million (31 December 2022: RMB3,447.5 million) were classified as current liabilities. Due to breach of loan covenants and/or occurrence of default events (including the breach of cross default clauses), certain bank and other borrowings with the aggregate carrying amount of approximately RMB492.4 million (31 December 2022: RMB1,330.6 million), in which the aggregate amount of RMB492.4 million (31 December 2022: RMB739.6 million) was past due, and aggregate amounts of nil (31 December 2022: RMB536.0 million) and nil (2022: RMB55.0 million) were repayable within one year and after one year respectively from the end of reporting date based on the agreed scheduled repayments set out in the respective loan agreements, had become due for immediate repayment. The bank and other borrowings carried interest at rates ranging from 1.85% to 7.8% (as at 31 December 2022: 2.5% to 7.8%) per annum. As at 31 December 2023, 90.4% and 9.6% (2022: 90.3% and 9.7%) of the Group's bank borrowings are at fixed interest rate and floating interest rate, respectively.

As at 31 December 2023, the Group had total banking and other borrowing facilities of RMB3,566.0 million (2022: RMB3,520.8 million), of which RMB3,566.0 million (2022: RMB3,520.8 million) were utilised.

As at 31 December 2023, the Group's cash and cash equivalents were held predominantly in RMB, except amount of RMB12.7 million in United States dollars ("**USD**"), amount of RMB0.8 million in HKD, amount of RMB21.6 million in Indonesian Rupiah, amount of RMB1.7 million in Euro, amount of RMB0.7 million in Singapore Dollar. All the Group's bank and other borrowings were made in RMB.

The gearing ratio (calculated as borrowings netted off sum of cash and cash equivalents and pledged and restricted deposits divided by total assets) of the Group as at 31 December 2023 was 29.8% (2022: 32.1%). The gearing ratio decreased due to repayment of loan during the year of 2023.

For the funding policy, the Group funds its working capital and other capital requirements from a combination of various sources, including but not limited to internal resource and external borrowing at reasonable interest rates. For the treasury policy, the Group adopts centralized management on financing activities and prudent financial management approach on the use of capital.

As at 31 December 2023, the Group had total banking and other borrowing of RMB3,566.0 million (31 December 2022: RMB3,520.8 million), of which RMB84.1 million (31 December 2022: RMB74.7 million) were made in Euro and RMB3,481.9 million (31 December 2022: RMB3,446.1 million) were made in RMB.

Exposure to Fluctuations in Exchange Rates

The Group's cash and cash equivalents are held predominately in RMB, USD and Indonesian Rupiah. Operating outgoings incurred by the Group's subsidiaries in the PRC are mainly denominated in RMB while overseas purchases are usually denominated in USD and Indonesian Rupiah. 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

As at 31 December 2023, the Group's assets in an aggregate amount of RMB2,899.5 million (2022: RMB2,732.7 million) in forms of property, plant and equipment, coal mining and bank deposits were pledged to banks and asset management companies for credit facilities granted to the Group.

Pledge of Shares by the Controlling Shareholder

Fortune Pearl International Limited, which is wholly-owned by Mr. Xu Jihua, the controlling shareholder, pledged 949,000,000 shares of the Company, representing approximately 38.06% of the issued share capital of the Company, for the purpose of securing the loans of approximately RMB1,666.5 million as at 31 December 2023 (as at 31 December 2022: RMB2,008.4 million) owed by certain subsidiaries of the Group to a creditor. In addition, pursuant to the debt restructuring proposal, if there is any material change in the shareholding of the Company held by the controlling shareholder of the Company, the creditor shall have the right to withdraw the debt reduction and the revised repayment schedule granted to the Group. For details, please refer to the announcement of the Company dated 9 August 2018, 22 December 2020, 10 May 2021 and 22 December 2023.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

Future Plans for Material Investments and Capital Assets

As at 31 December 2023, the Group did not have any future plans for material investments or capital assets.

Employees and Remuneration

As of 31 December 2023, the Group employed 3,348 employees. The Group has adopted a performance-based reward system to motivate its staff and such system is reviewed on a regular basis. In addition to the basic salaries, year-end bonuses may be offered to staff members with outstanding performance.

Subsidiaries of the Company established in the PRC are also subject to central pension scheme operated by the local municipal government. In accordance with the relevant national and local labour and social welfare laws and regulations, subsidiaries of the Company established in the PRC are required to pay on behalf of their employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and other relevant insurance. Subsidiaries of the Company incorporated in Hong Kong have participated in mandatory provident fund scheme, if applicable, in accordance with Mandatory Provident Fund Schemes Ordinance.

Moreover, the Company adopted a pre-IPO share option scheme and a post-IPO share option scheme to incentivise and retain staff members who have made contribution to the success of the Group. The Directors believe that the compensation packages offered by the Group to its staff are competitive in comparison with market standards and practices.

COMPETENT PERSON'S REPORT FOR
Qinfa Two Underground Coal Mines in Indonesia
Kotabaru Regency, South Kalimantan Province, Indonesia

China Qinfa Group Limited

SRK Consulting China

SCN835

June 10 2024

srk consulting

Contents

Pages

Pages

Pages

Pages

List of Tables

List of Figures

Pages

Pages

EXECUTIVE SUMMARY

Overview

China Qinfa Group Limited ("**Qinfa**") commissioned SRK Consulting (China) Limited ("**SRK**") to undertake an independent technical review for PT Sumber Daya Energi underground coal mine project ("**the SDE Coal Project**" or "**the Project**") located in South Kalimantan province, Indonesia. The purpose of the review is to prepare a Competent Person's Report ("**CPR**") in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "**JORC Code**", 2012 Edition) and the requirements of "**Chapter 18: Equity Securities, Mineral Companies**" of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong ("**Listing Rules**").

The SDE underground coal mine project is located in the northern part of the Kotabaru Regency, South Kalimantan Province, on the eastern side of the Meratus Mountains, approximately 300 kilometres away by road from Banjarmasin, the capital city of South Kalimantan Province. The permit area can be readily reached in approximately 7 hours by car via the Ahmad-Yani public highway from Banjarmasin airport. Two underground coal mining projects are planned under a mining permit hold by the PT Sumber Daya Energi ("**PT SDE**"). The permit covers an area of approximately 180 km^2 and spanning three sub-districts which are Kelumpang Hulu, Sungai Durian and Kelumpang Barat of the Kotabaru Regency. The nearest city can be readily accessible from the project site is the Batulicin city of the Tanah Bumubu Regency, located on the west coast of the Pulau Laut strait, approximately 95 km south of the project area.

The project consists of two independent underground mining areas: Qinfa Mine I and Qinfa Mine II. Qinfa Mine I, with construction beginning in December 2021, has transitioned to the production stage. Retreat longwall mining of the first panel commenced in December 2023. Mine II is currently under construction; to date, two vertical shafts have been completed, and the main incline shaft is in its downward extension phase.

Coal Transportation and Infrastructure

The infrastructures and facilities serving the coal mining have been well established in the Project region.

The Ahmad-Yani public road (also called the Jenderal Sudirman road) crosses the SDE permit area, leading to the Pasir district in the north and Dana Bumbu district in the south, forming a convenient route for civilian usage only.

As public roads in Indonesia are not allowed to transport mineral commodities such as coal. To facilitate coal hauling, AJB Indonesia has designed a dedicated road specifically for hauling coal products extracted from the SDE Coal Mine. This coal hauling road is 35 kilometres long and 14 meters wide, connecting the SDE Coal Mine to the SDE New Jetty. The construction of the jetty and the dedicated coal hauling road has largely been completed and allows for low-capacity coal transportation.

A diesel power station was built in each of the industrial sites of Qinfa Mine I and Qinfa Mine II in SDE mining area, which is responsible for all the electricity loads of Qinfa Mine I and Qinfa Mine II, and the other power supply is drawn from the diesel generator sets in the mines. The power supply to the mines is guaranteed.

The production water of the mine comes from purified mine water and newly built deep well water, which is precipitated and purified to meet the standard of production water and meet the water demand. The domestic water is initially filled with pure water, and after the mine is put into operation, the deep well water will be filtered and purified by the drinking water treatment station to meet the drinking water standard and then used, so the mine's production and domestic water sources are both guaranteed.

SRK is of the opinion that the infrastructure within the existing mining area is generally sufficient to support the new project. nevertheless, a more stable power supply is crucial for safe coal mining operations. It is recommended that the mine explore other power supply options, such as investigating the possibility of introducing grid power of sufficient capacity from nearby cities. Additionally, having sufficient equipment and material spare parts on-site is also crucial for sustaining continued production.

Geological Conditions

The PT SDE coal deposit is located on the northern margin of the Asem-Asem Basin, and the Basin is one of the five major sedimentary basins existing in the east and south-east Kalimantan region of Indonesia. The Asem-Asem Basin consists of a thick Cenozoic sedimentary sequence, from the oldest to the youngest the sequences comprise of four formations, which are the Tanjung, Berai, Warukin and Dahor Formations. The stratigraphy occurring within the PT SDE coal deposit from bottom to the top includes the pre-tertiary basement of igneous rocks, Eocene Tanjung Formation, Late Oligocene to Early Miocene Berai Formation and Quaternary sediments. The Tanjung formation is the major coal-bearing formation of the region, and the target coal seams within the Project area occur in the lower part of the formation.

Historical exploration activities within the area have intersected five coal seams, designated from top to bottom as Seams A, B, C, D and E. Seams B and D are well developed and have been identified as the principal target coal seams. The thickness of Coal Seam B ranges from 1.2 metres to 8.1 metres, with an average thickness of 4.22 metres. Coal Seam D exhibits a thickness range between 0 metres and 2.26 metres, with an average thickness of 1.41 metres. Coal Seam E is partially developed within the area covered by drilling. Seams A and C display inconsistent thicknesses, rendering them less viable targets for further exploration and potential extraction.

The coal from each seam occurring within the exploration area of the SDE coal deposit is generally classified as high volatile B to C bituminous coal according to ASTM D388 (Classification of Coals by Rank). As per the Chinese Coal Classification GB5751-2009, the coal developed in the deposit is categorised as Long-flame coal (code CY). In general, the quality characteristics of the composited coal samples have exhibited low inherent moisture, medium to high ash content, low deleterious elements, non-caking properties, high volatile matter and medium to high calorific value. The total sulphur content varies from seam to seam, with low sulphur levels in Seams A and B, medium to high sulphur content in Seam D, and moderately high sulphur content in the remaining seams. The coal produced from each seam is amenable for use as thermal coal, primarily for power generation in coal-fired power plants.

Exploration

The exploration activities associated with the Project can be divided into two phases: explorations prior to 2020 and the 2020 exploration programme. As SRK has not been involved in any of the historical exploration activities of the project, the information on the previous exploration results has been compiled mainly based on borehole information provided by the Client as well as discussions with Qinfa's technical team.

The received borehole logs indicate that a total of 17 boreholes (6,784 metres) were drilled within the Permit area prior to 2020. Among these, three KB series boreholes were drilled by PT. Geo Drilling Indonesia and commissioned by PT. Satui Basin Gas during 2012 to 2013, while the remaining 14 boreholes (SDE series and two ZK series boreholes) were drilled by Sugico Group during 2015 to 2016.

From February 2020 to April 2021, Sugico Group and China Qinfa Group launched a joint exploration programme to further explore the coal resource presented in the PT SDE permit area. A total of 50 boreholes (20,232.77 metres) were drilled in the permit area during this period. The drilling has formed a 1,000-metre to 1,200-metre drill grid in conjunction with the previously drilled boreholes, covering an area of approximately 60 square kilometres.

An infill drilling programme commenced in the middle of 2023 with the objective of upgrading the resource and reserve categories. To date, over 20 boreholes have been drilled, and the programme is currently ongoing. SRK will incorporate the resulting data from this infill drilling into future resource and reserve estimations for subsequent updates of the Competent Person's Report (CPR).

Borehole Database and Model

The data acquired from the Company underwent procedures to validate the coal seam data obtained from each exploration activity All available information was consolidated into a borehole database within the Geovia Minex 6.1.3 modelling software.

Both coal seam structure data and coal quality data were validated through several processes. As a key quality parameter, the calorific value was validated through a regression equation and converted to the required analysis basis to meet the requirements for coal marketing.

Coal Resource

The Resources estimated for the coal deposit are based on the exploration data provided by the Company. The estimation is limited to coal Seams B and D, which have been identified as having reasonable prospects for eventual economic extraction using the longwall mining method. The estimates were also horizontally and vertically constrained according to the mining licenses of PT SDE. Additionally, coal seams occurring at depths shallower than 50 metres from the surface were considered to have surface water ingress and subsidence risks, and this portion was excluded from the estimates. Furthermore, a small-scale gob area within Mine I, formed from December 2023, was depleted from the estimate.

The minimum mining thickness for the resource estimates is set to be 1.2 m. SRK considers that the application of the minimum mining thickness has properly reflected the reasonable prospects for eventual economic extraction in accordance with JORC Code 2012.

The historical exploration drillings have resulted in an approximate 1,000-metre to 1,200-metre borehole grid, which covers an area of approximately 60 square kilometres. In addition to the geological structure, SRK's coal seam model has demonstrated good consistency in the coal seam thickness and quality. Based on the above considerations, the resource classification for the exploration area was determined according to the following principles:

- Measured Resource: the areas within 600 m spacing of the Points of Observation ("**PoO**");
- Indicated Resource: the areas between 600 m and 1,200 m spacing of the PoO;
- Inferred Resource: the area greater than 1,200 m and less than 2,500 m spacing of the PoO.

It should be noted that an area of approximately 3.3 km² within the Measured Resource Area has been reclassified from the Indicated Resource Area. This change is due to confirmation of coal seam B's consistency via underground logging along with the construction of underground roadways/gateways within the area.

The Estimated JORC Coal Resources of the PT SDE permit area are summarized in Table Ex-1.

Table Ex-1: Summary of PT SDE Mine Area Coal Resource under JORC Code (As of 31 December 2023)

Coal Seam	Resource Category	Resource	Area	Thickness	In-situ Moisture	Ash Content	Total Sulphur	Calorific Value
		(Mt)	*(Km^2)*	*(m)*		*(ad, %)*	*(ad, %)*	*(gar, kCal/kg)*
B	Measured	16.71	3.30	3.50	–	–	–	–
	Indicated	435.78	63.20	4.28	6.84	28.24	0.97	5,121
	Inferred	302.3	46.06	4.19	6.78	29.43	0.90	5,024
D	Measured	–	–	–	–	–	–	–
	Indicated	136.42	51.45	1.74	7.55	21.71	1.20	5,507
	Inferred	77.1	27.83	1.83	7.73	20.91	1.60	5,633
Sub-Total	Measured	16.71	–	–	–	–	–	–
	Indicated	572.20	–	–	7.00	26.73	1.00	5,210
	Measured +Indicated	**588.91**	**–**	**–**	**7.00**	**26.73**	**1.00**	**5,210**
	Inferred	**379.4**	**–**	**–**	**6.97**	**27.70**	**1.04**	**5,147**

JORC Code Statement: *The information in this Report which relates to the Coal Resource is based on information provided by China Qinfa Group, the Coal Resource was estimated by Zhuanjian (Leo) Liu and the Report was compiled by Yongchun (Roger) Hou of SRK Consulting China. Both of them are members of AusIMM and have sufficient experience relevant to the kind of project, style of mineralisation, type of deposit under consideration, and the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", the JORC Code 2012. Mr. Hou and Mr. Liu consent to the reporting of this information in the form and context in which it appears.*

Coal Reserve

The Coal Reserve estimation was conducted on each mining system separately. SRK used Geovia Minex V6.1.3 computer software to estimate the Coal Reserve since this software is particularly suitable for modelling stratified deposits such as coal. For each mineable coal seam, the mine plan layouts comprised of the designed longwall working face were used for reserve estimation by SRK. The reviewed longwall working face (working face polygons) were imported into the Minex software and superimposed on the coal seam model to control the mineable area of the coal seams. The reserve tonnage was then estimated by using the "resource/reserve reporting" function in the software. The JORC Coal Reserve estimated by SRK is summarised in Table Ex-2.

Table Ex-2: Summary of PT SDE Mine Area Coal Reserve under JORC Code (As of 31 December 2023)

Mine	Proved Reserve	Probable Reserve	Total	Ash Content	Total Sulphur	Caloric Value
	(Mt)	*(Mt)*	*(Mt)*	*(ad, %)*	*(ad, %)*	*(kCal/ kg, gar)*
Qinfa Mine I	8.70	97.73	106.43	35.01	0.61	4,450
Qinfa Mine II	–	201.52	201.52	33.67	0.98	4,455

JORC Code Statement: *The information in this Report which relates to the Coal Reserve is based on the information provided by China Qinfa Group, the Reserve related information in this Report was compiled by Yongchun (Roger) Hou of SRK Consulting China Ltd and reviewed by Mr Bruno Strasser, an associate Principal Geologist of SRK Consulting China Ltd and a member of AusIMM. Mr Strasser has sufficient experience relevant to the kind of project, the style of mineralisation, the type of deposit under consideration, and the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", the JORC Code. The reserve estimate is based on SRK's Coal Resource estimate and was conducted by Mr Zhuanjian (Leo) Liu, all of them are full time employees of SRK Consulting China Ltd. and members of AusIMM, they are specialists in computerized reserve estimation and have relevant experience in the style of mineralization and type of deposit under consideration. Mr. Strasser, Mr. Hou and Mr. Liu consent to the reporting of this information in the form and context in which it appears.*

Mining Assessment

This mining assessment was carried out to provide sufficient information on the mining operations and the mining factors to support the Coal Reserve estimate according to the JORC Code as stated in this Report.

Mine I, with construction beginning in December 2021, has transitioned to the production stage. Retreat longwall mining of the first panel commenced in December 2023. Mine II is currently under construction; to date, two vertical shafts have been completed, and the main incline shaft is in its downward extension phase.

The Mining Assessment of the Report was based on the feasibility study report ("**FS**") prepared by Taiyuan Institution in February 2022 and the actual road developing mining situation. In the FS, the PT SDE mine is divided into three mines, namely Qinfa Mine I, Qinfa Mine II and Qinfa Mine III, and mining targets at the early stage are Qinfa Mine I and Qinfa Mine II. Qinfa Mine I is planned in the northwest proportion of the mining area targeting on seam B, divided into three mining sections. Qinfa Mine II is planned in the southern proportion targeting on seam B, also divided into three mining sections. Both planned mines use the fully mechanized longwall retreating mining method to excavate raw coal from the longwall panels. Qinfa Mine I is now in operation stage, the single level development method with inclined shaft is adopted, and three shafts are arranged, namely the main inclined shaft, the auxiliary inclined shaft and the air-returning inclined shaft, with the shaft extended into the Seam B at an elevation round – 112 m. While the current ventilation capacity meets operational requirements, SRK strongly recommends increasing the number of air-intake and air-returning shafts to ensure adequate ventilation as mining operations extend into the deeper eastern sections. Qinfa Mine II adopts the hybrid development method with shafts and inclined shafts. Three shafts are planned and in construction, namely the main inclined shaft, the auxiliary vertical shaft and the air-returning vertical shaft. the construction of the auxiliary vertical shaft and the air-returning vertical shaft has been completed, the elevation of the bottom of the two shafts is at approximately -290 m in the coal seam B. In the later stage, air-intaking and air-returning shafts are arranged in mining section III to improve the ventilation capacity.

Coal Preparation Plant (CPP) Assessment

According to SRK's Reserve model and the planned working sections, it is assessed that the ROM coal is necessary to be washed to produce marketable coal product which mainly accepted for export and domestic utilization. However, SRK has not seen evidence of Qinfa's plans for constructing a coal washing plant. In this case, the descriptions and discussions provided in this chapter regarding the Coal Preparation Plant (CPP) are based on the assessed necessity for coal washing.

Considering the hauling distance of the ROM coal, Qinfa Mine I and Qinfa Mine II would separately have its own CPP built. The FS has assessed the coal washability of the ROM coal produced from the surrounding coal mines, dense medium method is employed as the core separation unit for the two mines' proposed CPP and the two CPPs have the same separation circuits.

According to the FS, the operation of the CPPs would achieve an overall average of 75% of mixed marketable coal yield with a total moisture ranging from 8 to 11, ash content ranging from 22% to 26% and calorific value ranging from 5,000 to 5,500 kCal/kg (GAR).

Environmental, Licence, Social and Community Impact

SRK has sighted an IUP relating to the production operation of the PT Sumber Daya Energi (No. 4/1/IUP/PMA/2023), which was issued by the Kotabaru Regency of South Kalimantan Province on 10 February 2023. The IUP states that the concession covers an area of 18,500 Ha and the period of validity is 10 years. The IUP can be extended twice for up to 10 years each time.

SRK has sighted an AMDAL document (including an ANDAL and a RKL-RPL) for the SDE Underground Coal Project which was produced in December 2013. The Environmental Licence for the Project (No. 188.45/339/KUM/2014) which was issued to the PT Sumber Daya Energi by the Kotabaru Regency of South Kalimantan Province on 2 May 2014.

The significant inherent environmental and social risks for the Project are as follows:

- Environmental approvals;
- Water management (i.e., stormwater/surface water drainage, including any mine dewatering);
- Waste rock management; and
- Social aspects (i.e. resettlements).

The above inherent environmental risks are categorised as medium/low risks (i.e. requiring risk management measures). It is SRK's opinion that the environmental and social risks for the Project can be generally managed if Indonesian and internationally recognised environmental standards and regulatory requirements are adhered to.

Coal Market

In order to forecast the price of the marketable coal produced from the PT SDE underground coal project, three coal price indexes, Indonesian Coal Price Reference (HBA and HPB), Indonesian Coal Index (Argus/Coalindo) and globalCOAL's NEWC Index were adopted in the Report for reference.

The average coal price for the last five years is approximately 90 US$/t and 80 US$/t based on the HBA and ICI-1 Index, respectively. The two prices were adjusted pro-rata to the project's GAR 5,300 kcal/kg washed coal averages 66 US$/t and 65 US$/t, respectively. SRK estimate that the FOB coal price for GCV 5,300 would keep in a range between 60 to 70 US$/t for the long term (10 years). Based on a conservative prospective, the consensus forecast of SRK for the FOB coal price of GAR 5,300 is approximately 60 US$/t for the first ten years of the LOM. The exchange rate used for RMB: USD is 7.25:1.

Risk Assessment

A qualitative risk analysis carried out by SRK indicates low to medium risk for the two projects. Refer to Section 15 of the Report for the details.

1. OVERVIEW

1.1 Background

China Qinfa Group Limited ("**Qinfa**") commissioned SRK Consulting (China) Limited ("**SRK**") to undertake an independent technical review for two underground coal mines of PT Sumber Daya Energi ("**the SDE Coal Project**" or "**the Project**") located in South Kalimantan province, Indonesia. The purpose of the review is to prepare a Competent Person's Report ("**CPR**") in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "**JORC Code**", 2012 Edition) and the requirements of "Chapter 18: Equity Securities, Mineral Companies" of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong ("**Listing Rules**").

The proposed work program consists of three stages, as outlined below:

- Stage I: Initial review and conducting data process based on the data and information provided by the Client.

- Stage II: Carry out the resource estimation update based on the reviewed data and information.

- Stage III: JORC Coal Resource Reporting and JORC Coal Reserve conversion. Preparation of a CPR for public reporting including Coal Resources and Coal Reserves, assessment of the mining, review of environmental, social, and license and permit compliance.

1.2 Reporting Standard

This Report has been prepared to the standard of and is considered by SRK to be a CPR under the guidelines of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, JORC Joint Ore Reserve Committee, The JORC Code 2012 Edition ("**JORC Code**"). The JORC Code is adopted by the Australasian Institute of Mining and Metallurgy ("**AusIMM**") and the standard is binding upon all AusIMM members.

This Report is not a Valuation Report and does not express an opinion as to the value of coal assets. Aspects reviewed in this Report do include product prices, socio-political issues and environmental considerations. However, SRK does not express an opinion regarding the specific value of the assets and tenements involved.

1.3 SRK Project Team

The SRK project team and responsibilities are shown in Table 1.

Table 1: SRK Project Team

Name	Title and Responsibility
Yongchun Hou (Roger)	Principal Consultant, Geological Review, Resource and Reserve Estimation, Report Compiling
Zhuanjian Liu (Leo)	Senior Consultant (Geology), Data Processing, Resource Estimation
Lanliang Niu	Principal Consultant, Economical Analysis
Nan Xue	Principal Consultant (Environment), Environmental, Social Aspects and Permits
Bruno Strasser	Associate Principal Consultant (Mining), Mining and Reserves Review
Dr. Yonglian Sun	Corporate Consultant, Internal Review

Yongchun (Roger) Hou, ***MSc*****,** ***MAusIMM,*** is a Principal Consultant (Coal Geology) at SRK China. He graduated from the China University of Mining and Technology and has twelve years' experience in exploration management, resource estimation, GIS and coal washing. He worked as a coal geologist in Kalimantan, Indonesia and Mozambique under JORC Code practice and is proficient with Minex and Vulcan modelling software. At SRK, he has been involved in independent technical review projects for international companies such as Peabody (USA), SABIC (Saudi Arabia) and Salim Group (Indonesia). Most recently, Mr. Hou has served as the head of JORC compliant coal resource estimation for several projects, including Unienergy in China and Agritrade in Indonesia, which have been successfully listed on the Hong Kong Stock Exchange. ***Mr. Hou is responsible for the report compiling, resource and reserve estimation of the project. He is competent in the relevant types of deposits and their execution.***

Zhuanjian Liu (Leo), China University of Mining and Technology, ***BEng, MAusIMM,*** Senior Consultant (Geology). He graduated from China University of Mining and Technology and has been engaged in geological survey and due diligence work in China, Mongolia and Indonesia for more than 10 years. At SRK, he has provided consulting services to Peabody Energy (USA), SABIC (Saudi Arabia), Salim Group (Indonesia) and other large corporations. In recent years, he has been involved in several successful independent technical reporting/due diligence efforts, including the listing of China Prime on the Hong Kong Stock Exchange and the acquisition of Agritrade's stake in Indonesia. ***Mr. Liu is responsible for the data processing, resource and reserve estimation of the project.***

Lanliang Niu, ***BEng, MAusIMM, MCAMRA,*** is a Principal Consultant (Processing) with SRK Consulting China Ltd. He has over 30 years' experience in processing testing and studies, production management and technical consultancy service. He has extensive experience in the processing of precious metals, non-ferrous metals, ferrous metals and some non-metals, as well as in process test design, data processing, plant design and operations. He is familiar with the new development and application of processing technologies, facilities and reagents. For his achievements in this field, he has received two national awards. At SRK, Mr. Niu has been responsible for ore processing/metallurgy and economic analysis and has participated in more than 70 independent technical review projects. ***Mr. Niu is responsible for the investment review and cost analysis of the project.***

Nan Xue, ***MSc, MAusIMM,*** is a Principal Consultant (Environmental) at SRK China. He holds a master's degree in Environmental Science from Nankai University, in Tianjin. He has twelve years' experience in environmental impact assessment, environmental planning, environmental management, and environmental due diligence. He has been involved in a number of large EIA projects and pollution source surveys for SINOPEC as well as in the environmental-planning project funded by UNDP. He has particular expertise in construction project engineering analysis, pollution source calculation, and impact predictions. He also has an acute understanding of equator principles and International Finance Corporation environmental and social performance standards. After joining SRK, Nan has been involved in a number of IPO and due diligence projects in China, Laos, Russia, Mongolia, Philippines, Indonesia, Kazakhstan, Kyrgyzstan, South Africa, DRC, Ecuador, Chile and Ghana; the clients include the Fuguiniao Mining, Zijin Mining, Hanking Mining, Future Bright Mining, CNMC, China Gold, Shandong Gold. ***Mr. Xue is responsible for environmental, social aspects and permits of the project.***

Dr. Yonglian Sun, ***BEng, PhD, FAusIMM, FIEAust, CPEng***, is a Corporate Consultant (Geotech) with over 25 years' experience in geotechnical and mining engineering in five countries across four continents. He has extensive international mining experience with an emphasis on site investigation, analysis, and modelling of geotechnical issues in open pits, underground mines, and civil tunnels. He also possesses considerable experience in evaluating mining projects. In recent years, Yonglian has coordinated and led dozens of due diligence projects, most of which have been successfully listed in the Stock Exchange of Hong Kong Limited. ***Dr. Sun is responsible for the internal peer review of this report to ensure that the quality of the report meets the required standards.***

Bruno Strasser, ***Dipl.-Ing. (MSc), MAusIMM,*** is an Associate Consultant (Mining) of SRK China. He has more than 30 years of professional experience in mining, project management, plant construction, and consulting and has working experience in several countries in Europe and Asia. He started as a mining engineer with RWE Rheinbraun in Germany, in the world's largest lignite mine, before he was assigned to the Bukit Asam coal mine project in Indonesia as part of RWE's own consulting firm. He later joined Austria's biggest engineering group, VOEST Alpine AG, where he set up the company's mining systems engineering department. He was responsible for mining engineering studies for projects in India and China and for the turn-key development of the Semirara coal mine project in the Philippines. In the 1990s, he joined Metso (Nordberg) Corp. in Hong Kong and was responsible for sales, construction, and commissioning for several large-scale turn-key plants for the aggregates and minerals industry in Hong Kong and China. He also worked for many years in Hong Kong and Austria as a self-employed consultant, as which he gained experience in a wider field of industries and also as a business and management consultant. In 2011 he joined SRK Consulting China Ltd in Beijing as Principal Consultant for coal mining and has carried out a number of independent technical reviews and mining studies for projects in China and Indonesia. ***Mr. Bruno Strasser is responsible for the mine review and coal reserve estimation and is a competent person in terms of deposit types and execution of the project.***

1.4 Statement of SRK Independence

Neither SRK nor any of the authors of this Report have any present or contingent material interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK has no prior association with Qinfa regarding the mineral assets that are the subject of this Report. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

SRK's fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the Report.

1.5 Warranties

The Company has, to the best of SRK's knowledge, made full disclosure of all material information; and, to the best of its knowledge and understanding, such information is complete, accurate, and true.

1.6 Compliance Statement

The information in this Report that relates to Coal Resources and Coal Reserves is based on information compiled by Mr Zhuanjian (Leo) Liu, Yongchun (Roger) Hou and Bruno Strasser (Reserve). All Competent Persons who are Members of The Australasian Institute of Mining and Metallurgy and are full-time employees of SRK Hong Kong/China and close associates.

All have no prior association with the Company in regard to the mineral assets that are the subject of this Report. All have no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

All have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as Competent Persons as defined in the JORC Code (2012 Edition).

All consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

1.7 Limitations Statement

SRK is not professionally qualified to opine upon and/or confirm that the Company has 100% ownership of its underlying tenement and/or has any unresolved legal matters relating to any transfer of ownership or associated fees and royalties. SRK has therefore assumed that there are no legal impediments regarding the existence of the relevant tenements and that the Company has the legal right to all underlying tenements as purported. Assessing the legal tenures and rights to the prospects of the Company and or any of its subsidiary companies are the responsibility of legal due diligence conducted by entities other than SRK.

1.8 Forward-Looking Statement

Estimates of Coal Resources, Coal Reserves, and mine production are inherently forward-looking statements, which being projections of future performance will necessarily differ from the actual performance. The errors in such projections result from the inherent uncertainties in the interpretation of geologic data, in variations in the execution of mining and processing plans, in the inability to meet construction and production schedules due to many factors including weather, availability of necessary equipment and supplies, fluctuating prices, the ability of the workforce to maintain equipment, and changes in regulations or the regulatory climate.

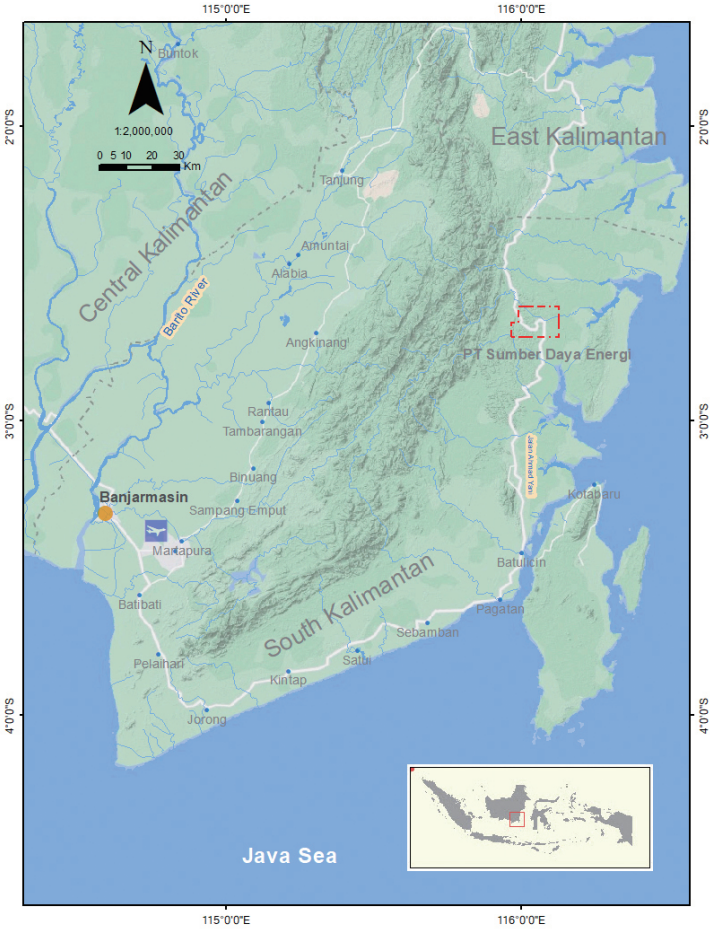
The possible sources of error in the forward-looking statements are addressed in more detail in the appropriate sections of this report. Also provided in the report are comments on the areas of concern inherent in the different areas of the mining and processing operations.

2. PROJECT DESCRIPTION

2.1 Location and Site Access

The PT SDE underground coal mine project area is situated in the northern part of the Kotabaru Regency, South Kalimantan Province, on the eastern side of the Meratus Mountains. It is approximately 300 kilometers from Banjarmasin, the capital city of South Kalimantan Province, and can be readily accessed by road within approximately 7 hours via the Ahmad-Yani public highway from Banjarmasin airport. PT Sumber Daya Energi ("**PT SDE**") holds a mining permit (IUP-OP) that covers an area of approximately 185 square kilometers spanning three districts: Kelumpang Hulu, Sungai Durian, and Kelumpang Barat of the Kotabaru Regency. The project consists of two underground mining areas: Qinfa Mine I and Qinfa Mine II. Qinfa Mine I is currently in operation, while Qinfa Mine II is under construction at the present time. The nearest city that can be readily accessible from the project site is Batulicin, located in the Tanah Bumubu Regency, on the west coast of the Pulau Laut strait, approximately 95 kilometers south of the project area. The location of the project area is presented in Figure 1.

Figure 1: Regional Location of the Project Area



2.2 Geography and Climate

The license area is generally situated in a limestone landform region, located approximately 27 km west of the Makassar Strait and around 8 km east of the Meratus Mountains. The surface of the license area exhibits a typical karst terrain, which is mainly developed in the northern and western parts of the area, with elevations ranging from approximately 20 m to 100 m. The topographic elevation of the Project area generally decreases gently towards the southeast, ranging from 25 m to 150 m above sea level ("**ASL**") within the Project area. The southeastern part of the license area is a relatively flat region with a topographic elevation ranging between 20 m to 50 m ASL.

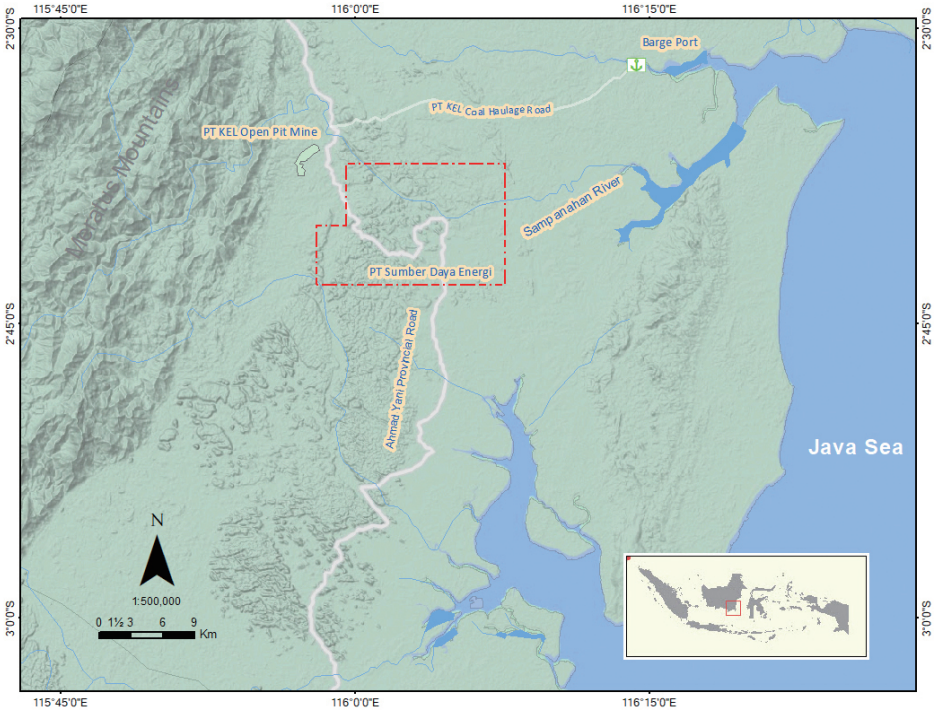
Figure 2: The Typical Landform in the Western Part of the Project Area

The surface water system in the Project region comprises two major rivers and several creeks generally flowing eastward. The major river in the Project area is the Sampanahan River, with a width of 20-40m, crossing the northern part of the Project area. The flow rate of the Sampanahan River varies between the rainy season and the dry season, with limited hydrological data available. The other major river is the Durian River, one of the major tributaries of the Sampanahan River, located in the northwestern corner of the permit area. Only a few villages are scattered along the Sampanahan River and the Ahmad-Yani road in the eastern part of the area. The western mountainous region of the permit area is less inhabited and has only scattered cultivated farmland. The Project location of the project is shown in Figure 3.

Situated in the equatorial region, the Project area has a tropical rainforest climate, generally characterized by high temperatures, rainy conditions, and high humidity without strong winds. Temperatures vary slightly throughout the year.

The area does not have distinctly separate dry and rainy seasons like some other regions. June, July, and August tend to have slightly lower rainfall compared to the rest of the year. However, these months are still quite wet. November, December, and January generally receive the highest amount of rainfall. Rainfall patterns can vary from year to year. Even during the "drier" months, frequent rain showers should be expected.

Figure 3: Project Location Map



The mean daily temperature is 26.1°C with a minimum of 17.1°C and a maximum of 35.4°C. The rainy days per year are around 92 days to 112 days, normally 100 days. The mean annual precipitation of Satui town is 2,400 mm to 3,116 mm, and the meteorological station of Banjarbaru has recorded annual precipitation ranging from 1,858 mm to 2,936 mm and 1,835 mm to 2,979.1 mm, with an average of 2,260 mm. The mean monthly precipitation is 36 mm in August and 349.5 mm in May. According to the record of PT. Arutmin, the maximum monthly precipitation is 821.4 mm recorded in June 1996.

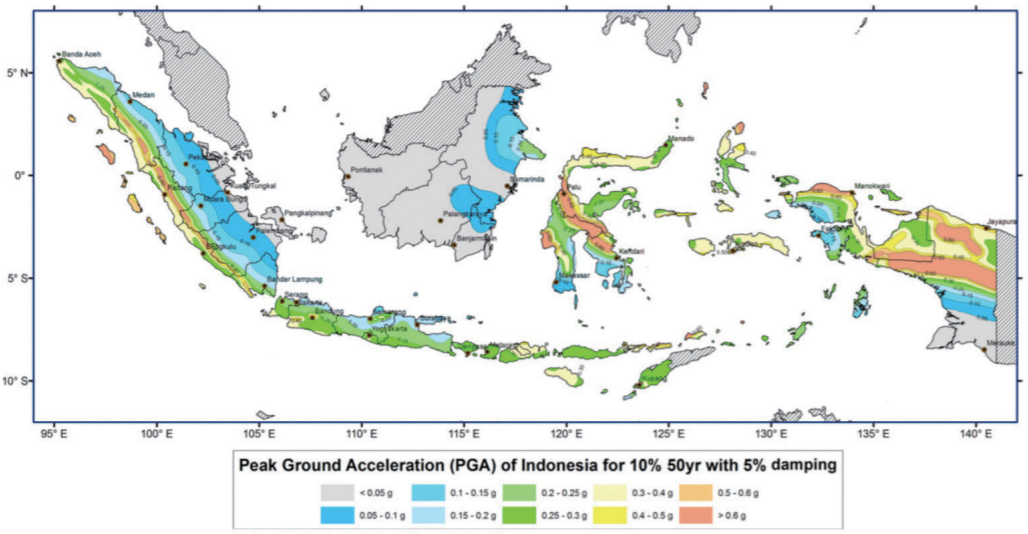
The wind is not strong in the area. From the record of a meteorological station of Banjarbaru, the average wind speed ranges from 0.2 m/s to 2.5 m/s with an average of 1.0 m/s. Most of the wind direction is south and north, approximate accounting for 47.9% and 45.1%, respectively.

Humidity is high in the area ranging from 73% to 91% with an average of 86.4%.

2.3 Potential Natural Hazards in the Area

Kalimantan Island, also known as Borneo, has been recognized as a tectonically stable area that is not affected by large-magnitude earthquakes. Indonesian earthquake records have also shown low earthquake intensity in South Kalimantan compared to other parts of Indonesia. According to the data derived from the United States Geological Survey (USGS), the seismic peak ground acceleration in the Project areas is less than 0.1g, and earthquakes rarely occur. As such, it is believed that underground mining conditions would be more suitable in this area than in tectonically more active areas such as Java, Sumatra, and other islands of Indonesia.

Figure 4: Seismic Hazard Map of Indonesia from Irsyam et al. (2010)



2.4 Mining Property, Licences and Permits

SRK has not undertaken a legal due diligence review of various licenses and permits, as such an exercise is beyond the scope of SRK's technical review. The following descriptions are based on the information provided by Qinfa.

PT SDE's Qinfa Mine I and Qinfa Mine II are located in Subdistricts of Sungai Durian, Kelumpang Barat, Kelumpang Hulu, Regency of Kotabaru, South Kalimantan Province. SDE has possessed the mining business license (IUP) for the aforesaid concession pursuant to the Decree of Kotabaru Regent No. 545/13/IUPOP/D.PE/2014 dated May 14, 2014. SDE has obtained extension of the IUP until May 14, 2034 pursuant to Decree of Head of Investment Coordinating Board No. 4/1/IUP/PMA/2023 dated on February 9, 2023. Furthermore, the IUP can be extended once more for another ten years until May 14, 2044. Further extension after could be made if SDE carried out integrated coal development and utilization activities to add more value to its coal and depending on the remaining coal reserves.

The summary information of the mining license is presented in Table 2, and the coordinates of the corner points authorized in the IUP-OP are tabulated in Table 3. A copy of the IUP-OP is presented in Appendix B. Information related to other licenses and permits is described in Section 12.1.

Table 2: Summary Information of the Mining License (IUP-OP) of PT SDE

License No.	Issued To	License Type	Issued By	Issue Date	Area *(Ha)*	Mineral Type	Validation Period *(year)*
4/1/IUP/PMA /2023	PT Sumber Daya Energi	Operational Production Permit	Kotabaru Regency of South Kalimantan Province	14 May 2034	18,500	Coal	10 (holding the right to extend)

The coordinates of the six corner points of the mining license area are provided in Table 3 below.

Table 3: Coordinates of the License Area Corner Points of the PT SDE IUP-OP

Corner Point	Longitude (E)	Latitude (S)
1	115° 59' 33.06"	2° 40' 04.10"
2	115° 58' 01.18"	2° 40' 04.10"
3	115° 58' 01.18"	2° 43' 03.21"
4	116° 07' 37.00"	2° 43' 03.21"
5	116° 07' 37.00"	2° 36' 54.92"
6	115° 59' 33.06"	2° 36' 54.92"

3. COAL TRANSPORTATION AND INFRASTRUCTURE

3.1 Coal Transportation Plan

It is noted that the Ahmad-Yani public road crosses the SDE permit area, leading to the Pasir district in the north and Dana Bumbu district in the south, forming a convenient route for civilian usage only.

As public roads in Indonesia are not allowed to transport mineral commodities such as coal. To facilitate coal hauling, AJB Indonesia has designed a dedicated road specifically for hauling coal products extracted from the SDE Coal Mine. This coal hauling road is 35 kilometers long and 14 meters wide, connecting the SDE Coal Mine to the SDE New Jetty. The construction of the jetty and the dedicated coal hauling road has largely been completed and allows for low-capacity coal transportation.

Figure 5: Coal Transportation Routes

3.2 Infrastructure

3.2.1 Water Supply

The production water of the mine comes from purified mine water and newly built deep well water, which is precipitated and purified to meet the standard of production water and meet the water demand. The domestic water is initially filled with pure water, and after the mine is put into operation, the deep well water will be filtered and purified by the drinking water treatment station to meet the drinking water standard and then used, so the mine's production and domestic water sources are both guaranteed.

3.2.2 Power Supply

As the project site is located in a sparsely populated area, there is no high-voltage transmission grid with large power capacity available locally. The installed capacity of the local public electrical grid cannot support the massive electricity demand required for underground mining operations in the project area. Surrounding mines are normally powered by generators.

To address the electricity demand for the coal mines, a new diesel power station has been built at each of the industrial sites of Qinfa Mine I and Qinfa Mine II. These power stations are responsible for supplying all the electricity loads required for Qinfa Mine I and Qinfa Mine II operations. Additionally, diesel generator sets within the mines provide supplementary power supply.

Although the power supply cost is relatively higher than using the national power grid, supplying power to the mines through these dedicated power stations and generator sets can guarantee that the power demand will be met during the mine operations.

Figure 6: Power Generator Installed on Mine I Site

3.2.3 Mian Construction Material Supply

It is noted that during the construction phase of the mine, the main construction and production materials such as sand, cement, and steel bars are purchased domestically within Indonesia. However, materials and equipment that cannot be produced domestically in Indonesia are sourced from China in order to meet the requirements for mine construction and ensure safe production operations.

Figure 7: Equipment and Materials Imported from China at the SDE Mine Site

3.2.4 Conclusion

Although this area has historically been a large-scale coal mining region, the mining methods employed were all open-pit mining. Large-scale underground coal mining has not yet been implemented in this area. Therefore, the area's capacity to supply underground coal mining-related materials and equipment is relatively weak.

SRK is of the opinion that the infrastructure within the existing mining area is generally sufficient to support the new project. nevertheless, a more stable power supply is crucial for safe coal mining operations. Hence, it is recommended that the mine explore other power supply options, such as investigating the possibility of introducing grid power of sufficient capacity from nearby cities. Additionally, having sufficient equipment and material spare parts on-site is also crucial for sustaining continued production.

4 GEOLOGICAL CONDITION

4.1 Regional Geology

The PT SDE coal deposit is situated on the northern margin of the Asem-Asem Basin, which is one of the five major sedimentary basins in the east and south-east Kalimantan region of Indonesia. The Asem-Asem Basin is believed to have been separated from the greater Barito Basin to the south-east by the Meratus Mountains, as there is a comparable succession of sedimentary rocks within the two basins, suggesting they once formed a much larger depocenter prior to the uplift of the Meratus Mountains in the Miocene (Witts 2014).

The Asem-Asem Basin consists of thick Cenozoic sedimentary sequences, comprising four formations from oldest to youngest: the Tanjung, Berai, Warukin, and Dahor Formations. The deposition processes were largely influenced by the basement's topography and the uplift of the Meratus Mountains, resulting in good exposures of the formations along the western margin of the basin (Siregar 1980).

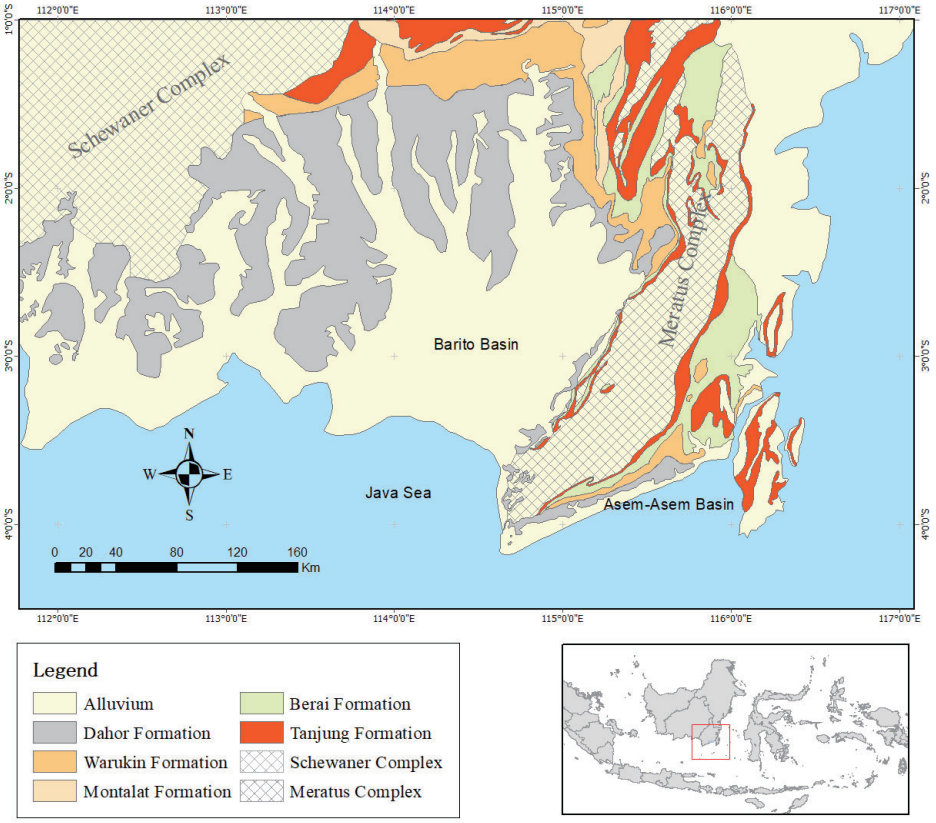
The development of the Barito and Asem-Asem Basins was initiated by rifting activities throughout the Sundaland (Pubellier 2014) in the Middle Eocene. During this rifting, the opening and extension of the Makassar Strait resulted in the separation between Borneo and Sulawesi and formed NW-SE aligned horsts and grabens. The Tanjung Formation was formed from rift sediments eroded from the Paleocene horsts. This rifting ceased at the end of the Lower Oligocene in the basins. Figure 8.

The marine influence increased along with the regression process in the Middle Oligocene, resulting in the carbonates of the Berai Formation forming within shallow water from the Late Oligocene through the Early Miocene. These gradually ceased due to the pro-deltaic input from the west.

The uplift of the Meratus in the Early Miocene resulted in the deposition of the prograding deltaic sediments of the Warukin Formation (Satyana 1999). This uplift led to the emergence of the Meratus Mountains and generated the inversion of pre-existing extensional faults in the Barito Basin.

The continuing uplift of the Meratus from the Pliocene to the Plio-Pleistocene resulted in the Dahor Formation, which mainly consists of polymict alluvium, shallow marine sediments, and tectonic molasse.

Figure 8: Schematic Map of the Stratigraphic Distribution of South Kalimantan



4.2 Geology of Mine Area

4.2.1 Stratigraphy

The stratigraphy occurring within the PT SDE coal deposit from bottom to the top includes the pre-tertiary basement of igneous rocks, Eocene Tanjung Formation, Late Oligocene to Early Miocene Berai Formation and Quaternary sediments. The Tanjung formation is the major coal-bearing formation of the region and the target coal seams within the Project area occur in the lower part of the formation.

- The bedrock, mainly consist of the grey-whitish diorite and granite, normally occurred at approximately 20 m below the bottom coal seam E of the Tanjung Formation.

- Overlying by massive limestone of the Berai Formation, the Tanjung Formation, a coal-bearing formation, only exposed in the western border area within the permit area, the lithology of the formation mainly comprised of greyish-green to dark grey mudstone, siltstone, silty mudstone and coal seams, with thin conglomerate layers, occasionally occurred at the bottom of the formation. The total thickness of the formation is approximately 280 m, and the coal-bearing section is developed in the lower part of the formation.

- The Berai Formation is conformably underlain by the Tanjung Formation, the formation covers most of the permit area except for the western part. The formation consists of a thick sequence of limestone, marl and fine-grained clastic strata with a thickness ranging from 0 m to over 320 m within the Project area.

- Quaternary soil covers most surface of the project area with an average thickness of 12 m.

4.2.2 Geological Structure and Magmatic Rocks

Shaped by the uplift of the Meratus Mountains to the west, the strata of the exploration area featured a general northeast strike and southeast dip characteristic, with the dip angle of the strata ranging from approximately 1 to 5 degrees within most of the exploration area. No magmatic occurrences have been detected within the sedimentary strata of the region.

Historical explorations have inferred seven major faults. All of the faults are interpreted as normal faults with a vertical displacement ranging from approximately 15 meters to 60 meters. The characteristics of the faults are presented in Table 4.

Table 4: Faults Identified in the PT SDE Deposit

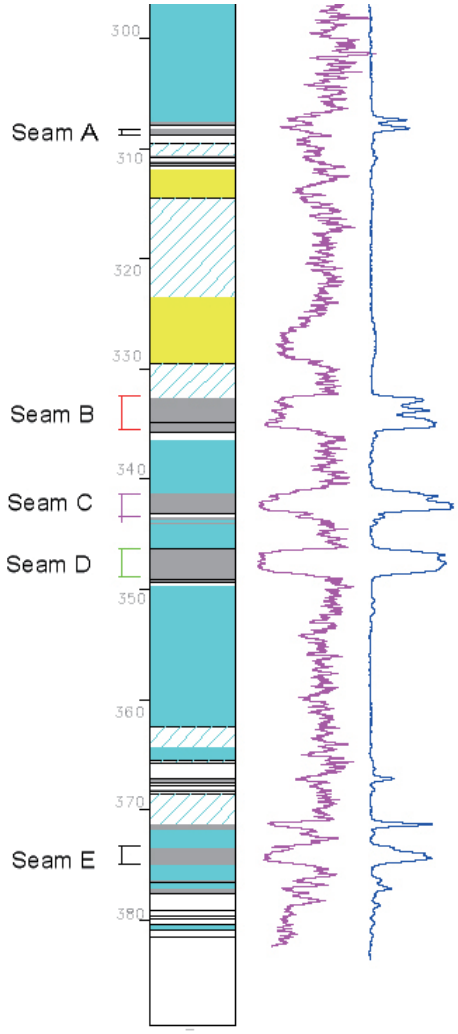
Fault No.	Type	Trend	Vertical Drop *(m)*
F1	Normal	SE/NW	20
F2	Normal	SE/NW	20 – 40
F3	Normal	SE/NW	15
F4	Normal	NE/SE	50
F5	Normal	WE/NS	15
F6	Normal	WE/NS	60
F7	Normal	SE/NW	60

Note: All faults are inferred from previous survey

4.2.3 Coal Seam Characteristics

Historical explorations have intersected five coal seams, labeled A through E from top to base. Seams B and D are well-developed and identified as the main target coal seams. Seam B has a thickness ranging from 1.2 to 8.1 meters, with an average of 4.22 meters. Seam D has a thickness ranging from 0 to 2.26 meters, averaging 1.41 meters. Coal seam E is only partially developed within the drilled area, while seams A and C have inconsistent thicknesses. Figure 9 presents a typical column of the coal-bearing strata.

Figure 9: Typical Column of the Coal-bearing Strata



The following describes the detailed information and structural characteristics of the intersected coal seams, as summarized in Table 5:

- Seam A: Intersected at depths ranging from 148 m to 492 m below the surface, seam A is the uppermost and least consistent coal seam within the PT SDE coal deposit. Its thickness is generally less than 1 m, and its immediate roof and floor are primarily composed of claystone. This seam is not considered suitable for underground longwall mining.

- Seam B: This well-developed coal seam occurs throughout the exploration area at depths of 163 m to 532 m below the surface. Most areas of the seam exceed 1.2 m in thickness, with an average thickness of 4.22 m. It contains one to three partings, mainly composed of claystone and carbonaceous claystone, with thicknesses ranging from 0.15 m to 1 m. The immediate roof and floor are predominantly claystone. The interburden between seams A and B ranges from 10 m to 25 m (averaging 20 m). Seam B is the primary target for underground longwall mining.

- Seam C: Primarily found in the western exploration area, seam C occurs at depths of 163 m to 550 m below the surface. Its thickness varies from 0.30 m to 1.34 m, averaging 0.97 m. One or two partings of claystone and carbonaceous claystone (0.15 m to 0.20 m thick) are present within this seam. The immediate roof and floor are claystone. With an interburden of 2 m to 10 m (averaging 5 m) between seams C and B, seam C lacks sufficient thickness and consistency for mining, especially due to its proximity to seam B.

- Seam D: This well-developed seam occurs throughout the exploration area at depths between 187 m and 549 m. Most sections range from 0 m to 2.60 m in thickness, with an average of 1.41 m. Seam D generally lacks partings. The interburden between seams D and C ranges from 3 m to 22 m (averaging 10 m). This interburden thins eastward from approximately 20 m to less than 5 m. In these eastern areas, seam D transitions into a locally mineable, unstable simple seam.

- Seam E: Presented mainly in the eastern part of the exploration area, seam E has thicknesses between 0.45 m and 3.51 m (averaging 1.50 m). Due to its inconsistent thickness, seam E is not considered a viable mining target within this exploration area.

Table 5: PT SDE Exploration Area Coal Seam Structural Characteristics

Coal Seam No.	Coal Thickness Range (average) *(m)*	Quantity of partings	Average Thickness of Partings *(m)*	Average Seam Spacing *(m)*	Seam Roof/Floor Lithology
A	0.18–0.35(0.26)	0	–	–	Claystone, siltstone
B	1.18–8.10(4.22)	0–4	0.34	24	Claystone, siltstone
C	0.30–1.34(0.97)	1–2	0.19	5	Claystone, siltstone
D	0.58–2.60(1.41)	0	0	10	Claystone, siltstone
E	0.45–3.51(1.50)	0	0	27	Claystone, siltstone

The seam floor contour map of the typical coal seam B and the corresponding thickness contour map are presented in Figure 10 and Figure 11.

Figure 10: Seam Floor Contour Map of Coal Seam B in PT SDE Exploration Area

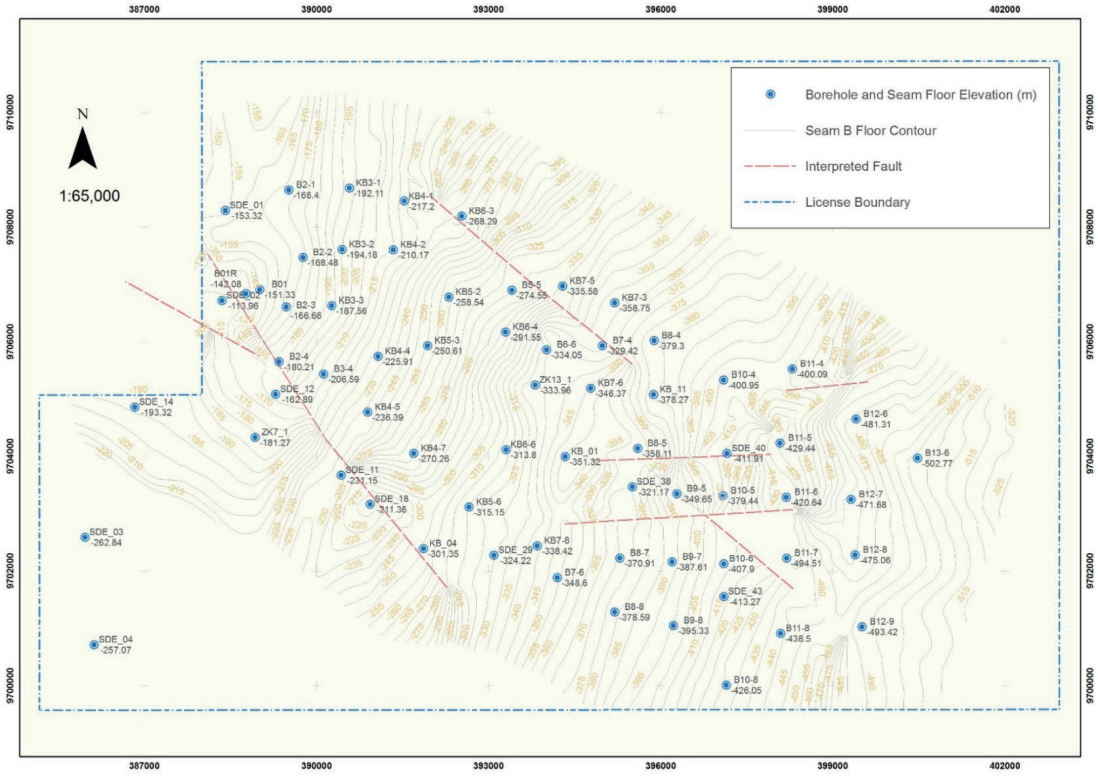
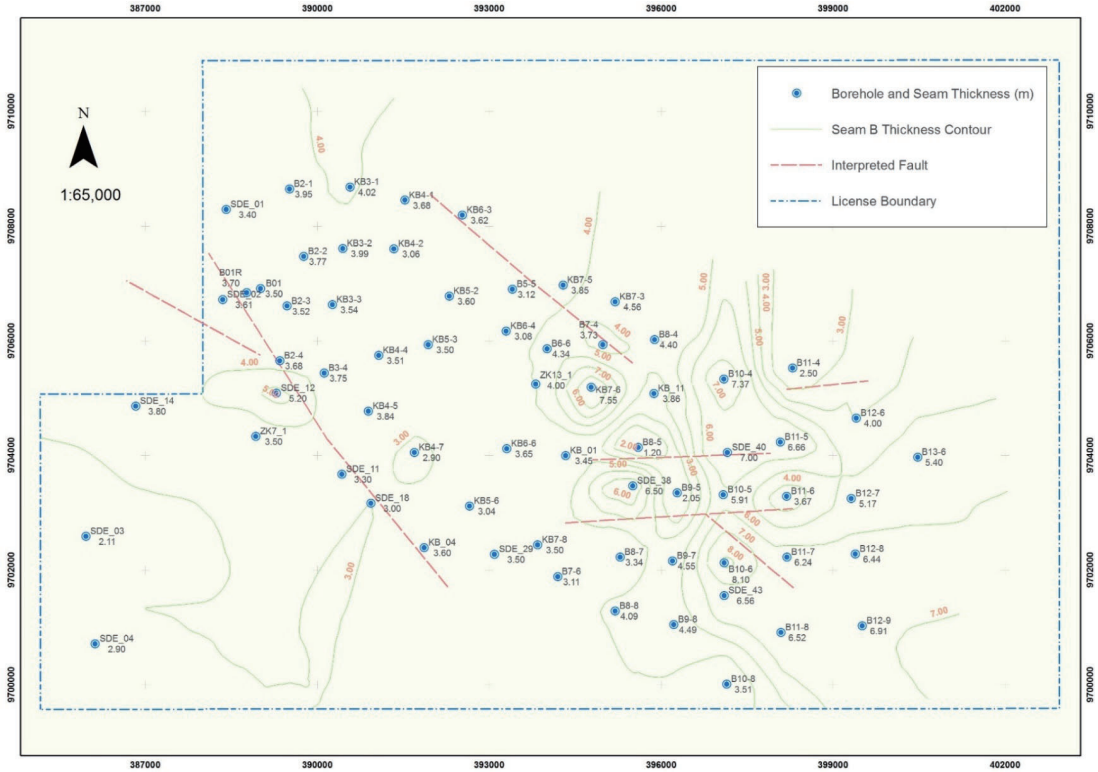


Figure 11: Thickness Contour Map of Coal Seam B in PT SDE Exploration Area



4.2.4 Coal Type and Coal Quality

The coal from each seam that occurs in the exploration area of the SDE coal deposit is generally classified as high volatile B to C bituminous coal according to ASTM D388 (Classification of Coals by Rank). Based on the Chinese Coal Classification GB5751-2009, the coal developed in the deposit is classified as Long-flame coal (code CY) with its dry-ash-free volatile matter generally greater than 37% and Qgr, maf greater than 24 MJ/kg.

In general, the quality characteristics of the composited coal samples have shown low inherent moisture, medium to high ash content, low deleterious elements, non-caking properties, high volatile matter, and medium to high calorific value. The total sulfur content varies from seam to seam, with low sulfur for seams A and B, and medium to high sulfur for seam D. The typical quality of the coal seams is presented in Table 6. The coal produced from each seam is amenable to be used as thermal coal, mainly for power generation in coal-fired power plants.

Table 6: Typical Quality of the Coal Seams in PT SDE Exploration Area (Composites)

Coal	Inherent Moisture	Ash Content	Volatile Matter	Fixed Carbon	Total Sulphur	Calorific Value
	(ad, %)	*(ad, %)*	*(ad, %)*	*(ad, %)*	*(ad, %)*	*(gr.ar, kCal/kg)*
B	4.0	29.5	30.8	35.7	0.9	5,018

Figure 12: Ash Content Contour Map of Coal Seam B in PT SDE Exploration Area (Composites)

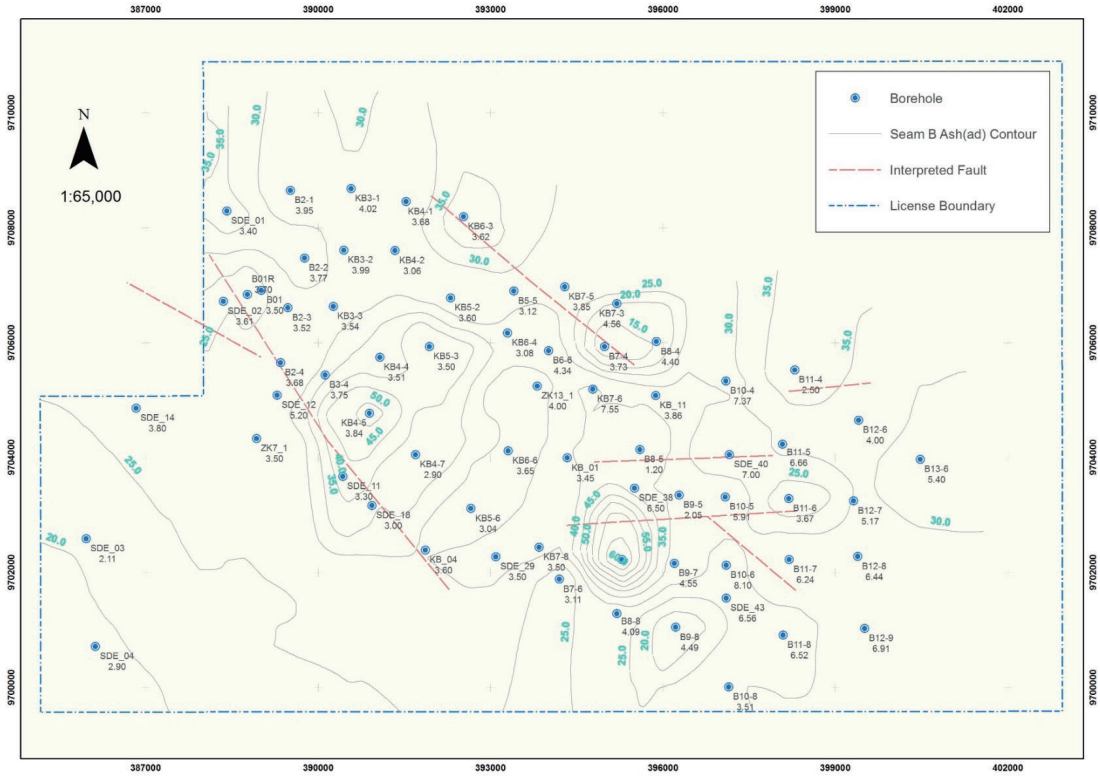
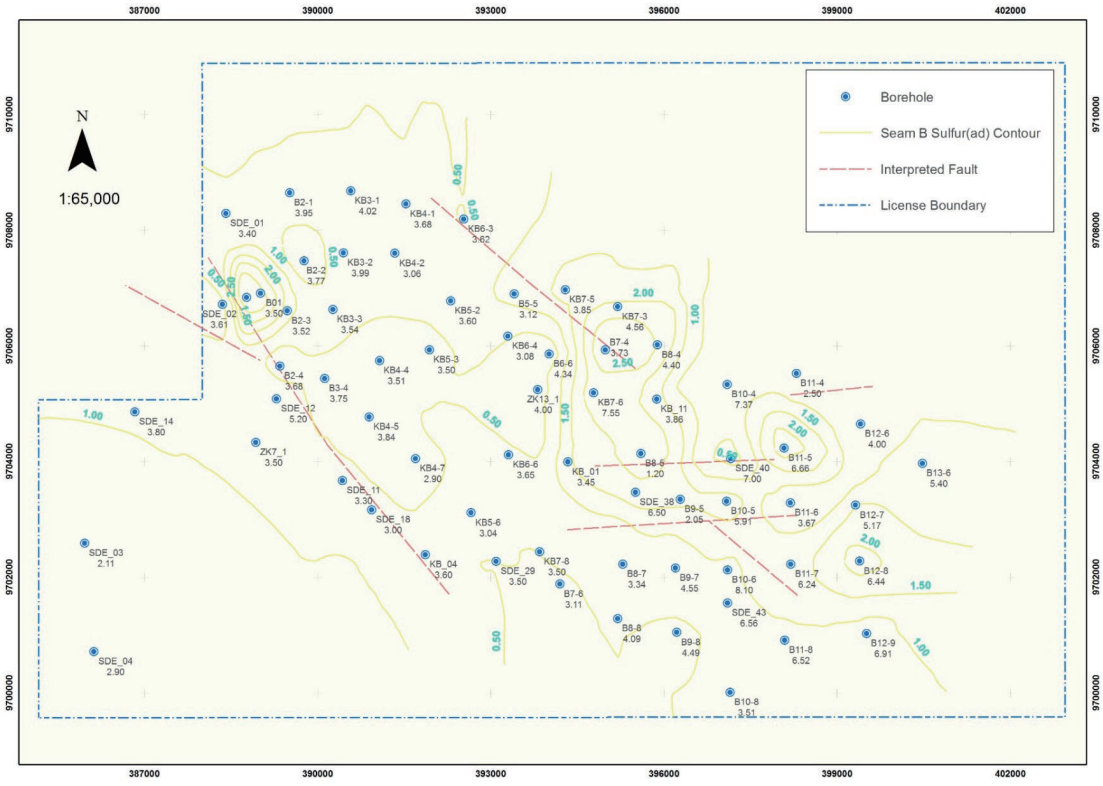


Figure 13: Total Sulfur Contour Map of Coal Seam B in PT SDE Exploration Area (Composites)



5 EXPLORATION

The exploration activities associated with the permit can be divided into the explorations prior to 2020 and the 2020 exploration program. As SRK has not been involved in any of the historical exploration activities of the project, the following information on the previous exploration results is compiled mainly based on borehole information provided by the Client as well as the discussions with Qinfa's technical team.

SRK conducted a site visit from 16th December to 21st December 2023 to discuss with the technical team of SDE to collect data and information about the exploration, current mining situation.

5.1 Explorations Prior to 2020

Prior to 2020, historical borehole logs indicate a total of 17 exploration boreholes (6,784 m cumulative depth) were drilled within the Permit area. These drilling campaigns were conducted in two phases:

- 2012-2013: PT. Geo Drilling Indonesia drilled three KB series boreholes commissioned by PT. Satui Basin Gas.
- 2015-2016: Sugico Group drilled 14 additional boreholes (SDE series and two ZK series).

Drilling did not follow a systematic grid pattern and is best classified as prospecting exploration aimed at preliminary delineation of the SDE coal deposit's resource potential.

All boreholes were vertical, cored holes with downhole geophysical surveys. Drilling primarily utilized XY-44A drill rigs (common in China, maximum depth capacity of 1,000 m). Downhole geophysical surveys included caliper, gamma, long density, and short density logs – standard for Indonesian coal seam exploration.

Coal samples were analyzed at the ILAC-MRA accredited laboratory of Pt. Surveyor Carbon Consulting Indonesia ("**SCCI**") in Banjarbaru. Analyses focused on proximate analysis, total sulfur, and heat value. SRK lacks information regarding sampling procedures and core retrieval methods used in the historical campaigns.

5.2 2020 Drilling Program

From February 2020 to April 2021, a joint exploration program by Sugico Group and China Qinfa Group further delineated coal resources within the PT SDE permit area. This program involved drilling 50 boreholes (totalling 20,232.77 m), which, in combination with historical boreholes, established a 1,000 m to 1,200 m drill grid across approximately 60 km^2.

Boreholes were completed using HQ coring with Hanjin D&B 45 drilling rigs. A wireline triple-tube system with split inner barrels was employed for core retrieval. Core logs indicate approximately 95% overall core recovery, with approximately 90% recovery within coal seams. Borehole collars were surveyed in reference to project area benchmarks.

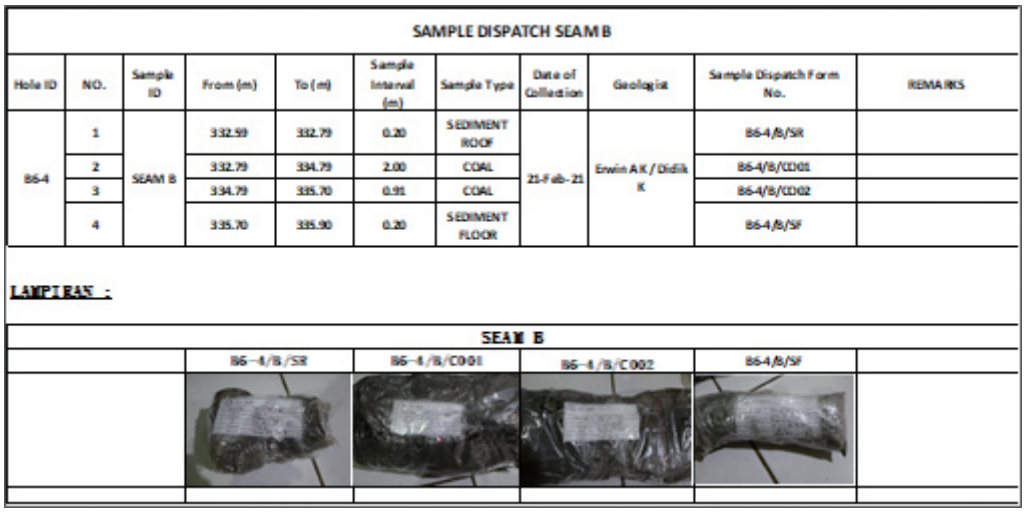
Figure 14: Cores and Labels in the Core Box

Downhole geophysical logging, conducted by Robertson Geologging Technology, included the following parameters: LSD, HRD, BRD, Caliper, and Natural Gamma. This data facilitated interpretation of coal seam structures.

Coal core samples were collected on a seam-by-seam basis with a maximum 2 m sampling interval. Partings ranging from 10 cm to 50 cm were included. Partings exceeding 50 cm were classified as interburden, with 20 cm of seam floor and roof collected. All samples were tagged with borehole number, roof/floor/parting code, seam ID, and lithology code.

While SRK was not involved in sample preparation, security, or analysis, the client provided information indicates sampling procedures generally align with standard practices and are considered acceptable for coal resource and reserve modeling.

Figure 15: A Typical Sample Sheet of 2020 Exploration



SAMPLE DISPATCH SEAM B

Hole ID	NO.	Sample ID	From (m)	To (m)	Sample Interval (m)	Sample Type	Date of Collection	Geologist	Sample Dispatch Form No.	REMARKS
B6-4	1	SEAM B	332.59	332.79	0.20	SEDIMENT ROOF	21-Feb-21	Erwin AK / Didik K	B6-4/B/SR	
	2		332.79	334.79	2.00	COAL			B6-4/B/C001	
	3		334.79	335.70	0.91	COAL			B6-4/B/C002	
	4		335.70	335.90	0.20	SEDIMENT FLOOR			B6-4/B/SF	

LAMPIRAN :

SEAM B

	B6--4/B/SR	B6--4/B/C001	B6--4/B/C002	B6-4/B/SF	

Coal core sample analysis included the following variables: total moisture, inherent moisture, ash content, volatile matter, total sulfur, calorific value, relative density, Ash Fusion Temperature (AFT), and Hardgrove Grindability Index (HGI). Table 7 outlines the specific standards applied to each analytical variable.

Table 7: Relevant Standards Adopted for the Analytical Variables

Test Item	Adopted Standard
Total Moisture	ASTM D3302
Inherent Moisture	ASTM D3173
Ash Content	ASTM D3174
Volatile Matter	ASTM D3175
Fixed Carbon	By difference
Total Sulphur	ASTM D4239
Calorific Value	ASTM D5865
Ash Fusion Temperature	ASTM D1857
Relative Density	AS 1038

5.3 2021 Hydrogeological drilling

Qinfa Group drilled two hydrogeological boreholes (B7W-1 and B8W-1) within the SDE mine to assess hydrogeological conditions. Hydrological observations were performed:

- B7W-1: Static water level, pumping tests, and recovery observations focused on the Berai Formation limestone and sandstone within the coal seam B roof.

- B8W-1: Targeted the Berai Formation limestone.

Results:

- B8W-1: Unit water influx of 0.1157 L/s.m (>0.1 L/s.m) indicates a "medium" hydrogeological type.

- B7W-1: drilling and operations spanned October to December 2021 (depth: 467.35 m).

    - Limestone Aquifer: Pumping tests (October-November) revealed 160.2 m thickness and unit water influx of 0.0141 L/s.m.

    - Coal Seam B: Pumping tests (December) focused on the sandstone aquifer 7.3 m above. Aquifer thickness was 5.2 m, with a unit water influx of 0.0006 L/s.m (<0.1 L/s.m), classifying it as a "simple" hydrogeological type.

SRK Assessment: Considering observed parameters and applying China's "Rules for Prevention and Control of Water in Coal Mines", SRK determines a "medium" hydrogeological type classification is appropriate, reflecting the higher predicted result.

5.4 2023 Infill Drilling Program

An infill drilling programme commenced in the middle of 2023 with the objective of upgrading the resource and reserve categories. To date, over 20 boreholes have been drilled, and the programme is currently ongoing. SRK will incorporate the resulting data from this infill drilling into future resource and reserve estimations for subsequent updates of the Competent Person's Report (CPR).

6 BOREHOLE DATABASE AND MODEL

The data acquired from the client was subjected to a procedure to validate the coal seam data acquired from various explorations. The first step was to consolidate all the available information into a borehole database of Geovia Minex 6.1.3 modelling software.

6.1 Coal Seam Structure Data Verification

First, the coal seam structure data were subjected to the following procedure and a series of borehole filtration work was carried out as required.

- The collar data were checked against the topographical data to correct any abnormal points of collar elevation, especially the consistency of the coordinate system for boreholes of the different exploration programs. Generally, the collar data was found to be consistent with the topography data. Boreholes with the different coordinate systems were converted to be in line with the system used in corresponding mining permits.

- Seam intervals (seam picks) provided by the Client were checked against downhole geophysical profiles and geological core logs and inconsistent intervals were adjusted to match the downhole geophysical profiles. This procedure showed a high level of consistency between the provided seam intervals and the geophysical/geological core logs.

- A seam correlation review based on the interpretation conducted in the historical geological reports and some abnormal correlations were double-checked and corrected.

The check process resulted in 67 boreholes used in seam structure (seam thickness and interval) modelling to form the basis of the volume estimation for the Project.

6.2 Analytical Results Verification

A total of 532 core samples' analytical results were available from the 67 boreholes. Three scatter plots based on all the available coal samples, including the scatter plot of ash versus calorific value, ash versus volatile matter and ash versus relative density were made to assess the reliability of the test procedure of the laboratory.

The three scatter plots, as presented from Figure 16 to Figure 18, have shown that the reliability of the analysis for the three major quality items is within an acceptable range.

Figure 16: Scatter Plot – Ash Content Versus Caloric Value

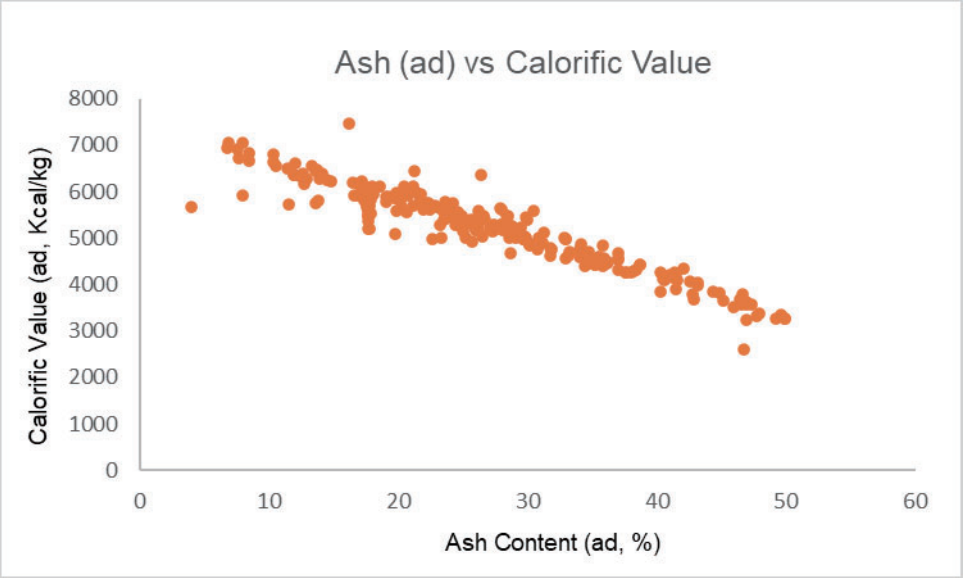


Figure 17: Scatter Plot – Ash Content Versus Volatile Matter

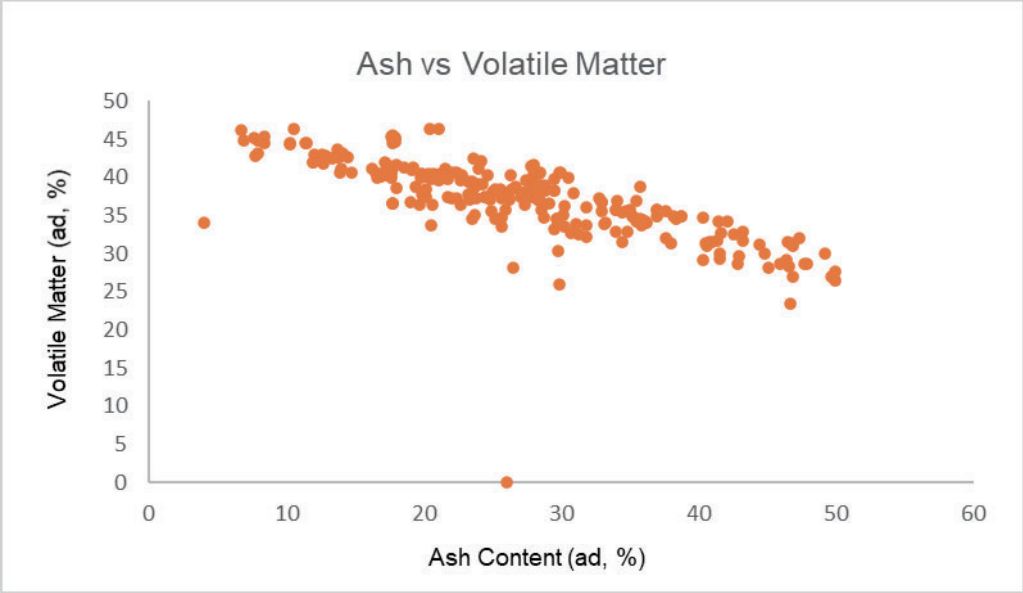
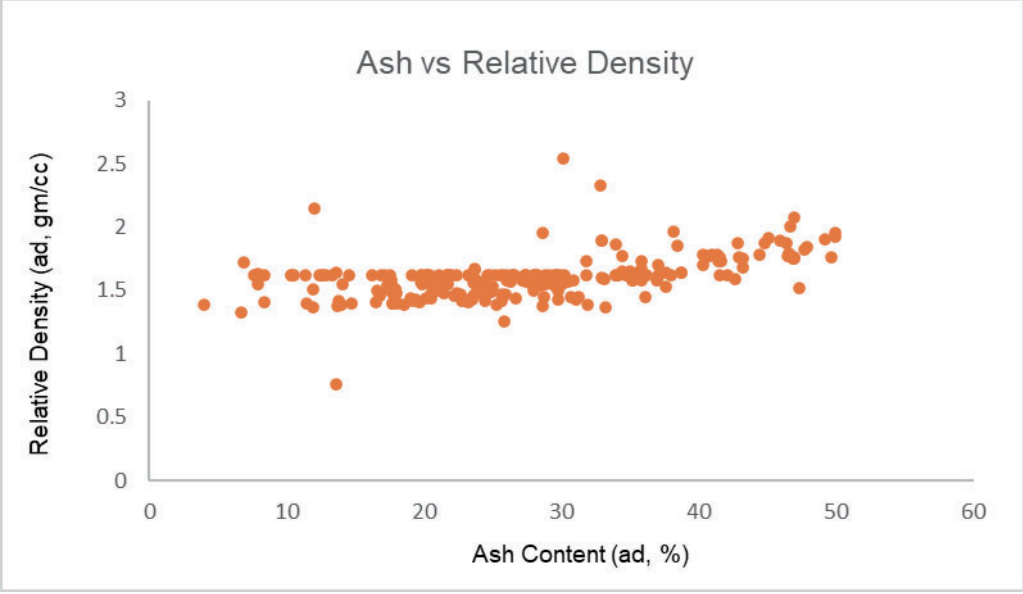


Figure 18: Scatter Plot – Ash Content Versus Relative Density



6.3 Resource Model

A total of 67 boreholes were incorporated into Geovia Minex 6.1.3 borehole database to develop a geological model. The dataset checking and modelling process are summarised as follows:

- Imported seam intervals (seam picks) were checked on a borehole-column-profile view to ensure that the coal seams were properly correlated;

- Imported sample intervals were checked against the seam intervals and inconsistent sample intervals were adjusted to match the seam intervals;

- The quality variables except relative density were composited based on the mass-weighting method by using its correspondent thickness and density. The relative density was composited by using the volume weighting method;

- The position of the floor of the missing seams was estimated in Minex by using "set-missing-seams" tool, and all the thicknesses of the missing seams below the collar and above end-hole depth were set to zero. The thickness and position of the coal seams below the end-hole depth or above collar were interpolated by the same tool;

- Working sections for resource estimation were created by adjusting seam intervals;

- "Multi-Seam Multi-Variable Gridding" tool was used to generate a series of grids including seam floor, seam thickness, inter-burden and quality variables.

7 COAL RESOURCE

7.1 Overview

Coal Resource is a concentration or occurrence of coal deposit of economic interest in such form, quantity and quality that there are reasonable prospects for eventual economic extraction. The location, quantity, quality, continuity and other geological characteristics of Coal Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling. Coal Resources are sub-divided, in order of increasing geological confidence, into "Inferred", "Indicated" and "Measured" categories in accordance with The JORC Code (2012). The following JORC 2012 guidelines explain the three levels of resources.

An "Inferred" Coal Resource is that part of Coal Resource for which quantity and quality are estimated on the basis of low levels of confidence with limited geological evidence and sampling. The quantity and quality are inferred using Points of Observation ("**PoO**") that may be supported by interpretive data.

An "Indicated" Coal Resource is that part of Coal Resource for which quantity and quality are estimated on the basis of reasonable levels of confidence which allows the application of Modifying Factors in sufficient detail to support mine plan and evaluate the economic viability of the deposit. The quantity and quality information are collected from PoO that may be supported by interpreted data. The PoO are sufficient for continuity to be assumed but are too widely or inappropriately spaced to confirm geological and quality continuity. An "Indicated" Coal Resource has a lower level of confidence than that applying to a "Measured" Coal Resource and may only be converted to a "Probable" Coal Reserve.

A "Measured" Coal Resource is that part of Coal Resource for which quantity and quality are estimated on the basis of a high level of confidence which allows the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. The quantity and quality information collected from PoO may be supported by interpretive data. The PoO are spaced closely enough to confirm geological and coal quality continuity. A "Measured" Coal Resource has a higher level of confidence than that applying to either an "Indicated" Coal Resource or an Inferred Coal Resource. It may be converted to a "Proved" Coal Reserve or under a certain circumstance to a "Probable" Coal Reserve.

In general, the process of coal resource estimation and reporting can be divided into the following steps:

- Geological data processing and resource modelling: mainly includes coal seam structure and quality data processing, coal seam correlation and geological structure data interpretation. The process will eventually generate a resource model ready for resource estimation.

- Coal Resource classification: estimated resources are classified as Measured, Indicated and Inferred categories according to the different geological confidence level. The geological confidence level is determined through both the coal seam consistency, the geological structure complexity as well as considering certain aspects which may have a substantial impact on the reasonable prospect of eventual economic extraction.

- Mined-out/sterilized area deduction, thin coal seam and poor-quality area identification: these areas apparently having no reasonable prospects for eventual economic extraction. Normally, the minimum thickness and coal quality limits (collectively, "**Cut-offs**") should be applied to the resource model for estimation.

- Estimated Resource is reported in compliant with the JORC Code, and the reporting should not only include the quantity (tonnage) but also comprise the main coal quality variables related to marketing.

7.2 Substantive Assumption

The Resources estimated for the coal deposit are based on the exploration data provided by the Company. The estimation is limited to coal Seams B and D, which have been identified as having reasonable prospects for eventual economic extraction using the longwall mining method. The estimates were also horizontally and vertically constrained according to the mining licenses of PT SDE. Additionally, coal seams occurring at depths shallower than 50 metres from the surface were considered to have surface water ingress and subsidence risks, and this portion was excluded from the estimates. Furthermore, a small-scale gob area within Mine I, formed from December 2023, was depleted from the estimate.

The minimum cut-off thickness for the resource estimates is set to be 1.2 m. As in some of the existing underground mines, the installed equipment allows for coal seams within a thickness range of between 0.8 m and 1.2 m to be extracted, SRK considers that the application of the cut-off thickness has properly reflected the reasonable prospects for eventual economic extraction in accordance with JORC Code 2012.

In terms of Australian Guidelines for the Estimation and Classification of Coal Resources, 2014 Edition ("**Coal Guidelines 2014**"), the tonnage of Coal Resource was recommended to estimate on an in-situ basis This requires in-situ density to be used in the estimation, and the in-situ density can be converted from relative density (air-dried) and in-situ moisture by using Preston and Sanders equation (Preston and sanders, 1993). In-situ moisture is normally derived from moisture-holding capacity which can be directly analyzed from the laboratory test.

In this project, no moisture-holding capacity was tested. In this case, a regression equation deriving in-situ moisture from air-dried moisture, Mis=1.3335*Mad+2.2168 (R2=0.901) was used to calculate in-situ moisture according to the study of Fletcher & Sanders (ACARP C10041), and the relative density has been adjusted to the in-situ density with an approximately decreasing in the order of 0.01 to 0.2 m^3/t.

7.3 Resource Classification

The historical exploration drillings have resulted in an approximate 1,000-metre to 1,200-metre borehole grid, which covers an area of approximately 60 square kilometres. In addition to the geological structure, SRK's coal seam model has demonstrated good consistency in the coal seam thickness and quality. Based on the above considerations, the resource classification for the exploration area was determined according to the following principles:

- Measured Resource: the areas within 600 m spacing of the Points of Observation ("**PoO**");
- Indicated Resource: the areas between 600 m and 1,200 m spacing of the PoO;
- Inferred Resource: the area greater than 1,200 m and less than 2,500 m spacing of the PoO.

The Resource classification map of the typical coal seams for the project is presented in Figure 19. It should be noted that an area of approximately 3.3 km² within the Measured Resource Area has been reclassified from the Indicated Resource Area. This change is due to confirmation of coal seam B's consistency via underground logging along with the construction of underground roadways/gateways within the area.

7.4 JORC Coal Resources Statement

A geological modelling software specified for coal and other stratified deposits, Geovia Minex™ was used for the Coal Resource estimation of the PT SDE underground coal project.

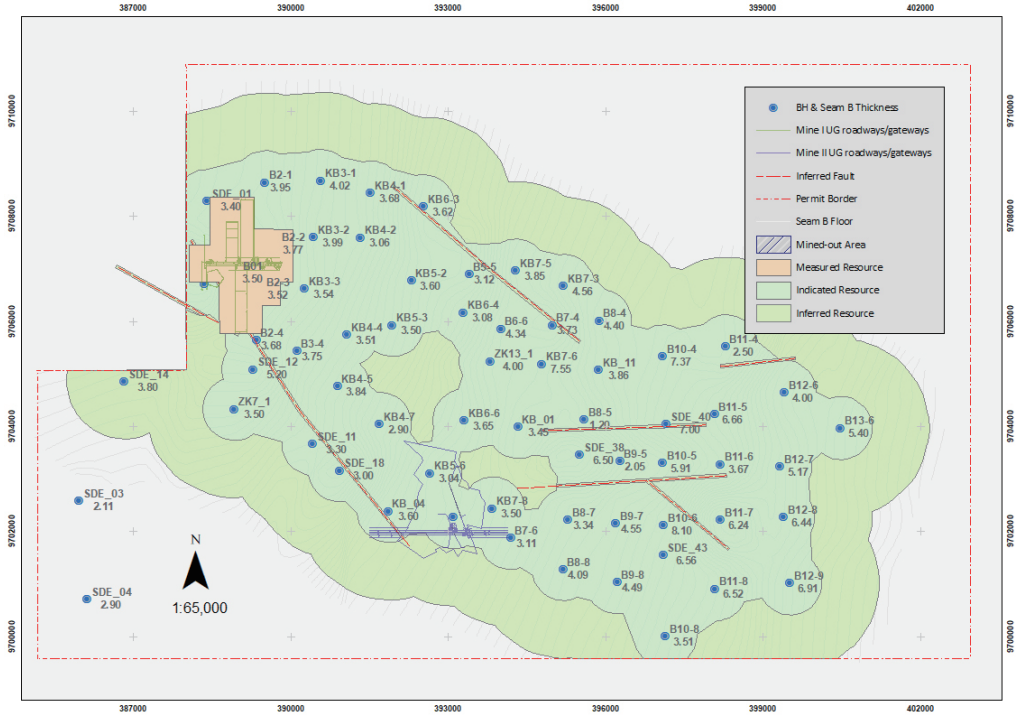
A total of **588.91 million tonnes** of Measured and indicated Coal Resource were estimated and reported by SRK in accordance with the JORC Code 2012 within the PT SDE permit area, of which 16.82 million tonnes is of Measured Coal Resource, 571.97 million tonnes is of Indicated Coal Resource. 379.4 million tonnes are estimated as Inferred Coal Resource. The estimation was prepared with the cut-off date as of 31 December 2023.The result of the estimated Coal Resource is presented in Table 8.

Table 8: Coal Resource within the PT SDE Permit Area as of 31 December 2023

Coal Seam	Resource Category	Resource	Area	Thickness	In-situ Moisture	Ash Content	Total Sulphur	Calorific Value
		(Mt)	*(Km^2)*	*(m)*	*(ad, %)*	*(ad, %)*	*(gar, kCal/kg)*	
B	Measured	16.71	3.30	3.50	–	–	–	–
	Indicated	435.78	63.20	4.28	6.84	28.24	0.97	5,121
	Inferred	302.3	46.06	4.19	6.78	29.43	0.90	5,024
D	Measured	–	–	–	–	–	–	–
	Indicated	136.42	51.45	1.74	7.55	21.71	1.20	5,507
	Inferred	77.1	27.83	1.83	7.73	20.91	1.60	5,633
Sub-Total	Measured	16.71	–	–	–	–	–	–
	Indicated	572.20	–	–	7.00	26.73	1.00	5,210
	Measured +Indicated	**588.91**	**–**	**–**	**7.00**	**26.73**	**1.00**	**5,210**
	Inferred	**379.4**	**–**	**–**	**6.97**	**27.70**	**1.04**	**5,147**

***JORC Code Statement**: The information in this Report which relates to the Coal Resource is based on information provided by China Qinfa Group, the Coal Resource was estimated by Zhuanjian (Leo) Liu and the Report was compiled by Yongchun (Roger) Hou of SRK Consulting China. Both of them are members of AusIMM and have sufficient experience relevant to the kind of project, style of mineralisation, type of deposit under consideration, and the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", the JORC Code 2012. Mr Hou and Mr Liu consent to the reporting of this information in the form and context in which it appears.*

Figure 19: The Resource Classification Map of the Typical Coal Seam B



7.5 Conclusions and Recommendations

SRK has developed a borehole database and geological model by referring to the Client's coal seam and geological structure interpretations. The model is suitable for underground coal resource estimation after reviewing the exploration data acquired from historical exploration programs between 2012 and 2021.

Based on the review, a total of 588.91 Mt Measured and Indicated Coal Resources and 379.4 Mt of Inferred Resource are estimated for the coal seam B and D. Resources are considered to be amenable to using the underground longwall method. No open-pit Resources are estimated in the Report.

The coal quality that SRK estimated based on the data acquired from the explorations would support a medium calorific thermal ROM coal product with potentials both for domestic and export thermal coal markets.

8 COAL RESERVE

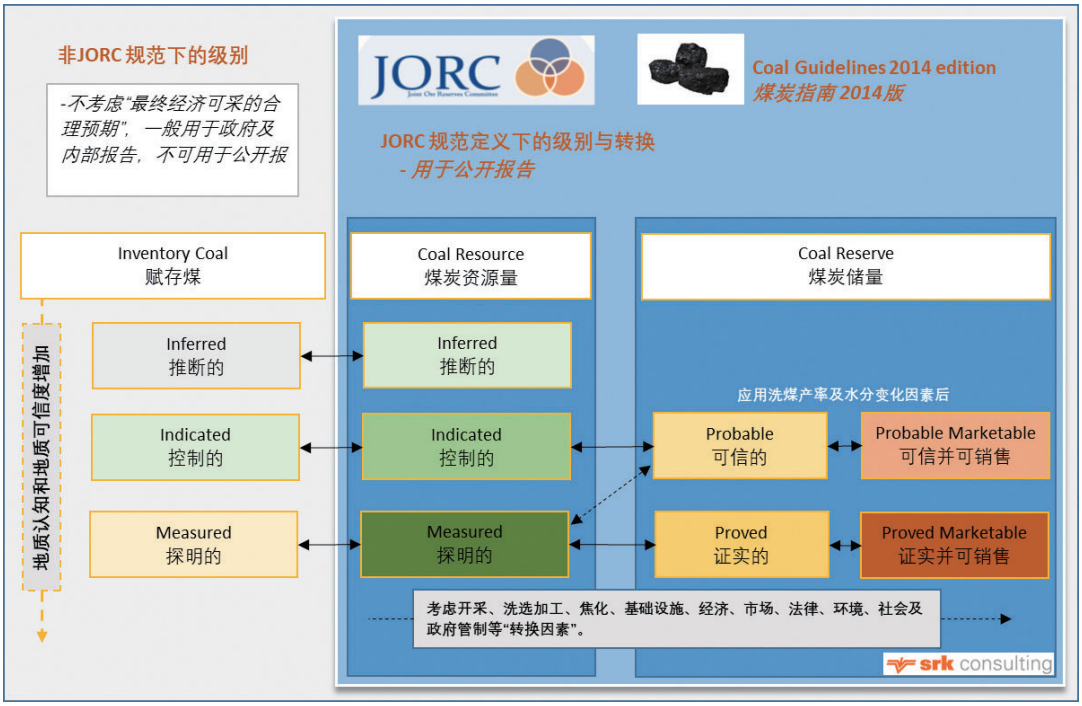
8.1 Overview

Public reporting requires coal reserves to be estimated in accordance with recognised international standards. The Coal Reserve estimate in this Report follows the guidelines, recommendations and standards set out in the JORC Code in order to provide competency and transparency as required for public reporting of Ore Reserves. For coal deposits, Ore Reserve is referred to as Coal Reserve as recommended by the JORC Code and used in this Report.

According to the JORC Code, a Coal Reserve is the economically mineable part of a "Measured" and/or "Indicated" "Coal Resource" and includes losses and dilution, which may occur by mine design and during the mining operation. Coal Resources are converted to Coal Reserves after consideration of mining, processing, coal quality, infrastructural, economic, marketing, legal, environment, social, and governmental factors (the "**Modifying Factors**"). For reporting of Coal Reserves, a project mining study at the Pre-Feasibility Study or Feasibility Study level must support the technical feasibility and economic viability of a project. Data available from records of an ongoing operation may support, complement, and confirm the findings of a mining study and the Modifying Factors. Only "Measured" Coal Resources can be converted to "Proved" Coal Reserves; "Indicated" Coal Resources can only be converted to "Probable" Coal Reserves.

Coal Reserves are defined at a reference point, usually, and for this Report, the run-of-mine ("ROM") coal as received at the mine surface plant. Beneficiated or otherwise enhanced coal products must also be reported in conjunction with the Coal Reserves as "Marketable Coal Reserve". The predicted yield to achieve such "Marketable Coal Reserves" must also be stated. Estimated coal tonnage and grade outside these categories (also known as inventory coal) shall not be included in a Public Report. However, if the Company's mining and production plans include coal outside these categories, this should be mentioned in the review of the mining plans.

Figure 20: Relationship between Coal Resources and Coal Reserves



8.2 Reserve Estimation

The Coal Reserve estimation was conducted on each mining system separately. The system division can be seen in Figure 21.

8.2.1 Estimation Principles and Parameters

SRK utilized the Geovia Minex V6.1.3 computer software for estimating the Coal Reserves, as this software is particularly well-suited for modelling stratified deposits such as coal seams. For each mineable coal seam, the mine plan layouts comprising the designed longwall panels were employed by SRK for reserve estimation. The reviewed longwall panel polygons were imported into the Minex software and superimposed onto the coal seam model to constrain the mineable areas of the coal seams. The reserve tonnage was subsequently estimated by utilizing the "resource/reserve reporting" function within the software. The longwall panel polygons used for the Reserve estimation for the two mines are presented in Figure 21.

Through the superimposition of the longwall panels on the seam model, the reserve estimate excluded coal from various protecting pillars and barriers. Additionally, an average dilution of 5% of the in-situ coal was applied in the estimate for both projects to account for occasional floor cuttings, roof rock falls, and minor geological disturbances within the panels. The "coal quality" parameters of the dilution material used in the Reserve estimates are presented as follows:

Table 9: Dilution Parameters Used in the Reserve Estimates

Item	Relative Density	Ash Content	Total Sulphur	Caloric Value
	(m^3/t)	*(ad, %)*	*(ad, %)*	*(kCal/kg, gar)*
Parting/Dilution Material	2.5	85	0.5	250

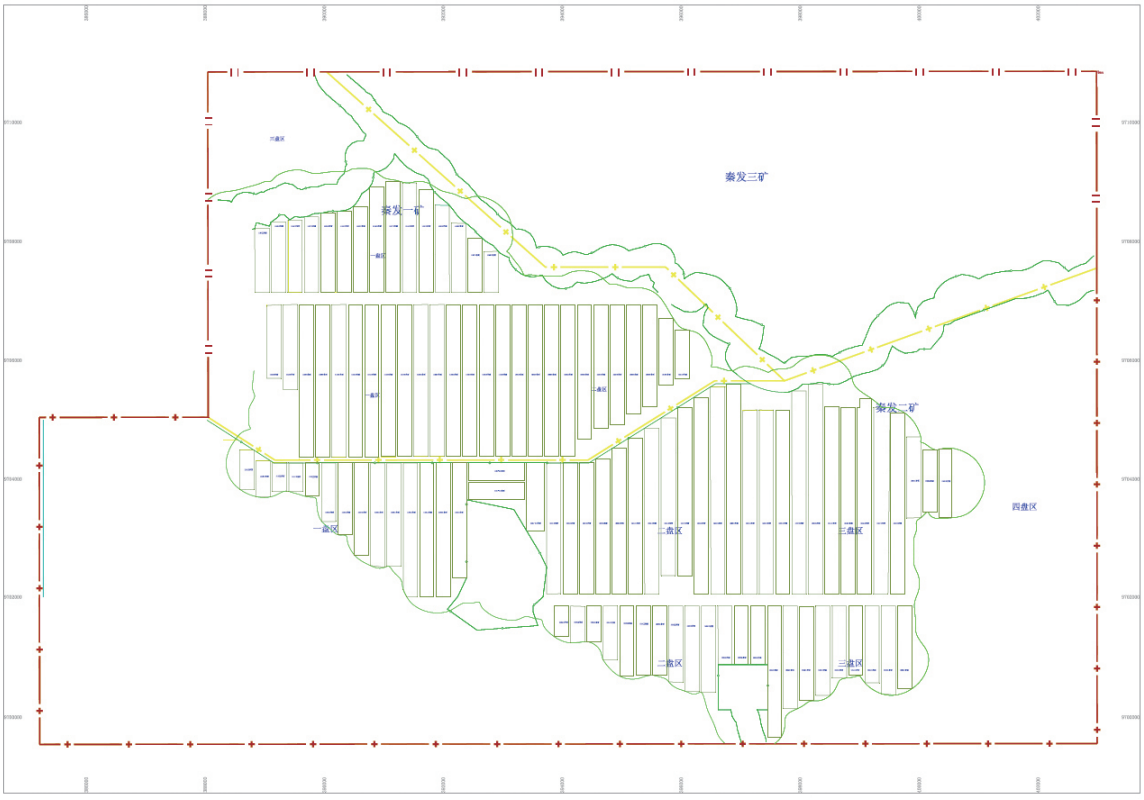
According to the coal seam thicknesses and the mine planning parameters, the Coal Reserve estimations were confined to coal seam B for the Qinfa Mine I and Qinfa Mine II projects, respectively. The longwall retreat mining method with single slice (cut) extraction is proposed for implementation in both projects. Based on this mining method, SRK applied the following limits and parameters (cut-offs) in the Reserve estimates for both mines:

- The estimation of the Coal Reserves is limited to the designed panels within the mining license area boundaries;
- A minimum mining thickness of 2.0 m was applied in the estimation for seam B at both Qinfa Mine I and Qinfa Mine II. This minimum mining thickness is in alignment with the selected coal shearer machine specifications outlined in the Feasibility Study;
- An average recovery rate of 95% was applied for the designed panels;
- Coal output derived from the various roadway developments was included in the reserve calculations;
- The cut-off date for the Coal Reserve estimates is 31 December 2023.

8.2.2 Modifying Factors

The "Modifying Factors", i.e., the consideration of the factors such as mining, processing, metallurgical (coal quality), infrastructure, economic, marketing, legal, environmental, social and government are reviewed in the various sections of this report. As a conclusion, the situation and conditions of the two proposed mines could be seen as established, secure and stable with regard to the factors mentioned above. SRK would therefore not consider, for instance, downgrading Proved Coal Reserve supported by Measured Resource, or downgrading (reject) Probable Coal Reserve supported by Indicated Coal Resource.

Figure 21: Longwall Mining Face Layout Applied in Qinfa Mine I and Qinfa Mine II Reserve Estimates



8.2.3 JORC Coal Reserve Statement

SRK has estimated a JORC (2012) compliant Coal Reserve of 106.43 million tonnes for the Qinfa Mine I area and 201.52 million tonnes for the Qinfa Mine II area. Details of the Reserve estimations for both mine projects are summarized in Table 10 and Table 11, respectively.

Table 10: Coal Reserve of Qinfa Mine I under JORC Code (As of 31 December 2023)

Coal Seam	Reserve Category	Reserve *(Mt)*	Ash Content *(ad, %)*	Total Sulphur *(ad, %)*	Caloric Value *(gar, kCal/kg)*
B	Proved	8.70	34.50	0.57	4,500
	Probable	97.73	35.10	0.61	4,450
	Sub-Total	**106.43**	**35.05**	**0.61**	**4,450**
Total	Proved	8.70	34.50	0.57	4,500
	Probable	97.73	35.10	0.61	4,450
	Sub-Total	**106.43**	**35.05**	**0.61**	**4,450**

Table 11: Coal Reserve of Qinfa Mine II under JORC Code (As of 31 December 2023)

Coal Seam	Reserve Category	Reserve *(Mt)*	Ash Content *(ad, %)*	Total Sulphur *(ad, %)*	Caloric Value *(gar, kCal/kg)*
B	Proved	–	–	–	–
	Probable	201.52	33.67	0.98	4,455
	Total	**201.52**	**33.67**	**0.98**	**4,455**

JORC Code Statement*: The information in this Report which relates to the Coal Reserve is based on the information provided by China Qinfa Group, the Reserve related information in this Report was compiled by Yongchun (Roger) Hou of SRK Consulting China Ltd and reviewed by Mr Bruno Strasser, an associate Principal Geologist of SRK Consulting China Ltd and a member of AusIMM. Mr Strasser has sufficient experience relevant to the kind of project, the style of mineralisation, the type of deposit under consideration, and the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", the JORC Code. The reserve estimate is based on SRK's Coal Resource estimate and was conducted by Mr Zhuanjian (Leo) Liu and Mr Hou, they are full-time employees of SRK Consulting China Ltd. and members of AusIMM, they are specialists in computerized reserve estimation and have relevant experience in the style of mineralization and type of deposit under consideration. Mr Strasser, Mr Hou and Mr Liu consent to the reporting of this information in the form and context in which it appears.*

9 MINING ASSESSMENT

9.1 Overview

This mining assessment was carried out to provide sufficient information on the mining operations and the mining factors to support the Coal Reserve estimate according to the JORC Code as stated in this Report.

Mine I, with construction beginning in December 2021, has transitioned to the production stage. Retreat longwall mining of the first panel commenced in December 2023. Mine II is currently under construction; to date, two vertical shafts have been completed, and the main incline shaft is in its downward extension phase.

The Mining Assessment of the Report was based on the feasibility study report ("**FS**") prepared by Taiyuan Institution in February 2022 and the actual road developing mining situation. In the FS, the PT SDE mine is divided into three mines, namely Qinfa Mine I, Qinfa Mine II and Qinfa Mine III, and mining targets at the early stage are Qinfa Mine I and Qinfa Mine II. Qinfa Mine I is planned in the northwest proportion of the mining area targeting on seam B, divided into three mining sections. Qinfa Mine II is planned in the southern proportion targeting on seam B, also divided into three mining sections. Both planned mines use the fully mechanized longwall retreating mining method to excavate raw coal from the longwall panels. Qinfa Mine I is now in operation stage, the single level development method with inclined shaft is adopted, and three shafts are arranged, namely the main inclined shaft, the auxiliary inclined shaft and the air-returning inclined shaft, with the shaft extended into the Seam B at an elevation round – 112 m. While the current ventilation capacity meets operational requirements, SRK strongly recommends increasing the number of air-intake and air-returning shafts to ensure adequate ventilation as mining operations extend into the deeper eastern sections. Qinfa Mine II adopts the hybrid development method with shafts and inclined shafts. Three shafts are planned and in construction, namely the main inclined shaft, the auxiliary vertical shaft and the air-returning vertical shaft. the construction of the auxiliary vertical shaft and the air-returning vertical shaft has been completed, the elevation of the bottom of the two shafts is at approximately -290 m in the coal seam B. In the later stage, air-intaking and air-returning shafts are arranged in mining section III to improve the ventilation capacity.

In order to prepare the competent person report, SRK geologists and engineers, including the Competent Person, conducted a site visit from 16th to 21st December 2023. During this visit, meetings and discussions were hold with SDE engineers.

The FS used for the mining assessment covers the following Chapters:

- Overview
- Minefield and Construction Conditions
- Market Forecast
- Designed Coal Production and Mine Service Life
- Mine Field Development, Mine Design, and Mining Equipment
- Mine Ventilation, Gas, and Safety
- Auxiliary Equipment of the Mine
- Coal Preparation Plant
- Surface Facilities
- Energy Conservation and Emission Reduction
- Utilization of Coal Resources

- Environmental Protection
- Work Safety and Occupational Health
- Organization and Human Resources
- Project Implementation Plan
- Investment Estimate and Economic Analysis
- Risk Analysis
- Social Impact Assessment
- Conclusions and Suggestions

SRK is confident that the FS was prepared with due care and by experienced professionals, meets the requirement for Coal Reserve estimate as stipulated by international reporting codes.

As of December 2023, the Qinfa Mine I has produced around 300 Kt raw coal including 134 Kt of ROM coal extracting from the longwall mining face and 166 Kt engineering coal extracted from roadway/gateway tunnelling. With regard to Qinfa Mine II, the construction of the two vertical shafts has been finished, the main incline shaft mainly for coal lifting is in construction (720 m finished).

Figure 22: The Auxiliary Vertical Shaft of Qinfa Mine II

9.2 Summary of Mine Technical Data

An overview of the main mine technical data and design parameters of the two mines are presented in Table 12.

Table 12: Main Technical Parameters of the Two Mines

Item	Unit	Qinfa Mine I	Qinfa Mine II
Planned area of coal mine (about)	(km^2)	38.75	102.34
Elevation of the mine portal	(m ASL)	+47-+58	+56
Surface elevation range of mining area	(m)	+20 – +160	+20 – +160
Mining depth range	(m)	180 – 500	230 – 820
Number of recoverable coal seams	nos.	1	1
Recoverable coal seams		Seam B	Seam B
Thickness of Seam B	(m)	1.2 – 8.1 (4.2)	
Coal seam dip within mining area	(° degree)	0-1	0-1
Geological structure complexity		simple to medium	
Gas content class		low–	low
Hydrogeological conditions of mine		medium	
Estimated normal/maximum mine water inflow	(m^3/h)	200/300	200/300
Spontaneous combustion tendency of coal seam		Grade II	
Coal dust explosion		Explosive tendency	
Coal rank		B to C bituminous coal with high volatile	
Coal type		long flame coal	
Number of dirt bands in coal seam		Seam B, 0 -4,	Seam B, 0 -4,
Coal reserves	(Mt)	106.43	201.52
Designed raw coal capacity	(Mtpa)	6-10	6-10
Mining method		Underground mining	
Coal mining technology		fully mechanized longwall mining full height at one time	
Development method		Drift	Vertical/Inclined shafts
Dip length and slope of main inclined shaft		655 m/16°	1,018/23°
Underground haulage roadway and slope		11,823 m/0-1°	15,342m/1-2 °
Number and length of working faces		41/240 m	64/240 m
Tenant area	(km^2)	185	
Number of designed panels		3	3
Production year	(year)	2023	2025
Designed LoM	(years)	14	24
Number of employees	(nos)	1,102	1,102
Annual operating days/shifts per day		330/3	330/3

Item	Unit	Qinfa Mine I	Qinfa Mine II
Auxiliary transport method		Trackless rubber wheel car (material truck)	Trackless rubber wheel car (material truck)
Total power	(MW)	65	65

9.3 Coal Production Plan and Life of Mine (LoM)

Qinfa Mine I

Qinfa Mine I initiated pilot production in December 2023, beginning with a single operational longwall panel and ramping-up the capacity gradually. SRK estimates that the mine would reach a production of 6-10 Mtpa in the early 2027, with a LoM of approximately 15-20 years from the commissioning of mining operation to mine closure.

Qinfa Mine II

SRK estimates that the Qinfa Mine II will start production at the initial mining face in middle of 2025, reach a production of 6-10 Mtpa in 2028, with a LoM of approximately 24-28 years from the commissioning of mining operation to mine closure.

9.4 Coal Quality

The target coal seams distributed in the two mines area have similar characteristics, and the coal quality of the PT SDE coal deposit is described in detail in Section 4 and Section 10 of this Report.

The significant impact factors on the ROM coal quality could be the dirt band/partition in Seam B. The dirt band which has to be cut during extraction together with the coal, which cannot be separated or held out during the longwall mining operation. The proportion of the (local) thickness of the dirt band and thickness of the coal seam determines the dilution of the ROM coal and its quality.

Dilution is the key factor in determining the need for coal washing and process design. SRK's preliminary coal seam modeling suggests that ROM coal from both seams will require washing. Additionally, the FS considers the general necessity of the coal washing. However, SRK has not seen evidence of Qinfa's plans for constructing coal washing plant. Therefore, SRK assumes that marketable coal sales from both mines will consist of unwashed ROM coal.

9.5 Mining Conditions

9.5.1 Mining Area Geology and Coal Seam Conditions

From the available geological information which SRK interpreted that the geological conditions for the two proposed underground mines are in general relatively simple to moderate.

The coal seams to be mined are in the Tanjung Formation of the Asam-Asam coal basin. The seams striking approximately southwest to northeast and generally dipping towards the southeast at about 0-1° in both mines. The geological setting is described in detail in Section 4 of this Report. The dip of the coal seams is favourable with fully mechanized longwall mining method by using coal shearer for coal cutting.

The main target Seam B in the FS is a "multi-seam" with a dirt band/partition band of varying thickness. The band consists mainly of claystone and carbonaceous mudstone. Seam B is the thicker seam that have the priority for mining to achieve a high coal production. The average thickness of coal seam B in the planned underground mining area is 4.2 m. The roof rock is classified as claystone and its rock strength is described as poor when wet. The coal seams A, C, D and E are described as unstable coal seams in thickness and therefore being excluded from the current mining plan. The main characteristics of the coal seams and the mine geology are summarized in Section 4.

9.5.2 Rock Mechanics Conditions

Rock mechanics conditions of coal seam roof and floor

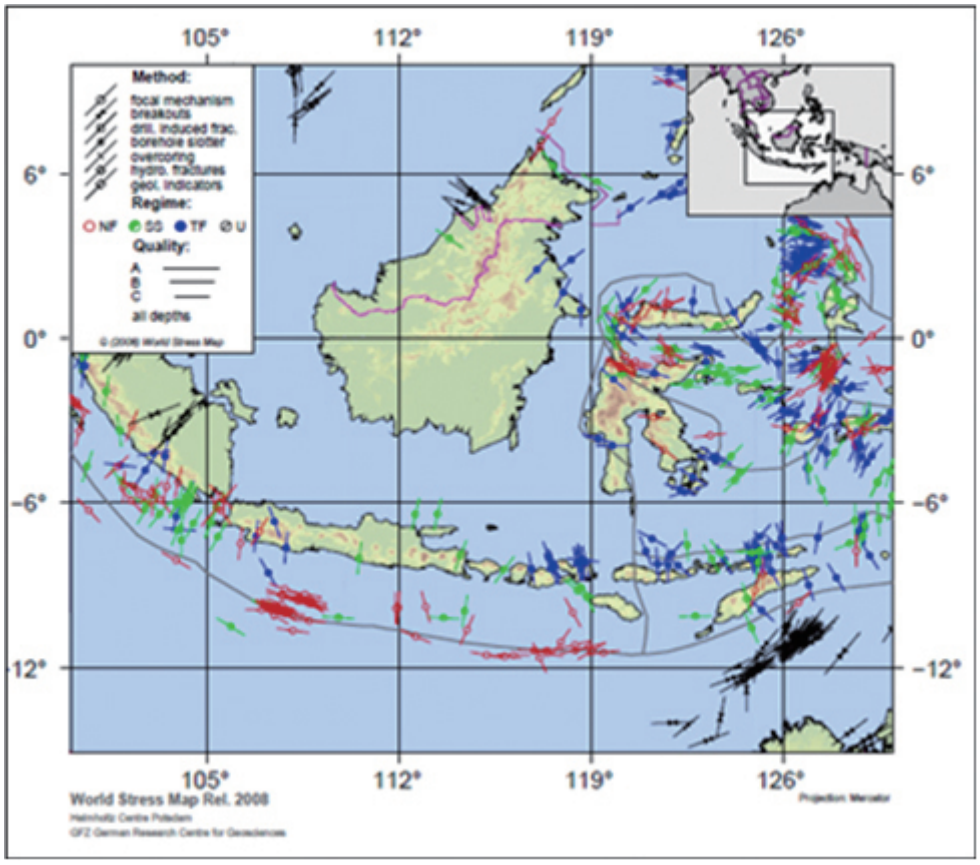
The geotechnical conditions described in the FS are based on the geo-mechanical data derived from the test result of rock samples of the exploration boreholes. The lithology of the roof and floor of the main target coal seam B mainly comprised of claystone with the hardness (Protodyakonov scale of hardness) ranging between 1.5 and 2, the uniaxial compressive strength ranges from 15 MPa to 20 MPa, averaging 17.5 MPa, indicating a low strength in general. Intensive roof support and roadway/gateway maintenance should be considered during the mining operation.

In-situ stress

SRK is not aware of any specific in-situ stress measurements conducted on the site. In the absence of the specific in-situ stress data, SRK has accessed the World Stress Map database to ascertain if information in the public domain could provide a useful preliminary overview of likely in-situ stress conditions to validate mine design and planning assumptions that have already been made.

In-situ stress measurement information (from The World Stress Map database release 2008) in Indonesia is shown graphically in Figure 23. In-situ stress measurements in the vicinity of the PT SDE have not been identified.

Figure 23: In-situ Stress Map of Indonesia



SRK opines that it is important to properly understand in-situ stresses at the mine site to address safety and also to optimize mine design (including planning to prevent sterilization of reserves). For conditions observed at the Project, SRK anticipates that in-situ stress measurements could be quickly and effectively collected using the Flat Jack method within existing underground mine openings.

An alternative method that could be considered for the determination of stress tensors is the Western Australian School of Mines acoustic emission ("**WASM AE**") method. This technique involves the testing of the oriented core. For standard WASM AE stress measurement, the rock samples received from the test site are usually supplied as a 2 m to 3 m continuous run of HQ diamond drill core (63 mm diameter). A core that contains less than 4 breaks per metre and without fractures parallel to the core axis is preferred. Each piece of a core is marked to indicate drilling direction and the bottom of the core. The orientation and the start and finish coordinates of the core run are required relative to a coordinate reference system.

Irrespective of the in-situ stress testing method, SRK notes that it is important that sufficient testing needs to be done to properly define the in-situ stress regime across the site, and the depth of mining.

Surface subsidence

The FS confirms the possibility of future surface subsidence of the coal mines, and it is believed that changes in rock conditions could cause surface subsidence due to the influence of mining. Due to the good rock mechanical properties of the thick limestone overlying the Berai Formation, the FS estimates that the depth of surface subsidence is expected to be around 1 m. However, because the rock stratum in this area is clay rock with strong water-resisting property, and the coal seam is thin, the overall surface subsidence caused by underground mining is slow, which has little impact on the growth of woodland plants.

SRK notes that this observation is general, and recommends that further, more detailed study needs to be done to properly assess the subsidence. Once this is completed the Company should prepare appropriate management/mitigation plans which would be acceptable within the overall requirements of the mining license and Environmental Impacts Analyses (Bahasa Indonesia abbreviation "**AMDAL**"), whilst at the same time optimizing mining plans.

It is specifically recommended that:

- Before final mine design and commencement of mining, a complete survey should be performed and protective coal pillars for surface buildings (structures) as required must be reviewed. A survey would also be required to quantify damage after it occurs.

- Deformation monitoring should be carried out later during the mining phase.

The FS identified the risks of the local rivers and concluded that the rivers will impact mining in a way or ways that will impact flood flow and seepage of water into the mine. The FS clearly states that certain measures would be required with general guidance as follows:

- Predict the settlement quantity of the river channels and tributary streams to be influenced prior to the start of mining;

- Based on predicted settlement quantity and the landform and topography of the area surrounding the river channel, evaluate the influence of underground mining on residences and farmland near the affected river channel;

- If the assessment result shows that underground mining will influence the channel, raised banks should be built on both sides of the river channel to guarantee that river water will not flood over the sides after the river channel subsides;

- During the mining, impacted channels should be continuously monitored; and

- After the conclusion of mining operations, assess any damage to river banks and reinforce them if necessary.

SRK would recommend further reviewing the designed permanent pillars of mining sections for protecting water bodies and other affected structures on the surface. Such pillars will result in a certain loss of coal reserve. SRK would also suggest considering suitable equipment for dredging sections of the local river for drainage and water flow in case subsidence or related landslips cause backwater formation.

9.5.3 Hydrogeology and Hydrology

Surface water

The mining license area is crossed in the north by the Sampanahan River, a major river originating in the Meratus mountains. It flows eastward to the Java Sea. The Durian River, a tributary of the Sampanahan River, crosses the northeast corner of the mine license area flowing north-eastwards During the rainy season the area along the Sampanahan is also prone to flooding.

Assuming that the maximum subsidence of the surface after mining would reach about 1 m some measures along rivers such as dams to maintain water flow and to avoid the formation of backwater need to be considered. The mining plan further considers "coal pillars" for the Sampanahan river area to protect the surface and water flow.

According to the FS, no historical underground mining has been carried out in the project area and no danger from water accumulations in such abandoned underground works should exist.

Groundwater

The source of groundwater in the mine area is considered to be mainly precipitation which is heavy in the region with an annual average of 2,260 mm and monthly peaks measured to reach over 500 mm. In addition, water from the local rivers and standing water bodies may contribute. Due to seasonal variations in rainfall, groundwater recharge and ingress of water to the mine may be periodical as well.

In the geological strata of the mine field, a strong main aquifer in the karst limestone formation (Berai formation) near the surface in the mine field reaches a thickness of about 280 m in the mining area. This limestone aquifer is assumed to be sealed below with a stratum of relative plasticity.

Assumed feeders of the aquifers and aquicludes are seven identified large faults with a throw of 10 to 60 m. The water feeding capacity of these main faults has not been established. Karst water is known to accumulate in the upper limestone layer/aquifer of the area but is not expected to reach the depth of the future mine.

9.5.4 Gas and Other Coal Mine Gases

According to the FS, the highest original gas content of coal seam B in the SDE mining area is 3.21m³/t, and it is predicted to be a low gas mine. SRK believes that when succeeding a new panel, it is necessary to re-predict the gas emission volume based on the latest geological gas data. When exposing coal seam B, it is necessary to revise the gas-related data to provide relevant basis for mine ventilation, so as to guide gas control management and ensure safe production in the mine.

It is worth noting that the coal-bearing strata in the mining area may be at risk of carbon dioxide exceedances due to the influence of the overlying limestone and long-term geothermal baking. While SRK has not yet received relevant supporting data, it is recommended to closely monitor underground gas content during coal mining to prevent the risk of carbon dioxide or gas outbursts.

9.5.5 Ventilation

Qinfa Mine I

The mine ventilation scheme provided by the FS is as follows: the mine adopts mechanical extraction ventilation method, and three shafts of the main inclined shaft, the auxiliary inclined shaft and the air-returning inclined shaft are arranged when put into operation, all located in the selected industrial site. The ventilation uses the central parallel type. According to the overall development layout of the mine, a panel air-returning shaft is considered when mining reaches Mining Section III, and air-intaking and air-returning shafts are arranged to improve the ventilation capacity when mining reaches the east deep part of the deposit with a zoned ventilation system adopted.

Qinfa Mine II

The mine ventilation scheme provided by the FS is as follows: the mine adopts mechanical extraction ventilation method, and three shafts of the main inclined shaft, the auxiliary shaft and the air-returning shaft are arranged when put into operation, all located in the selected industrial site. The ventilation uses the parallel type. According to the overall development layout of the mine, air-intaking and air-returning shafts are arranged to improve the ventilation capacity when mining section III with a zoned ventilation system adopted.

SRK believes that the mine ventilation system scheme provided by the FS is reasonable, and it should be emphasized that with the increase of mining depth and mining head, it is necessary to further strengthen the working face gas monitoring, air volume allocation, sprinkling and dust suppression, closed inspection, and natural fire monitoring and treatment of the mined-out area, to prevent gas transfinite, eliminate the occurrence of gas explosions, fires and coal dust explosion accidents, and ensure safe production.

9.5.6 Coal Dust Explosion and Coal Seam Spontaneous Combustion Tendency

According to the FS spontaneous combustion tendency tests of coal and appraisal if the coal dust is explosible that were undertaken with coal from coal seam B from random boreholes.

The coal dust tested was determined as explosible according to relevant Chinese standards. The tendency for spontaneous combustion of the coal tested is Class II.

SRK considers necessary precautions and safety measures such as water spraying, and good housekeeping should be taken to manage the spontaneous combustion and coal dust explosion risks in the mines during future operation.

9.6 Development and Mining Methods

Mine development is the mining term for "construction" of the permanent mine workings such as shafts, roadways and mine chambers and the ongoing development of the temporary panel gateways and entries before actual extraction work commences.

The design of the area to be mined, mining sections, and the required underground workings are limited by the prevailing geological conditions i.e. strike and dip of the coal seams, main faults, other mining conditions, the exploration status and coal resource model. Technically, using belt conveyors instead of hoists, and applying longwall technology for coal extraction are suitable.

The minefield is by design divided into two separate mining systems, namely the Qinfa Mine I and the Qinfa Mine II, the two mine areas are bounded by the JI.Jenderal Sudirman Provincial Highway, the north of the provincial road is roughly Qinfa Mine I, and the south of the provincial highway is roughly Qinfa Mine II.

The Qinfa Mine I is currently in operation, the single level development method with inclined shaft is adopted, and three shafts are arranged, namely the main inclined shaft, the auxiliary inclined shaft and the air-returning inclined shaft, with the mining level of -112 m. After the shafts sinking to the bottom, roadways for mining section I and section lI are developed to the east, and mining operation starts in the two wings of section I nearby to form the initial mining face. As section I and section II extend to the east, it is necessary to increase the air-intaking and air-returning shafts to improve the ventilation capacity when mining reaches the east deep part of the mining section II.

Qinfa Mine II adopts the hybrid development method with shafts and inclined shafts. When the mine is put into operation, three shafts are arranged, namely the main inclined shaft, the auxiliary shaft and the air-returning shaft, with the mining level of -290 m. After the main inclined shaft sinking to bottom, mining operation starts nearby to form the initial mining face at mining section II. In the later stage, with the extension of the development roadways to the east and west, mining section I and section III mining systems are formed, and air-intaking and air-returning shafts are arranged in mining section III to improve the ventilation capacity.

The selected mining method for both systems is longwall retreat mining. In order to achieve a high-capacity output operation, full mechanized longwall with double drum shearer, armoured scraper conveyor, and hydraulic support shields is proposed in the FS and applied in Qinfa Mine I. Belt conveyors with matched transporting capacity is also proposed in the FS to deliver ROM coal from the longwall exit (head gate) to the surface industrial area.

Although room-and-pillar underground mining method with continuous miners which is a preferred coal mining method in deposits with flat coal seams and particularly widely used in North America, the stable roof conditions are a basic requirement for room-and-pillar method as immediate support of the roof at the mining front is limited to rock bolting. As such, the method has been excluded as an option due to the expected unstable roof conditions of the project area.

Figure 24 shows the mine development schematic diagram of Qinfa Mine I and Qinfa Mine II.

Figure 24: Development Schematic Diagram of Qinfa Mine I and Qinfa Mine II

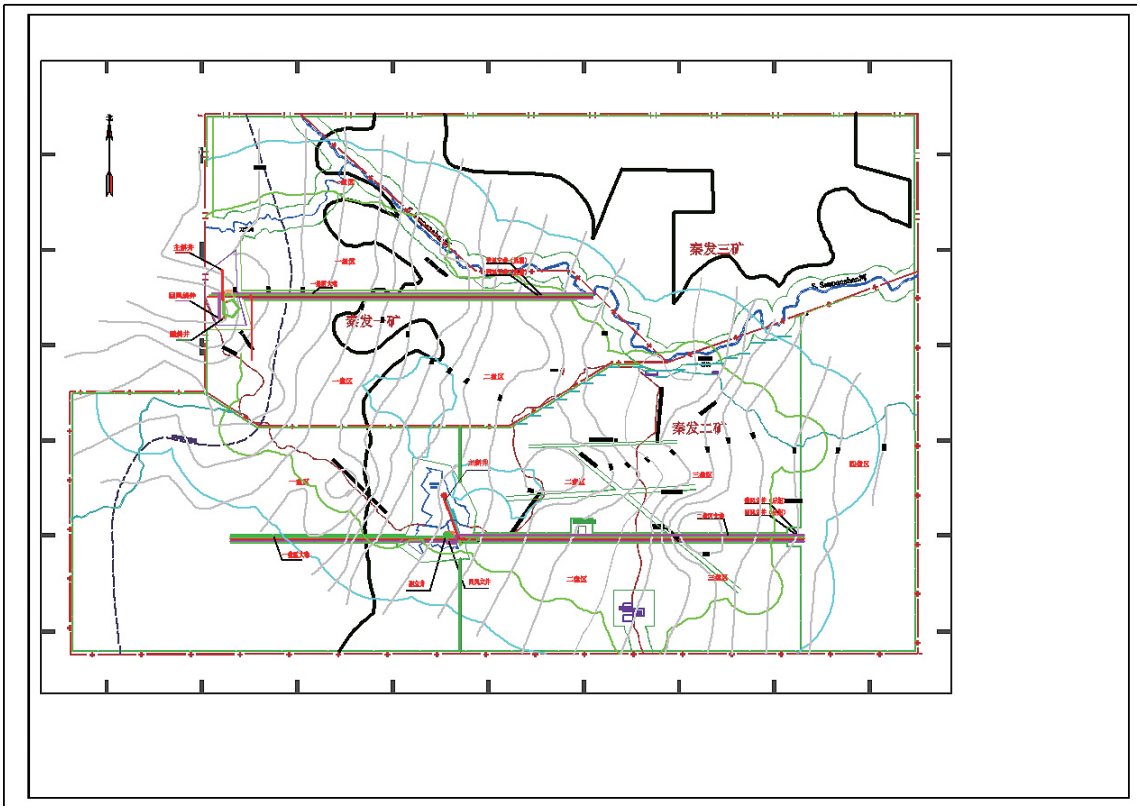
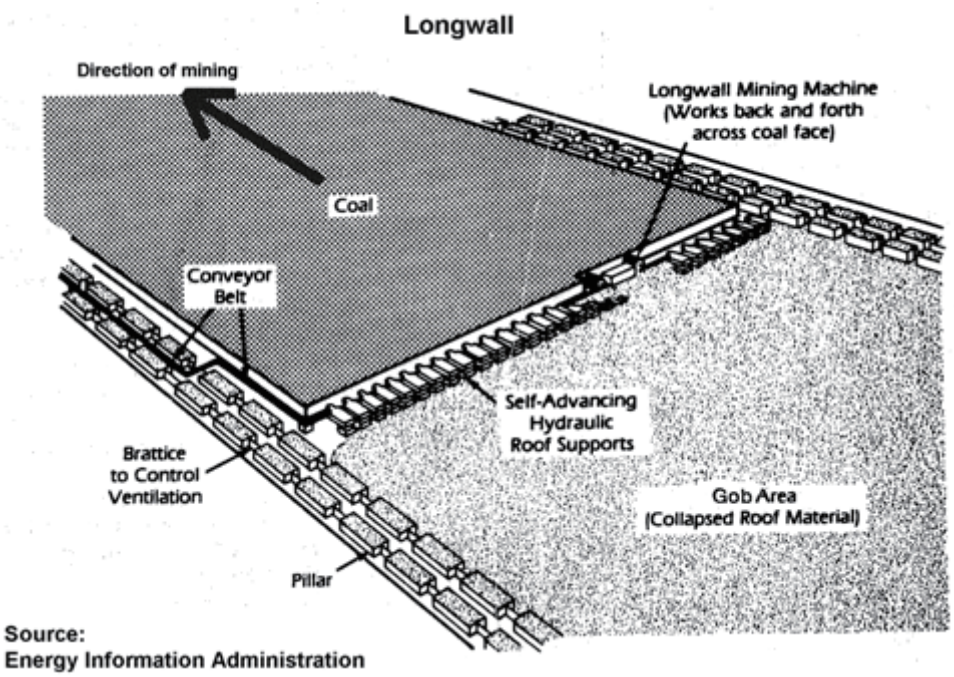


Figure 25 is a typical schematic diagram of fully mechanized longwall mining. As the working face moves forward, the roof behind the hydraulic roof supports in the mined-out area (goaf or gob) is collapsing (caving) after mining of the coal.

Figure 25: Working Face Schematic Diagram of Fully Mechanized Longwall Mining



Qinfa Mine I

The Qinfa Mine I is roughly south of the Sampanahan River and north of the JI.Jenderal Sudirman provincial highway. The coal seam occurred in the area at a depth between approximately 200 m and 500 m below the surface and dipping to the southeast with a 0-1 dip degree. The surface industrial site has been constructed near the west boundary of the mining area adjacent to the public highway at the south side of the Durian River. From the industrial site three inclined drifts extended down into the coal seam B. The designed facilities located in the surface industrial site mainly comprise follows.

- The coal handling system, consisting of a proposed coal preparation plant directly connecting to the surface portal of the main drift via belt conveyor, coal storage stockpile/silos and coal product loading system;
- Warehouses for materials storing, vehicle and equipment storing and repairing;
- The water treatment facility, diesel power station, surface substation system; and
- Auxiliary operating facilities including office building, bathhouses, lamp room, dormitories.

Access to the mine is provided by inclined shafts and sloped roadways due to the favorable coal seam conditions, with the seams rising close to the surface. Generally, inclined shafts for mine access offer an economic advantage compared to vertical shafts due to less demanding technology requirements for conveying coal to the surface, as compared to hoisting in a vertical shaft.

Leveraging inclined shaft access and sloped roadways was an advantageous design choice for Qinfa Mine I, enabled by the favorable geological conditions of the coal seams outcropping near the surface in this area.

The Mine I has started the mining operation in December 2023. Three mining sections have been planned for Qinfa Mine I, and three working faces are proposed to operate at the same time to achieve production in future. Three underground roadways is heading into mining section I along coal seam B to the east, namely the mining section I belt roadway, section I auxiliary transportation roadway, and north-wing air-returning roadway.

Qinfa Mine II

The Qinfa Mine II is roughly in the south of the JI.Jenderal Sudirman provincial highway. The coal seam occurred in the area at a depth between approximately 230 m and 820 m below the surface and dipping to the southeast with a 0-1 dip degree. The surface industrial site has been constructed and is located in the slightly south side of the permit, near the provincial highway, and the shaft development plan uses a mixed development of inclined shafts, with two vertical shafts extending down into the coal seam B and one inclined shaft for coal transportation from the underground. The designed facilities in the surface industrial site are similar to those of the Qinfa Mine I, and mainly comprise follows.

- The coal handling system, consisting of a proposed coal preparation plant directly connecting to the surface portal of the main inclined shaft via belt conveyor, coal storage stockpile/silos and coal product loading system;
- Warehouses for materials storing, vehicle and equipment storing and repairing;
- The water treatment facility, diesel power station, surface substation system; and
- Auxiliary operating facilities including office building, bathhouses, lamp room, dormitories.

The Qinfa Mine II is currently in construction, with the construction of the two vertical shafts completed, the heading of the inclined shaft is in progress.

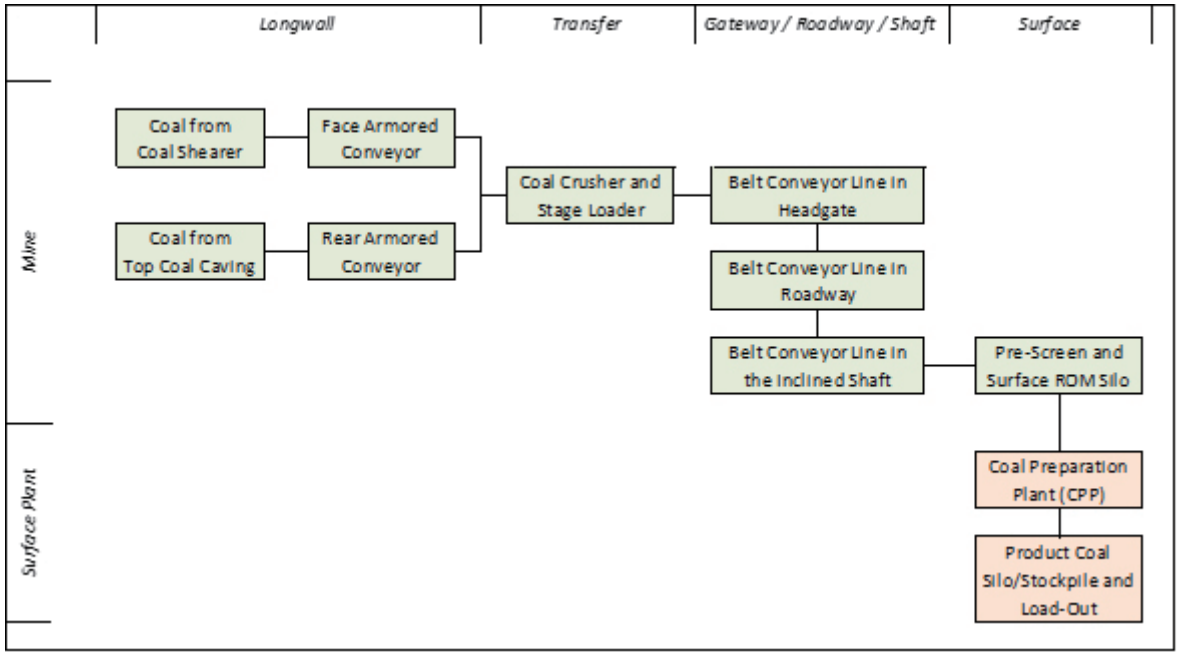
The mine is planned to develop the southern part of the coal seam B within the permit area. Three mining sections have been preliminarily planned for the mine in the FS, and three working faces are proposed to operate at the same time to achieve the planned full capacity. After the shafts sinking to the bottom in the coal seam, three underground roadways are planned in mining section I along coal seam B to the east, namely the section I belt roadway, the auxiliary transportation roadway, and the north-wing air-returning roadway.

9.7 General Flowsheet of Coal Mining and Handling

Coal will be extracted from the coal seam at the longwall by a coal shearer. The cut coal is falling on an armoured face conveyor and is scraped to the headgate of the panel where it through beam stage loader the coal will be transferred to a belt conveyor installed in the headgate. Where the headgate reaches the coal transport main road a belt conveyor installed in the road takes over the coal. The main road belt conveyor is hauling the coal uphill (lifting) to the junction point with the inclined shaft where the option for bunkering some coal could be provided. Subsequently, the coal is transferred to the belt conveyor in the incline and hauled uphill to the surface and transferred to the mine ROM coal silo.

The target coal seam B is considered to be mined firstly by three longwalls (face) at the same time in the Qinfa Mine I and Qinfa Mine II. ROM coal from the ROM coal silo will be transported to the proposed coal preparation plant for washing, or directly to the product coal silo or barge terminal. A simplified flowsheet of underground mining and coal handling at the surface is provided in Figure 26.

Figure 26: Flowsheet of Coal Mining and Handling



9.8 Mining Equipment and Capabilities

9.8.1 Main Mining Equipment

The two mines are planned to be operated with fully mechanized longwall system, the main equipment consists of one double-drum coal shearer which is rail mounted and travels over the main armoured conveyor that can stretch the full panel width of up to 240 m. The hydraulic shields to support the roof after each shearer cut are moving forward hydraulically and are also pushing the connected armoured conveyor forward toward the coal face. At the head and tail entries of the working face, where the drives for the armoured conveyor and transfer units are installed and entry shield supports are placed to support, the normal hydraulic support shield is installed behind the rear armoured conveyor. The hydraulic shields are pulling the rear armoured conveyor forward when advancing. A single support shield is typically 1.75 m wide.

The ROM coal is mainly transported by belt conveyors both in the underground and on the surface, the belt conveyor line starts from the headgate, the main road and main inclined shaft finally to the ROM coal silo. This belt conveyor line is normally several hundred to thousand metres long and consists of multiple belt conveyor units. At the transfer point from the AFC in the longwall to the belt conveyor line at the headgate, a crusher reduces oversize coal lumps to a suitable size for extensible belt conveyor transport. At the surface, a pre-screening unit is provided prior to the ROM coal silo.

The movable hydraulic and electric support units placed in the headgate to supply the longwall equipment. Power supply cables along the roadway and gateway walls supply the units from the transformer sub-station.

The following Table 13 provides an overview of the main equipment of the two mines proposed in the FS. Please noted that the panel equipment listed in the table is only for one panel usage.

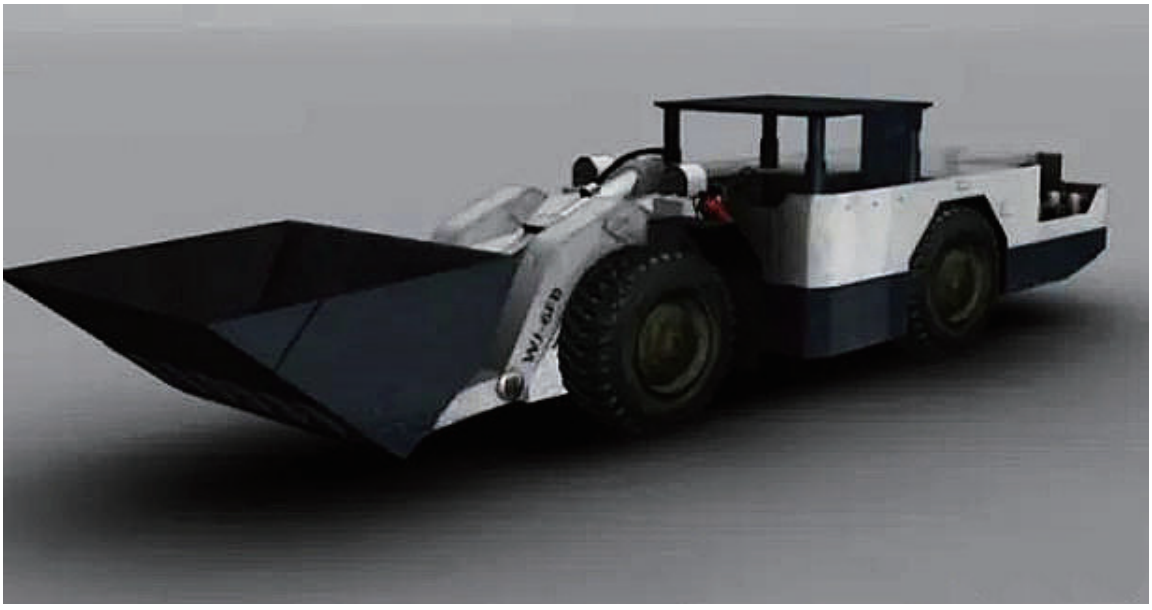
Table 13: Coal Mining and Transportation Equipment List

Qinfa Mine I					Qinfa Mine II			
Equipment name	**Model**	**Quantity**	**Power *(kW)***	**Max. capacity**	**Equipment name**	**Model**	**Quantity**	**Power *(kW)***
Drum shearer	7LS06	1	1330	Max. cut height 5.5 m	MG500/1180-WD	1	1180	Max. cut height 4.8 m
Hydraulic support	DBT7592/22/45	143	–	7592 kN	ZY8600/24/50D	143	–	8600 kN
Transition hydraulic support	ZY8600/23/47	6	–	10,000 kN	ZY8600/23/47	6	–	8600 kN
Face-end support	ZY8600/23/47	4	–	12,000 kN	ZY8600/23/47	4	–	8600 kN
Individual hydraulic prop	DW45-200/110X	100	–	4.5 m, 200 kN	DW45-200/110X	100	–	4.5 m, 200 kN
Hinged girder	DJB1000/300	50	–	1.0 m, 400 kN	DJB1000/300	50	–	1.0 m, 400 kN
Rear armored conveyor	SGZ1000/2×1000	1	2*1000 kW	2500 t/h	SGZ1000/2×855	1	2*855 kW	2200 t/h
Crusher	PCM400	1	400 kW	>2500 t/h	PCM400	1	400 kW	>2500 t/h
Reversed loader	SZZ1200/525	1	525 kW	3000 t/h	SZZ1200/525	1	525 kW	3000 t/h
Extensible belt conveyor	SSJ1200/2×450	1	2×450kW	2000 t/h	SSJ1200/2×450	1	2×450kW	2000 t/h
Main haulage shaft conveyor		2	4*800 kW	3500 t/h		4	2*630kW, 1*630kW, 1*900kW	4000 t/h, 2000 t/h, 2000 t/h

9.8.2 Auxiliary Transport Equipment of Coal Mine

Diesel-powered rubber-tyred vehicle is proposed in the FS for Qinfa Mine I and Qinfa Mine II as the main vehicle for auxiliary transportation. Figure 27 shows a diesel-powered rubber-tyred vehicle used in an underground coal mine.

Figure 27: Diesel-powered Rubber-tyred Vehicle



9.8.3 Coal Mine Industrial Site and Auxiliary Facilities

The mine surface plant at the two mines is similar in function. For the ROM coal arriving from underground, silos and stockpiling is provided prior to feeding the coal preparation plant. Other surface facilities at the plants are power supply, transformer and distribution units, water treatment and supply, the maintenance and repair workshops and yards, material warehouse, equipment storage yard with handling crane. Mine administration and office buildings are supplementing the surface facilities.

9.8.4 Mine Drainage Equipment

The mine water drainage system as designed and installed is simple. Mine water is first collected in a sump at the lowest point of the mine and is then pumped to a central pumping station near the landing of the inclined shaft. For each mine project, the main pumping station is provided with 3 sets of dewatering pumps. During the normal water influx period of the mine, one of the three pumps is working, one standby and one in maintenance, and one of the two drainpipes is working and the other standby. During the maximum water influx period, two pumps work, the third one is in maintenance, and two drainpipes work at the same time. The water is pumped to the surface through a pipeline installed along the wall of the inclined shaft. At the surface, the mine water receives basic treatment and is then used as industrial water at the mine plant, used for CPP process water, or is discharged. The following table shows the estimated average water influx to the mines and the designed pumping capacity.

The nominal and maximum water influx estimated in the FS for the two mines is 200 m^3/h and approx. 300 m^3/h, respectively. This is considered to be a moderate influx level. The designed pumping capacity to handle this influx with a safety margin is 720 m^3/h.

9.8.5 Ventilation Equipment

Mine ventilation is mainly required to provide the underground workings with fresh air, and to dilute and remove mine gas. As a standard, two mine ventilation fans are installed at the mouth of the air return shaft. One should provide the required estimated ventilation air volume, while the second would provide backup during maintenance and emergency. In the underground, a system of air doors manages the airflow to all underground workings. Local fans with flexible air ducts provide temporary ventilation to the roadways, gateways and panel entries under development.

9.8.6 Coal Mine Control and Safety

The operations of the two mines are monitored from central control rooms at the mine office building of each mine. Through various camera and sensors located at different area to monitor ROM coal mining operation of the working face, the ventilation, gas content, equipment status and underground worker's location.

Mine safety must be provided by the training and attitude of each mine worker and management. Underground, safe working conditions must be provided and the necessary emergency equipment must be installed. Abandoned (mined out) panels must be sealed with brickwork and the gas flow must be controlled.

Mine workers receive safety training regularly. mine safety plan for the two mines is recommended to be prepared in advance.

9.8.7 Equipment Maintenance and Repair

The proposed workshops and equipment assembly areas are located at the surface industrial area of each mine. The workshops are equipped for maintenance and repair of hydraulic supports, other heavy mine equipment, the fabrication of steel supports (I-beam or U-shape steel) for roadways, and other mechanical, hydraulic and electrical repair work underground or in the surface plant. Maintenance and repair services are also provided by equipment suppliers which are hired on-demand.

9.8.8 Power Supply

A new diesel power station has been built in the industrial site of Qinfa Mine I and Qinfa Mine II in SDE Mining Area respectively, which will bear all the power load of Qinfa Mine I and Qinfa Mine II, and the other power supply will be drawn from the mine diesel generator set. The power supply of the mining area is guaranteed.

The designed overall layout of the Qinfa Mine I and Qinfa Mine II is shown in Figure 21. The industrial site of Qinfa Mine I is located at the western boundary of the tenement area, near the road on the south side of the Durian River, and the industrial site of Qinfa Mine II is located in the middle of the license, close to the provincial highway.

The main surface facilities and ROM coal stockpiles will be independently constructed in each mine's surface site. AJB Indonesia has designed an optimal and shortest coal transport road for the SDE coal project, with a length of 35 km and a width of 14 m, connecting the SDE coal mine area to the proposed SDE terminal. An independent CPP will be constructed in each surface site by connecting the ROM silo directly through the belt conveyor. The proposed gangue stockpile for each mine is located near the surface industrial site.

SRK is of the opinion that the designed mine layouts and location of all surface facilities are functional and well-adjusted to the design of the underground mine. Some final adjustments of the layout might still be necessary once the final mine design and exact location of the CPP have been confirmed.

9.9 Waste Rock Management, Surface Subsidence, Mine Closure and Land Reclamation

Waste rock is generated during underground development work at the mines. It is usually hauled to the surface and dumped in a designated area near the mine industrial plant.

The FS confirms the possibility of future surface subsidence of the coal mines, and it is believed that changes in rock conditions could cause surface subsidence due to the influence of mining. Due to the good rock mechanical properties of the thick limestone overlying the Berai Formation, the FS estimates that the depth of surface subsidence is expected to be around 1 m. However, because the rock stratum in this area is clay rock with strong water-resisting property, and the coal seam is thin, the overall surface subsidence caused by underground mining is slow, which has little impact on the growth of woodland plants. Attention must also be paid to streams, water bodies and land drainage systems to avoid backwaters from subsidence and the possible infiltration of surface water into the mine through disturbed formations.

The short time span until the closure of the two mines would require that the necessary planning and preparations should be done and that the necessary funds should be allocated. A detailed review of the situation and requirements is provided in Section 12, Environmental, of this Report.

9.10 Manpower

SRK believes that the proposed workforce according to the FS is reasonable. But considering that the geological structure of Qinfa Mine II is more complex than that of Qinfa Mine I, it is recommended that more employees will be required in Qinfa Mine II in the future to meet the mine production needs.

Table 14: Labors of Qinfa Mine I and Qinfa Mine II

Mine	Production workers	Managerial staff	Other	Total
Qinfa Mine I	873	89	140	1,102
Qinfa Mine II	873	89	140	1,102

Skilled and experienced underground coal mining workers in Indonesia are rare and might be hardly available in sufficient numbers for recruitment. The employment of a higher number of skilled Chinese personnel might be a necessity for the initial years of operation until a local workforce can be built and trained. Some key operator, supervisor and management positions should be considered to be staffed with Chinese or other experienced expatriate personnel for possibly a longer period. This is a factor to be considered for workforce planning and is important for ramping-up and later maintaining the planned coal production. Accommodation requirements for a larger number of expats may be more demanding.

The basic requirements for labour skills and workforce level are briefly described in the FS. Before start-up of the mine, SRK would suggest preparing and conduct a detailed training program in order to assure timely and adequate training of the workforce.

10 COAL PREPARATION PLANT (CPP)

Coal preparation is to remove those undesirable materials from the ROM coal by employing separation processes that are able to differentiate between the physical and surface properties of coal and the impurities. Through proper coal preparation, a uniform product is achieved. The main purpose of the coal preparation assessment for the project is to reduce the ash content of the ROM coal which will be extracted from a proposed longwall mining operation.

The ROM coal is a coal material with various particle sizes extracted from mining operations without crushing/screening, which often comprises rocks, middlings, minerals and contamination. It often reports to the coal preparation plant as a raw material for coal preparation.

A general necessity for coal washing was assessed in the FS. However, SRK has not seen evidence of Qinfa's plans for constructing a coal washing plant. In this case, the descriptions and discussions provided herein regarding the CPP are based on the assessed necessity for coal washing.

10.1 ROM Coal Quality

According to SRK's reserve model and the planned working sections, the estimated run-of-mine (ROM) coal ash content of Seam B is in an approximate range between 26% and 40%, with the total sulphur content generally lower than 1%.

It has been assessed that the ROM coal requires washing in order to produce marketable coal products that are more competitive for export and domestic utilization. The high ash content in the ROM coal necessitates beneficiation through washing to reduce the ash percentage and improve the quality of the coal products before they can be marketed effectively.

10.2 Main Washing Process

Considering the hauling distance of the ROM coal, Qinfa Mine I and Qinfa Mine II should have two independent mine-mouth CPPs separately. The FS has assessed the coal washability of the ROM coal produced from the surrounding coal mines, the dense medium method is proposed to be used as the core separation unit for the two mines' proposed CPP and the two CPPs have the same separation circuits.

According to the CPP preparation flowchart planned in FS, the separation process mainly relies on three separation circuits: the DMV coal separation circuit, the fine coal separation circuit (core separation unit: DMC) and the coarse slurry processing circuit (core separation unit: classifying cyclone).

The belt conveyor transports the ROM coal to the ROM coal crusher in the transfer station, where the ROM coal is crushed to a size of less than 200 mm. The downstream screen in the CPP then separates the flow (-200 mm) into two size groups, the -13 mm group and +13 mm group. The +13 mm overflow is fed to the DMV circuit for further separation. The -13 mm underflow is conveyed to the DMC coal separation circuit after sizing and desliming. If necessary, the -13 mm underflow can also be bypassed and directly mixed with the final clean coal product.

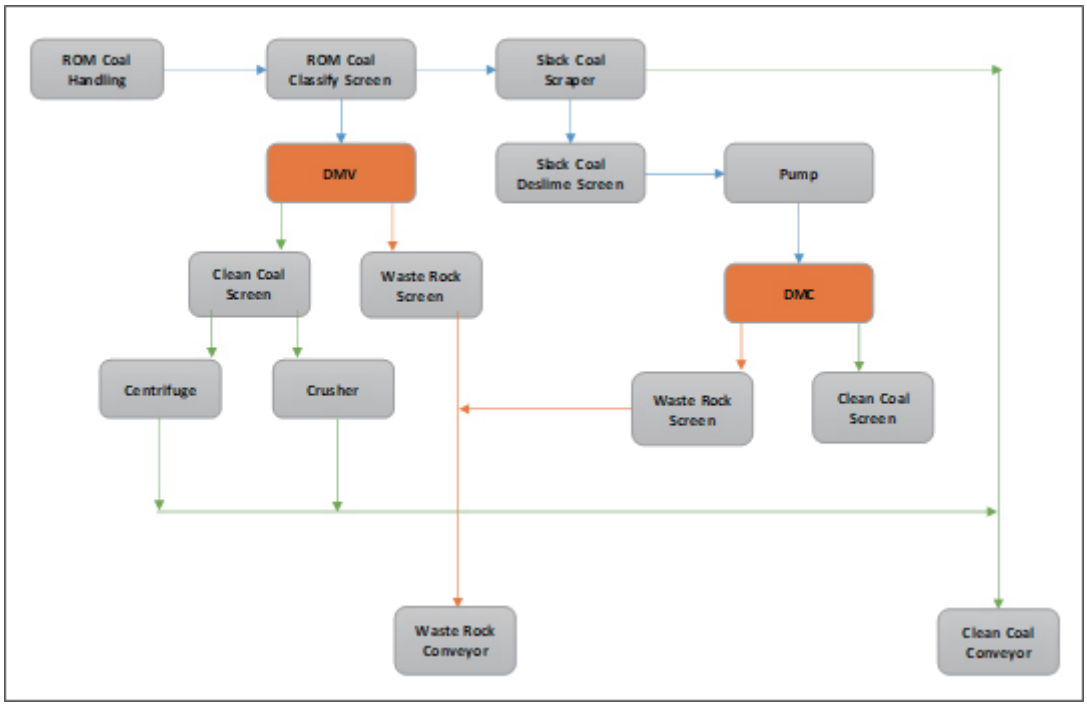
In the DMV coal separation circuit, the +13 mm overflow is blended with water and the dense medium undergoes DMV separation. The lump size waste rock and light overflow are separated inside the DMV, and the light overflow is then screened into two sizes of clean coal through a double-deck dense-medium separation screen. After further crushing and de-watering, the separated clean coal from the DMV circuit is transported to the final clean coal yard.

In the DMC coal separation circuit, the -13 mm underflow is firstly deslimed by a sieve bend and deslime screen. The overflow is transported and separated in the DMC. The light flow is transported to the final clean coal yard after draining off the dense medium.

Underflow water from the deslime screens is pumped into the classify cyclone circuit for further processing. The residual fine clean coal and slurry water are separated from the circuit. Slurry water enters the thickener. In the thickener, coagulant (poly-aluminium chloride) and flocculant (polyacrylamide) are added to accelerate the settlement of the slurry in the concentration tank, which is then retrieved and dewatered by filter press. The filter cake can be sold for its coal content or be added to other products if sales specifications allow. The water in the thickener is recycled for reuse in the CPP closed water circuit.

The dense medium used in the CPPs is a water-magnetite mixture. The diluted underflow medium from all medium draining screens is recycled and returned to the diluted medium barrel. A magnetic separator retrieves the magnetic dense media from the coal waste material and returns it to the process medium distribution tank. The dense medium system is equipped with a densitometer and a water compensation valve to allow automatic density control.

Figure 28: Proposed Coal Handling Flowsheet of the CPP



10.3 Clean Coal Yield

According to the FS, the operation of the CPPs would achieve an overall average of 75% of mixed marketable coal yield with total moisture ranging from 8 to 11, ash content ranging from 22% to 26% and calorific value ranging from 5,000 to 5,500 kCal/kg (GAR).

11 PROJECT IMPLEMENTATION

The project schedule for the development of the underground workings, equipment installation, and the surface facilities as required for the project stage covering operation in each initial mining section for Qinfa Mine I and Qinfa Mine II is provided by the Client. The Qinfa Mine I has started mining activity in December 2023 with an estimated three years' ramp-up period, it is estimated that the full capacity production will start from early 2027.

The development and construction period for this initial stage of the Qinfa mine II is scheduled to be 12 and 16 months before retreat mining of the first longwall panel commenced.

SRK concludes that the schedule as prepared is based on the experience of the Chinese coal mining construction industry from local projects in China. The time scheduled for development and construction appears realistic and the design work and site preparation should be carried out to a sufficient level before the start of the actual development work. It may be discussed if some extension of the scheduled development time may be allowed considering the remote location in Indonesia and the pioneering status of this underground project in Indonesia. For final project planning a schedule with more detailed preparation, development, equipment procurement and installation activities would be required.

SRK notes that the project development and construction schedule prepared by the Client is for the initial project stage and covers development for mining in the initial mining block of each mine, with one mining face/longwall. The schedule for construction of the surface facilities, which is indicated as "civil engineering" activity in the FS schedule, would require a more detailed breakdown of activities for review and the final project planning.

12 ENVIRONMENTAL, LICENCE, SOCIAL AND COMMUNITY IMPACT

12.1 Operating Licences

12.1.1 Mining Licence

The Indonesian National Law on Mineral and Coal Mining (No.4 of 2009) ("**Mining Law**"), can issue mining licences under the following three categories:

- Mining Business Licence – an Izin Usaha Pertambangan (IUP) is a general mining licence issued to specific companies for conducting mining business activities within the mining area of a Wilayah Usaha Pertambangan (WUP) (a Commercial Mining Business Area or WUP – a mining area for larger scale mining);

- Special Mining Business Licence – an Izin Usaha Pertambangan Khusus (IUPK) is a licence issued to specific companies for conducting mining business activities within the mining area of a specific Wilayah Pencadangan Negara (WPN) (a State Reserve Area or WPN – a mining area reserved for the national strategic interest); or

- People's Mining Licence – an Izin Pertambangan Rakyat (IPR) is a licence granted to Indonesian citizens/invertors only for conducting mining business of limited size and investment, within the mining area of a Wilayah Pertambangan Rakyat (WPR) (a People's Mining Area or WPR – a mining area for small scale local mining).

SRK has sighted an IUP relating to the production operation of the PT Sumber Daya Energi (No. 545/13/IUPOP/D.PE/2014), which was issued by the Kotabaru Regency of South Kalimantan Province on 14 May 2014. The IUP states that the concession covers an area of 18,500 Ha and the period of validity is 10 years. The IUP can be extended twice for up to 10 years each time.

12.1.2 Other Operating Licences

SRK has sighted an Environmental Licence for the Project which was issued to the PT Sumber Daya Energi by the Kotabaru Regency of South Kalimantan Province on 2 May 2014. The Environmental Licence summarized the basic information of mineral rights, mining production plan, environmental protection and reclamation.

The other key project development permits for Indonesia are the 'Borrow and Use Permits' for forest areas. These are administered through the Law on Forestry (No.41 1999) and the Government Regulation (No. 24 2010) – regarding utilisation of forest areas, and are issued by the Minster of Forestry.

In addition to the Environmental Permit and Forest Borrow and Use Permit, a number of operational permits may be required for the Project, such as Water Extraction Permit, Hazardous Waste (B3) Handling and Operations Permit, Wastewater Disposal Permit, etc. No aforementioned operational permits for the Project have been sighted as part of this review. SRK recommends the company obtain relevant operational permits according to the requirements of Indonesian laws and regulations and the actual situation of the Project.

12.2 Environmental and Social Due Diligence Purposes

The objective of this environmental due diligence review is to identify and/or verify the existing and potential environmental liabilities and risks, and assess any associated proposed remediation measures for the SDE Underground Coal Project.

12.3 Environmental and Social Related Review Process, Scope and Criteria

The process for the verification of the environmental compliance and conformance for the SDE Underground Coal Project is to review and inspect the project's environmental management performance against:

– Indonesian National environmental regulatory requirements.

– World Bank/International Finance Corporation (IFC) environmental and social standards and guidelines.

12.4 Environmental Protection Approvals

Indonesia's Environment Law provides that an Environmental Impact Analysis ("**AMDAL**") is required for those businesses and/or activities which exploit natural resources and may cause environmental pollution and/or damage and/or degradation of natural resources. An AMDAL consists of an environmental impact assessment (an Analisis Dampak Lingkungan – or ANDAL), an environmental management plan (a Rencana Pengelolaan Lingkungan – or RKL), and an environmental monitoring plan (a Rencana Pemantauan Lingkungan – or RPL). Businesses and/or activities that impact the environment but are not identified as requiring an AMDAL under the Environment Law (including in the Environmental Decree) must prepare an Environmental Management Efforts and Environment Monitoring Efforts (UKL-UPL). The AMDAL will be evaluated by the AMDAL Evaluation Commission (Komisi Penilai AMDAL) established at the relevant level of government, which will issue a recommendation to that government.

Certain business activities in Indonesia which impact the environment require an environmental license. The approval process for such a licence involves three stages:

1. Drafting an Environmental Impact Analysis (AMDAL) or Environmental Management Efforts and Environment Monitoring Efforts (UKL-UPL);

2. Evaluation of the AMDAL or UKL-UPL and obtaining an AMDAL approval or UKL-UPL recommendation; and

3. Application for an Environmental Licence.

The application for the Environmental Licence will be submitted to the relevant level of government; either the national Minister for the Environment, the Governor of the relevant Province or the Regent/Mayor of the relevant regency/city.

SRK has sighted an AMDAL document (including an ANDAL and a RKL-RPL) for the SDE Underground Coal Project which was produced in December 2013. The Environmental Licence for the Project (No. 188.45/339/KUM/2014.

12.5 Environment, Society, Health and Safety

12.5.1 Project Site Ecological Assessment

The project's EIA should determine the extent and significance of any potential impacts on subsidence and surface water systems. The EIA should also propose effective measures to reduce and manage these potential impacts. According to the EIA report of the Project, the mine site is partially located on production forest plantations (KBHP), artificial forest plantations (KBTTP), and rivers. The Project's EIA report also provides an overview of the baseline conditions of vegetation, fauna and aquatic life at the mine site. The Project's environmental management plan provides the management measures relating to the site ecology, such as planting of trees, prohibition of hunting, good planning, etc.

SRK recommends that the operational areas of land disturbed for the development of the underground mining Project be surveyed and recorded on an annual basis and the topsoil should be collected for future reclamation.

12.5.2 Waste Rock and Waste Rock Dump Management

According to the mine design report, the waste rock dump ("**WRD**") is located in the east of the main shaft site. The excavated waste rock in the construction period will be transported to the WRD for stacking, and later used for backfilling the mined-out area together with the excavated waste rock in the production period. SRK recommends that the Company formulate a comprehensive design for waste rock dumping and collect the topsoil for future rehabilitation.

No geochemical characterization of waste rocks or acid rock drainage assessment has been sighted as part of this review. Acid rock drainage ("**ARD**") refers to the acidic water that is created when sulphide minerals are exposed to air and water and, through a natural chemical reaction, produce sulphuric acid. ARD has the potential to introduce acidity and dissolved metals into water, which can be harmful to surface and groundwater. However, the environmental licence of the Project makes a brief description of the acid mine water treatment.

12.5.3 Water Management

The demand for raw water in the Kotabaru area is quite large, both for household needs, agricultural irrigation, and inland fisheries development. The Project area is rich in surface runoff, with the main river, the Sampanahan River, flowing from west to east through the middle of the mine site. As a perennial river, it has a large volume of water. The mine design states that the production water is sourced from a river that flows through the northern part of the industrial site. Domestic water is taken from the local tap water system, which is filtered and purified to meet drinking water standards.

According to the mine design report, the total water consumption for production and domestic use at the mine's industrial site is estimated to be 2,265.19 m^3/d, of which 759.69 m^3/d for surface production and domestic use and 1,447.56 m^3/d for underground fire sprinkler use. Other water consumption is 57.94 m^3/d.

The potential negative impacts of a mining project to surface water and ground water are due to the indiscriminate discharge of untreated production and domestic wastewater. In addition, the mining activities may lead to the change of the groundwater table. The wastewater for the Project mainly includes mine water, coal washing wastewater, dust suppression wastewater, waste rock leachate, domestic sewage, etc.

The normal and maximum mine from underground mining is estimated to be 200 m^3/h and 300 m^3/h respectively. The environmental management plan of the Project states that the settling pond and wastewater treatment station will be constructed to dispose of the wastewater. It is recommended that the Company pay attention to the treatment of acid wastewater. The mine design also proposes the construction of mine water treatment facilities and industrial site production and domestic sewage treatment facilities to dispose of the wastewater.

SRK recommends that quality monitoring be undertaken of the groundwater and surface water resources within the project area (including upstream and downstream of the project area), and also any site water discharges. This water quality monitoring should form part of a broader site environmental monitoring program. It is recommended that the Company take into account the water needs of nearby residents to make sure the Project will not have any adverse impact on the local villagers' water use. SRK also recommends the Company construct an effective drainage. In addition, some prevention measures, such as surface hardening, accident pool and second containment facility, are recommended to mitigate the water pollution risks.

12.5.4 Dust Management

The dust emission sources for the Project are mainly from mining, loading and unloading, waste rock dumping, coal screening and movement of vehicles and mobile equipment. The environmental management plan and mine design for the Project provide the following proposed site dust management measures:

– Install dust suppression net for the coal stock yard;

– Use of dust remover;

– Water sprinkling of crashing, screening, coal stock yard and on roads;

– Tree planting around office and shaft areas; and

– Haul road maintenance and vehicle speed limit.

SRK opines the above fugitive dust mitigation measures are reasonable and recommends that the Company adopt the proposed measures during the Project's construction and operation. SRK also recommends including ambient air quality monitoring as part of a site environmental monitoring program.

12.5.5 Noise Management

The main sources of noise emissions for the Project are mining, air compressor, pump, vibrating screen and mobile equipment (mainly loading, unloading and haulage activities). The environmental management plan and mine design propose the following noise management measures:

– Use of low noise equipment where possible;

– Enclose all high noise equipment;

– Use of muffler for noisy equipment;

– Equipment maintenance;

– Conduct greening around office and shaft; and

– Use of ear plugs for workers.

12.5.6 Hazardous Substance Management

Hazardous materials have the characteristics of corrosive, reactive, explosive, toxic, flammable and potentially biologically infectious, which pose a potential risk to human and/or environmental health. The hazardous materials will be generated mainly by the project's construction, mining, coal washing, including hydrocarbons (i.e. fuels, waste oils, and lubricants), chemical and oil containers, batteries, medical waste, and paint.

12.5.7 Environmental Protection and Management Plan ("EPMP")

The purpose of an operational Environmental Protection and Management Plan ("**EPMP**") is to direct and coordinate the management of the Project's environmental risks. The EPMP documents the establishment, resourcing, and implementation of the Project's environmental management programs. The site environmental performance should be monitored, and feedback from this monitoring could then be utilised to revise and streamline the implementation of the EPMP.

SRK has reviewed the Project's RKL and RPL and opines that the RKL and RPL provide the basis for the Project's EPMP. SRK recommends that as the Project moves toward construction and operation, the Company develop and implement an operational EPMP to be in line with the recognised international practices.

12.5.8 Mine Closure and Reclamation Plan

The Government released GR 78/2010 dealing with reclamation and post-mining activities for both IUP holders on 20 December 2010. This regulation updates PerMen 18/2008 issued by the MoEMR on 29 May 2008. On 29 February 2014, the MoEMR issued PerMen 7/2014 (the implementing regulation for GR 78/2010) detailing the requirements and guidelines for the preparation of reclamation and post-mining plans.

A mining concession holder, among other requirements, must provide:

– A five-year reclamation plan;

– A post-mining plan;

– A reclamation guarantee which may be in the form of a joint account or time deposit placed at a state-owned bank, a bank guarantee, or (if meeting certain eligibility criteria) an accounting provision; and

– A post-mining guarantee in the form of a time deposit with a state-owned bank.

The requirement to provide reclamation and post-mining guarantees does not release the mining concession holder from the requirement to perform reclamation and post-mining activities. The reclamation and mine closure guarantees may only be withdrawn upon approval from the MoEMR, the Governor, the Regent or the Mayor, as applicable. PerMen 7/2014 also sets out the procedures for the preparation of the reclamation and post-mining activities report.

The recognised international industry practice for managing site closure and rehabilitation is to develop and implement an operational site closure and rehabilitation planning process and document this through an operational Closure and Rehabilitation Plan. This operational closure planning process generally includes the following components:

– Identify all site closure stakeholders (e.g., government, employees, community);

– Undertake stakeholder consultation to develop agreed site closure criteria and post-operational land use;

– Maintain records of stakeholder consultation;

– Establish a site rehabilitation objective in line with the agreed post-operational land use;

– Describe/define the site closure liabilities determined against agreed closure criteria;

– Establish site closure management strategies and cost estimates to address/reduce site closure liabilities;

– Establish a cost estimate and financial accrual process for site closure; and

– Describe the post site closure monitoring activities/program to demonstrate compliance with the rehabilitation objective/closure criteria.

12.5.9 Occupational Health and Safety ("OHS")

A well developed and comprehensive safety management system comprises site inductions, site policies, safe work procedures, training, risk/hazard management (including signage), use of personal protective equipment ("**PPE**"), emergency response process, incident/accident reporting, an onsite first aid/medical centre, designated safety responsibilities for site personnel, regular safety meetings and a work permit/tagging system.

12.5.10 Social Related Aspects

The Project is located in Kotabaru Regency, the eastern part of South Kalimantan, Indonesia. The general surrounding land of the mine site comprises mainly secondary forest and palm plantation park.

According to the EIA report, there are a number of villages that may be affected by the mining activities, including Magalau Hulu Village, Magalau Hilir Village and Siaynh Village of Kelumpang Barat District, Kotabaru Regency, South Kalimantan Province. The majority of the population in the Project area is Muslim and the people generally develop cultural values in line with that religion. The EIA report states that the community in the area was quite open and could accept newcomers well. The results of documentation and field interviews show that the indigenous tribes in this area consist of the Banjar and Dayak tribes. Besides that, there are Javanese, Bugis, Tator, Batak, and Chinese tribes.

In Indonesia, Corporate Social Responsibility ("**CSR**") and community development ("**CD**") have been legally mandated by Law 40/2007 on Limited Liability Company Law. Beside direct employment for local people, mining can lead to better standards of living for local people if natural resource extraction occurs responsibly and is well managed meeting government and community requirements. A well-developed CSR/CD can promote the relationship between the Company and its stakeholders. As the Project moved towards construction and operation, there are six themes suggested for the CSR/CD development which comprise infrastructure and basic utilities, economy, education, health, environment and donation.

13 COAL MARKET

13.1 Seaborne Thermal Coal Market Analysis

Thermal coal, a key energy source for electricity generation, plays a significant role in the global energy market. The seaborne trade of thermal coal allows flexible movement of resources across borders, meeting the dynamic energy needs of different regions. In recent years, this market has witnessed substantial volatility driven by changing demand patterns, geopolitical factors, and the push towards renewable energy sources.

Global Seaborne Thermal Coal Market: Demand, Supply, and Recent Trends

Demand Trends: Over the past five years, global seaborne thermal coal demand has been influenced by a confluence of factors. Economic growth in emerging markets, particularly in Asia, spurred increased coal-fired power generation. On the other hand, in developed economies, particularly in Europe and North America, a shift toward cleaner energy sources led to a decline in coal consumption. Additionally, fluctuations in natural gas prices have impacted thermal coal demand, as some power generators have the flexibility to switch between these fuels.

Supply Dynamics: The seaborne thermal coal supply has been shaped by production trends in major exporting countries such as Indonesia, Australia, Russia, and South Africa. Production levels have been affected by factors including mine development, weather disruptions, logistics bottlenecks, and changing government policies. Notably, recent export restrictions in some countries have further tightened the global supply.

Market Trend (2018-2023): The seaborne thermal coal market in the past five years has seen periods of both surplus and tightness. Prices were relatively subdued in the early part of the analyzed period due to ample supply. However, a confluence of factors including supply disruptions, recovering post-pandemic demand, and the geopolitical conflict in Europe fueled a surge in prices in 2022, reaching record highs. Though prices have moderated somewhat, they remain elevated compared to historical averages.

Future of Seaborne Thermal Coal in Asia

Asia holds the key to the future of the seaborne thermal coal market. The region's developing economies exhibit a growing appetite for electricity, and thermal coal remains a readily available and affordable energy source. However, there are countervailing forces at play.

Continued Reliance on Coal: Countries like India and China have large domestic coal resources but also face immense power demand. While they are investing in renewables, their energy infrastructure will likely continue to rely on thermal coal for the foreseeable future, driving seaborne imports.

Environmental Pressures: Growing international and domestic pressures to address climate change are influencing policymakers in Asia. Countries are pledging to reduce emissions and transition towards greener energy sources. This could translate to long-term declines in thermal coal demand but may not materialize in the immediate future.

Shifting Trade Flows: The recent trade disruptions have led Asian buyers to diversify their sources of thermal coal. Traditionally, major importers have relied on Australia; however, there are increasing efforts to procure coal from countries like Indonesia, Russia, and even suppliers further afield in South America.

Indonesia's Position in the Seaborne Thermal Coal Market

Indonesia holds a pivotal position within the global seaborne thermal coal market. It's the largest exporter of thermal coal by volume, and its supply is essential to meet Asian demand.

Demand and Supply Trends: Indonesia's domestic coal consumption has been rising, driven by its own economic development and power generation needs. Simultaneously, the country has ramped up coal production to cater to export markets. Despite environmental concerns, the government is committed to maintaining high coal export levels to generate foreign exchange earnings.

Price Trends: Indonesian thermal coal prices have generally followed the global market trends. The recent price surge has been highly beneficial for Indonesian producers and exporters. However, government policies that impose price caps or domestic market obligations (DMO) can sometimes introduce a degree of divergence from international price benchmarks.

Challenges and Opportunities: Indonesia's coal sector faces challenges related to environmental sustainability, fluctuating market conditions, and logistical constraints. Simultaneously, there are opportunities to secure long-term supply contracts with major Asian importers and potentially diversify into higher-value coal products.

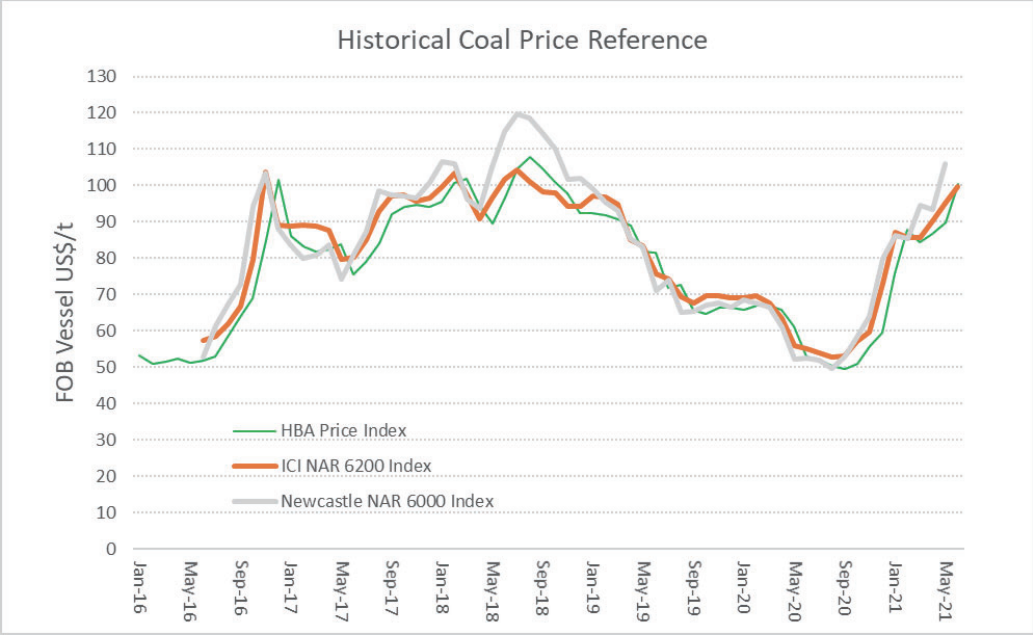
13.2 Indonesia High Calorific Coal Price Index

In order to forecast the price of the marketable coal produced from the PT SDE underground coal project, three coal price indexes, Indonesian Coal Price Reference (HBA and HPB), Indonesian Coal Index (Argus/Coalindo) and globalCOAL's NEWC Index were adopted in the Report for reference.

The HBA and HPB have been publishing monthly by the government of Indonesia since February 2009 to be used by coal producers for all spots as well as term contracts. The HBA was calculated based on the calorific value of 6,322 kcal/kg (GAR), stated to be using a formula based on the average of ICI-1 (Indonesia Coal Index) 25%, Platts-5900 25%, NEX (Newcastle Export Index) 25%, and GC (globalCOAL Index) 25% and it was calculated considering coal with GCV (GAR) 6,322 kcal/kg, Total Moisture (arb) 8.00%, Total Sulphur 0.8% (arb), Ash Content 15 % (arb) and delivery free on Board (FOB) Vessel basis and apply to spot contract. The HPB coal price takes into account the quality of the coal, calorie level, water content, sulphur content, and ash level in line with the brand of the coal, called HPB Maker. The HPB Maker consists of 8 coal brands that have been popularly known in the market. Figure 29 shows the historical HBA monthly price from January 2016 to June 2021.

The Argus/Coalindo Indonesian Coal Index Report is published every week of the year, the index is based on the assessments are for deliveries on a FOB Kalimantan basis. Prices are in US dollars per metric tonne, of which ICI-1 is published based on a calorific basis of GAR 6,500 kCal/kg (6,200 NAR).

Figure 29: Historical Coal Price Reference



14 RISK ASSESSMENT

14.1 Overview

Coal mining is a relatively high-risk industry and is subject to a number of operational risks. Some of which can even be beyond a mine's management and operators' control. Project risks may decrease from the exploration and development stage to the production stage, and over LOM through mine closure stage.

Reporting standards and rules governing the listing of securities require the disclosure of general and specific risks associated with a project if relevant and material to the Company's business operation. For this risk assessment which is covering technical-economic project and operation risks, SRK has identified the following relevant risk areas for which specific risks and hazards were reviewed and rated:

- Geology
- Mine construction and development
- Mining and processing
- Capital and operating costs
- Environmental issues
- Social, health, and safety concerns; and

- Other risks (natural risks influencing operation; permitting; etc.)

The risks associated with the above items may cause incidents such as mine roof collapse, instability of mine workings and slopes, flooding, explosions caused by methane gas or coal dust, and fires. It may result in personal injury to employees as well as damage to or destruction of property, mine structures and facilities. These risks may also cause increased costs, business interruptions, legal liability, environmental damage, and other damages, and must be considered in project and investment decisions.

The risk assessment by SRK in this Report is qualitative and considers the risks at the time of the review. It follows the Australian Standards AS/NZ 3931:1998, AS/NZ 4360:1999, (Risk Management), and HB 203:2004 (Environmental Risk Management) which have been developed in line with comparable international standards.

SRK has further compared the results of its risk assessment with the risk assessment provided in the FS/PMD studies and concludes that the results and conclusions are consistent. For the IPO Prospectus, the Company will provide additional overall project risk assessment.

14.2 Risk Assessment

SRK's risk assessment covers the two mining systems Qinfa Mine I and Qinfa Mine II. The risk assessment is shown in the table below. The overall technical-economic project risk for the two mines would be rated by SRK as "Low" to "Medium".

Table 15: Risk Assessment

Risk area/hazard	Qinfa Mine I			Qinfa Mine II		
	Likelihood	Importance	Risk level	Likelihood	Importance	Risk level
Geology						
Coal resource risk (quantitative exploration or estimation errors)	Impossible	Important	Low	Impossible	Important	Low
Coal quality risks (prospecting, sampling, analysis errors)	Impossible	Moderate	Low	Impossible	Moderate	Low
Undetected significant tectonic disturbances/faults	Possible	Moderate	Medium	Possible	Moderate	Medium
Severe hydrogeological conditions (excessive underground water inflow)	Possible	Moderate	Medium	Possible	Moderate	Medium

Risk area/hazard	Qinfa Mine I			Qinfa Mine II		
	Likelihood	Importance	Risk level	Likelihood	Importance	Risk level
Mine development and plant construction						
Underground development delay	Possible	Moderate	Medium	Possible	Moderate	Medium
Delay in the construction of surface mine facilities and plants	Possible	Mild	Low	Possible	Mild	Low
Delay in the purchase of mining equipment and plant construction and installation	Possible	Moderate	Medium	Possible	Moderate	Medium
Mining and reserves						
Improper mining methods and design	Impossible	Moderate	Medium	Impossible	Moderate	Medium
Coal reserve risk (Estimation error, reduced recovery)	Impossible	Moderate	Low	Impossible	Moderate	Low
Insufficient equipment and productivity/equipment failure	Impossible	Important	Low	Impossible	Important	Low
Poor microgeological conditions (faults and disturbances)	Possible	Important	Medium	Possible	Important	Medium
Geotechnical risks (tectonic stability and pressure of roof and floor)	Possible	Important	Medium	Possible	Important	Medium
Coal reserve loss (panel mining sequence)	Impossible	Moderate	Low	Impossible	Moderate	Low
Spontaneous combustion/mine fire/coal dust explosion	Possible	Moderate	Medium	Possible	Moderate	Medium
Coal mine gas explosion/coal seam gas explosion	Possible	Disastrous	Medium	Possible	Disastrous	Medium

Risk area/hazard	Qinfa Mine I			Qinfa Mine II		
	Likelihood	Importance	Risk level	Likelihood	Importance	Risk level
Lack of skilled labor personnel and operations management	Impossible	Moderate	Low	Impossible	Moderate	Low
Coal handling, washing and transportation						
Insufficient coal processing capacity and insufficient inventory capacity	Impossible	Moderate	Low	Impossible	Moderate	Low
Coal preparation process, capacity, yield and quality	Impossible	Moderate	Low	Impossible	Moderate	Low
Coal transportation – disruptions and capacity (road and rail)	Impossible	Moderate	Low	Impossible	Moderate	Low
Costs, coal price and market						
Cost overruns for construction and development	Possible	Moderate	Medium	Possible	Moderate	Medium
Unexpected (additional) capital investment (cost) requirements	Possible	Moderate	Medium	Possible	Moderate	Medium
Increased operating costs (mining)	Possible	Moderate	Medium	Possible	Moderate	Medium
Increased operating costs (coal preparation)	Possible	Moderate	Medium	Possible	Moderate	Medium
Poor project financial management leading to a shortage of funds	Possible	Important	Medium	Possible	Important	Medium
Coal prices fall	Possible	Moderate	Medium	Possible	Moderate	Medium
Market and demand shortages/oversupply of coal	Impossible	Moderate	Low	Impossible	Moderate	Low

Risk area/hazard	Qinfa Mine I			Qinfa Mine II		
	Likelihood	Importance	Risk level	Likelihood	Importance	Risk level
Environment and society						
Wastewater discharge (including possible environmental impacts)	Possible	Mild	Low	Possible	Mild	Low
Waste rock and gangue discharge	Possible	Mild	Low	Possible	Mild	Low
Dust emissions	Possible	Mild	Low	Possible	Mild	Low
Hazardous waste and impacts	Possible	Moderate	Medium	Possible	Moderate	Medium
Biodiversity impacts	Possible	Mild	Low	Possible	Mild	Low
Resettlement and land rights	Possible	Moderate	Medium	Possible	Moderate	Medium
Land disturbance and subsidence	Possible	Mild	Low	Possible	Mild	Low
Coal mine closure issues	Possible	Moderate	Low	Possible	Moderate	Low
Social and labor issues	Possible	Moderate	Medium	Possible	Moderate	Medium
Stakeholder, public, community engagement	Possible	Moderate	Medium	Possible	Moderate	Medium
Future coal use and CO_2 restrictions	Possible	Mild	Low	Possible	Mild	Low
Legal, policy and other risks						
Land acquisition, compensation and management issues	Impossible	Moderate	Low	Impossible	Moderate	Low
Exploration and coal production licenses	Impossible	Mild	Low	Impossible	Mild	Low
Other licenses and permits	Possible	Important	Medium	Possible	Important	Medium
Natural risks in mining areas (floods, earthquakes, etc.)	Impossible	Mild	Low	Impossible	Important	Medium
Supply failures (electricity, water, fuel)	Impossible	Moderate	Low	Impossible	Moderate	Low

CLOSURE

This report, Competent Person's Report for Qinfa Two Underground Coal Mines in Indonesia, was prepared by

_____

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Competent Person

and reviewed by

_____

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APPENDIX A MINING LICENSE (IUPOP)

Mining License (IUPOP) of PT SDE (page 9 and page 10)

LAMPIRAN I: KEPUTUSAN BUPATI KOTABARU
NOMOR : 545/ 13 /IUPE/D.PE/2014
TANGGAL : 14 Mei 2014
TENTANG : PERSETUJUAN PENINGKATAN IUP EKSPLORASI MENJADI IUP OPERASI PRODUKSI KEPADA PT. SUMBER DAYA ENERGI

DAFTAR KOORDINAT WILAYAH PENINGKATAN IUP EKSPLORASI MENJADI IUP OPERASI PRODUKSI

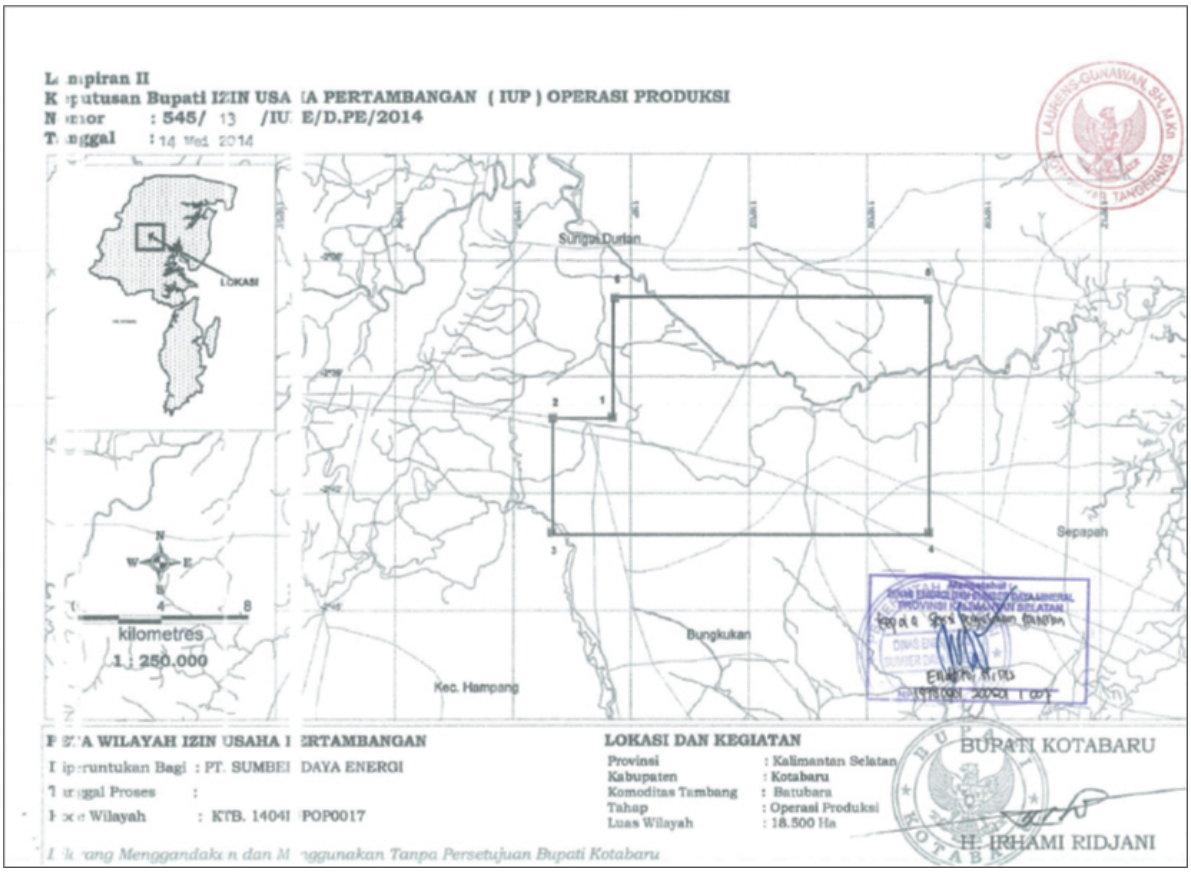
Lokasi
- Propinsi : KALIMANTAN SELATAN
- Kabupaten : KOTABARU
- Kecamatan : SUNGAI DURIAN
- Komoditas Tambang : BATUBARA
- Kode Wilayah : KTB. 1404IUPE0017

Luas Wilayah : 18.500 Ha

No. Titik	Bujur Timur (BT)			Lintang Selatan (LS)		
	°	'	"	°	'	"
1.	115	59	33,06	2	40	04,10
2.	115	58	01,18	2	40	04,10
3.	115	58	01,18	2	43	03,21
4.	116	07	37,00	2	43	03,21
5.	116	07	37,00	2	36	54,92
6.	115	59	33,06	2	36	54,92

BUPATI KOTABARU,

H. IRHAMI RIDJANI


Lampiran II
Keputusan Bupati IZIN USAHA PERTAMBANGAN (IUP) OPERASI PRODUKSI
Nomor : 545/ 13 /IUP/E/D.PE/2014
Tanggal : 14 Mei 2014
LOKASI
Sungai Durian
Sepapah
Bungkukan
Kec. Hampang
kilometres
1 : 250.000
PETA WILAYAH IZIN USAHA PERTAMBANGAN
Diperuntukan Bagi : PT. SUMBER DAYA ENERGI
Tanggal Proses :
Kode Wilayah : KTB. 14041 POP0017
LOKASI DAN KEGIATAN
Provinsi : Kalimantan Selatan
Kabupaten : Kotabaru
Komoditas Tambang : Batubara
Tahap : Operasi Produksi
Luas Wilayah : 18.500 Ha
Barang Menggandakan dan Menggunakan Tanpa Persetujuan Bupati Kotabaru
BUPATI KOTABARU
H. IRHAMI RIDJANI

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with the valuation of the Target Group comprising 40% equity interest in Lead Far Development Limited and its subsidiaries as at 31 December 2023.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 01-08, 27th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心27樓2701-2708室
Tel電話：(852) 2593 9678 Fax傳真：(852) 2802 0863
Email 電郵：enquiry@bmintelligence.com Website 網址：www.bmi-appraisals.com

25 June 2024

The Directors
China Qinfa Group Limited
Room 5706, 57th Floor
Central Plaza,
18 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

Re: Valuation of 40% equity interest in Lead Far Development Limited and its subsidiaries

1. INSTRUCTIONS

We refer to the instructions from China Qinfa Group Limited (referred to as the "**Company**") for us to provide our independent opinion on the market value of 40% equity interest in Lead Far Development Limited (referred to as the "**Target Company**") together with its subsidiaries (collectively referred to as the "**Target Group**").

2. PURPOSE OF VALUATION

The purpose of our valuation is to provide an independent opinion on the market value of the Target Group as at the date of valuation in relation to the acquisition of the Target Group by the Company.

3. DATE OF VALUATION

The date of valuation is 31 December 2023 (referred to as the "**Valuation Date**").

4. BASIS OF VALUATION

This report has been prepared in accordance with the International Valuation Standards issued by the International Valuation Standards Council.

Our valuation has been carried out on the basis of market value. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

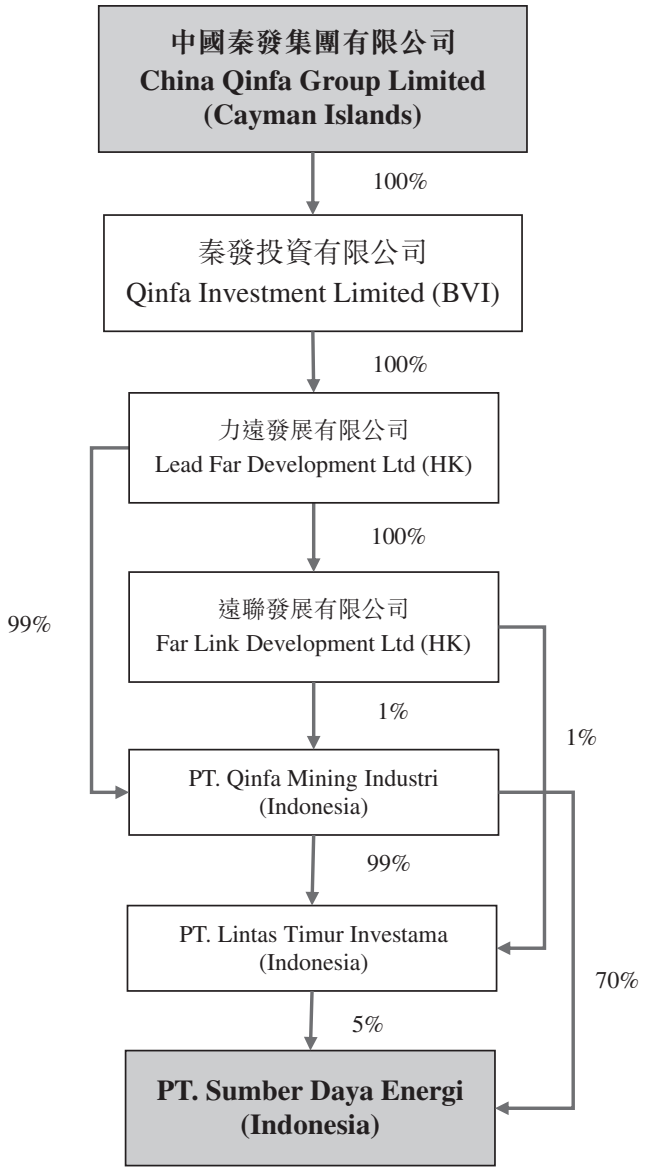
5. BACKGROUND OF THE COMPANY AND THE TARGET GROUP

Background of the Company

The Company is a publicly listed company with limited liability. It was incorporated in the Cayman Islands on 4 March 2008 and has been listed on the Main Board of the Hong Kong Stock Exchange (stock code: 866) since 2009. The Company is an investment holding company. Along with its subsidiaries, the Company is principally engaged in the coal operation business involving coal mining, purchase and sales, filtering, storage, blending of coal in the People's Republic of China (referred to as the "**PRC**").

Background of the Target Group

Lead Far Development Limited (力遠發展有限公司) is a company incorporated in Hong Kong with limited liability. It is holding 100% in Far Link Development Limited, 99% in PT Qinfa Mining Industri and 99% in PT Lintas Timur Investama. Far Link Development Limited holds 1% of PT Qinfa Mining Industri and PT Lintas Timur Investama. PT Qinfa Mining Industri and PT Lintas Timur Investama respectively hold 70% and 5% in PT Sumber Daya Energi Company ("**SDE**"). SDE is currently owned by PT Qinfa Mining Industri, PT Widyanusa Mandiri ("**WM**") and PT Linta Timur Investama as to 70%, 25% and 5%. Upon completion of the reorganisation for the purpose of the proposed transaction and as at the date of this report, the shareholding structure of the Target Group is as follows:



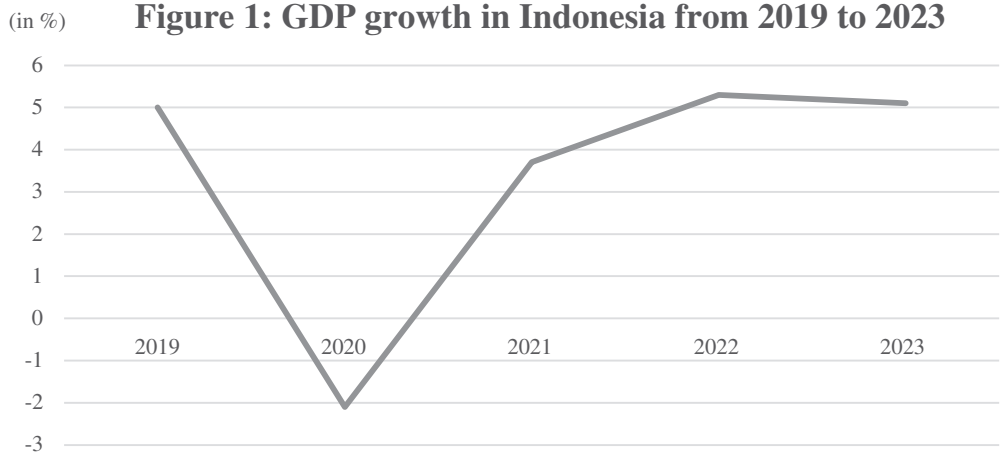
SDE mine is located in Kalimantan Province, Indonesia. The PT SDE underground coal mine project area is situated in the northern part of the Kotabaru Regency, South Kalimantan Province. SDE holds a mining permit (IUP-OP) that covers an area of approximately 185 square kilometers.

6. INDUSTRY OVERVIEW

The Economy of Indonesia

In Indonesia, the gross domestic product (GDP) continued to grow and reached IDR 20,892.4 trillion, up by 5.05% in 2023, which was lower than 2022, 5.31%. The GDP per capita reached IDR 75 million in 2023. The lower growth compared to 2022 was owing to the falling commodity prices hit exports and tight monetary policy dampened demand. However, it is higher than the consensus forecast of 5.03% in 2023 mainly owing to the 7.68% yoy (year on year) growth in construction sector and 4.07% yoy growth in the manufacturing industry. Furthermore, the yoy growth was also supported by other sectors as well, such as household consumption which contributed over half of the GDP in Indonesia, up by 4.82% yoy while transportation and warehousing, which recorded a yoy growth of 4.82% and 13.96% in 2023.

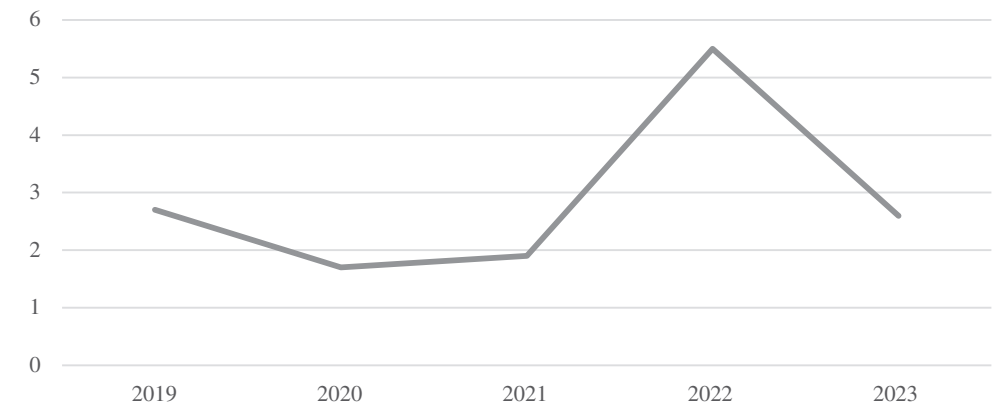
Figure 1: GDP growth in Indonesia from 2019 to 2023



Source: Statistics Indonesia

According to Figure 2, the inflation rate in Indonesia fell from 4.21% yoy in 2022 to 2.61% yoy in 2023. In 2023, the inflation rate fell from 5.28% yoy in January 2023 to 2.61% yoy in December 2023, with the increase in all expenditure groups indices, such as food, beverages, and tobacco group of 6.2%; clothing and footwear group of 0.8%; housing, water, electricity and household fuel of 0.5%, etc. while the Consumer Price Index (CPI) rose from 113.98 in January 2023 to 116.56 in December 2023.

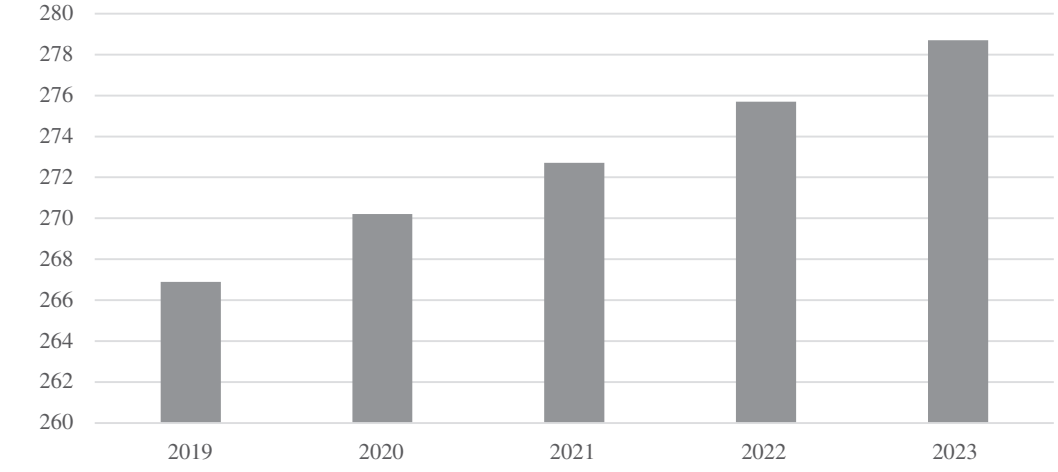
Figure 2: Inflation rate in Indonesia from 2019 to 2023



Source: Statistics Indonesia

According to Figure 3, the population of Indonesia in mid year of 2023 continued to grow and reached 278.7 million. The population of Indonesia increased from 266.9 million in 2019 and 275.8 million in 2022. In 2022, Jawa Barat, which is the province that has the largest population, reached 49 million people, or approximately 17.9% of the total population in Indonesia.

Figure 3: Population in Indonesia from 2019 to 2023



Source: Statistics Indonesia

Coal Market

According to International Energy Agency, the coal demand in 2022 increased 4% yoy and reached 8,415 million tonnes (Mt). The growth was mainly driven by the growth in countries, such as Mainland China and India. In 2022, Mainland China consumed 4,520 Mt and is the largest coal consumer which accounted for approximately 54% of the global coal consumption. Among the coal consumption in Mainland China, a major proportion of approximately 84% was thermal coal, totalled approximately 3,801 Mt and was predominantly used for power generation. In 2023, it is expected that the global coal demand will grow by 1.4%. The global coal demand is expected to continue moving eastwards, with Mainland China, India, and association of Southeast Asian Nations countries that consuming three-quarters of global demand.

The volume of coal trade has increased almost every year this century with very few exceptions. In 2020, the economic downturn driven by the Covid-19 pandemic triggered the second drop. Now, after a recovery in 2021 and 2022, global coal trade volumes are set to rise again in 2023, reaching record levels for seaborne. On the supply side, Indonesia once again proved to be the most flexible exporter and will export close to 500 Mt in 2023, a level that has never been reached by any country before.

According to MINERBA One Data (MODI) S&P Global Commodities, the coal production in Indonesia reached 775.2 Mt in 2023 up from 687 Mt in 2022, more than the target of 694 Mt set by the government earlier with the domestic demand higher than expected as power demand recovered from the pandemic impact. The output rose 12% yoy. Exports reached at 508 Mt in 2023, with the fourth quarter seeing the highest shipments at 143.50 Mt compared with the previous quarters due to the rising energy demand while supply of alternative energy sources was disrupted. Exports to China were at 215.7 Mt, followed by India at 108.40 Mt in 2023. Indonesian thermal coal supply remained unhindered in 2023.

7. SOURCE OF INFORMATION

For the purpose of our valuation, we have been furnished with the financial and operational information in respect of the Target Group provided by the senior management of the Company.

The valuation required the consideration of all pertinent factors, including, but not limited to, the following:

- The nature of the Target Group including the overall market, industry sector and geographical location;
- The information in respect of the Target Group provided by the senior management of the Company;
- The Competent Person's Report in respect of the coal mine prepared by the Competent Person;
- The specific economic environment and competition for the market in which the Target Group currently operates or will operate; and

- Other factors that will materially affect the operation of the Target Group.

We have no reason to doubt the truth and accuracy of the information provided to us, and we have been confirmed by the senior management of the Company that no material facts have been omitted from the information provided to us.

Apart from the information provided by the senior management of the Company, we also obtained market data, industry information and statistical figures from publicly available sources.

8. SCOPE OF WORKS

The following processes have been conducted by us in the course of our valuation:

- Interviewed with the senior management of the Company in respect of the core operation of the Target Group;

- Obtained relevant financial and operational information in respect of the Target Group from the senior management of the Company;

- Examined the information in respect of the coal mine companies stated in the Competent Person's Report;

- Examined the basis and assumptions of the financial and operational information in respect of the Target Group provided by the senior management of the Company;

- Conducted appropriate research to obtain sufficient market data, industry information and statistical figures from publicly available sources; and

- Prepared the valuation and this report in accordance with generally accepted valuation procedures and practices.

9. VALUATION ASSUMPTIONS

Due to the changing economic and market conditions, a number of assumptions have to be adopted in our valuation. The major assumptions adopted in our valuation are as follows:

General Market Assumptions

- There will be no material change in the existing political, legal, fiscal, technological, economic and market conditions in the jurisdiction where the Target Group is currently or will be situated;

- There will be no material change in the taxation laws and regulations in the jurisdiction where the Target Group is currently or will be situated, that the tax rates will remain unchanged and that all applicable laws and regulations will be complied with;

- The market return, market risk, interest rates and exchange rates will not differ materially from those of present or expected;

- The supply and demand, both domestically and internationally, of the products and/or services of the Target Group or similar products and/or services will not differ materially from those of present or expected;

- The market prices and the relevant costs, both domestically and internationally, of the products and/or services of the Target Group or similar products and/or services will not differ materially from those of present or expected;

- The products and/or services of the Target Group or similar products and/or services are marketable and liquid, that there are active markets for the exchange of the products and/or services of the Target Group or similar products and/or services; and

- The market data, industry information and statistical figures obtained from publicly available sources are true and accurate.

Company-specific Assumptions

- All licenses, permits, certificates and consents issued by any local, provincial or national government or other authorized entity or organization that will affect the operation of the Target Group have been obtained or can be obtained upon request with an immaterial cost;

- The core operation of the Target Group will not differ materially from those of present or expected;

- The financial and operational information in respect of the Target Group have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Target Group;

- The information in respect of the Coal Mines stated in the Competent Person's Report have been prepared on a reasonable basis after due and careful considerations by the Competent Person;

- The Target Group currently has, or will have, adequate human capital and capacity required for the production and/or provision of the products and/or services of the Target Group, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of the Target Group;

- The Target Group has acquired, or will acquire, adequate financial capital for the investments in projected capital expenditure and working capital from time to time, and any scheduled interest or repayment of loan and payable will be paid on time;

- The senior management of the Target Group will implement only those prospective financial and operational strategies that will maximize the efficiency of the operation of the Target Group;

- The senior management of the Target Group has sufficient knowledge and experience in respect of the operation of the Target Group, and the turnover of any director, management or key person will not affect the operation of the Target Group;

- The senior management of the Target Group has adopted reasonable and appropriate contingency measures against any human disruption such as fraud, corruption and strike, and the occurrence of any human disruption will not affect the operation of the Target Group; and

- The senior management of the Target Group has adopted reasonable and appropriate contingency measures against any natural disaster such as fire, flood and hurricane, and the occurrence of any natural disaster will not affect the operation of the Target Group.

10. VALUATION APPROACH

General Valuation Approaches

The following generally accepted valuation approaches have been considered in the course of our valuation: (1) the income approach; (2) the market approach; and (3) the cost approach.

Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The discounted cash flow (DCF) method is the most fundamental and prominent method of the income approach. In applying the DCF method, the free cash flows of the subject asset in future years were determined from the net income after tax plus non-cash expenses, such as depreciation and amortization expenses, and after-tax interest expense; the result was then less non-cash incomes, investment in capital expenditure and investment in net working capital.

Market Approach

The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the guideline publicly-traded comparable method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The guideline transactions method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Cost Approach

The cost approach provides an indication of value based on the principle that an informed buyer would pay no more than the cost of producing the same or a substitute asset with equal utility as the subject asset.

Under the cost approach, the historical cost method measures the cost incurred throughout the development of the subject asset at the time it was developed. The replication cost method measures the amount of investment that would be required to develop an asset similar to the subject asset. The replacement cost method measures the amount of investment that would be required to develop the subject asset as it currently exists.

Selected Valuation Approach

The selection of a valuation approach is based on, among other criteria, the quantity and quality of the information provided, access to available data, supply of relevant market transactions, type and nature of the subject asset, purpose and objective of the valuation and professional judgment and technical expertise.

The income approach was considered to be the most appropriate valuation approach in the valuation, as it takes the future growth potential and firm-specific issues of the Target Group into consideration. Under the income approach, the discounted cash flow ("**DCF**") method was adopted.

The market approach, instead, relies generally on deriving value through a measure of the values of industry comparables or market transactions. Given the characteristics of the Target Group, there was a lack of explicitly industry comparables or market transactions available as at the date of valuation to derive an indicative value of the Target Group with sufficient level of accuracy. Accordingly, the market approach was abandoned. The cost approach was also considered inappropriate as the replication cost of the Target Group may not represent the value of the Target Group.

Cash-flow Forecast

We have performed our valuation based on the financial forecast of the Target Group provided by the management of the Target Group (the "**Management**"). We discussed with the Management regarding the relevant assumptions. The cash flow forecast can be found in the Report.

The following assumptions were considered and adopted in the forecast, including but not limited to:

- The sales growth and the production capacity were estimated based on the Target Group's competent person's report;

- The coal price of approximately RMB400 per tonnes, which was determined with reference to the historical selling price of coal sold by the Target Group, and the expected coal price growth at a rate of 1.3% per year, with reference to the inflation rate in the PRC;

- The operating expenses were estimated based on the Target Group's business plan and the growth rate was estimated with reference to the inflation rate in Indonesia;

- The level of capital expenditure and the mining life was estimated based on the Target Group's competent person's report with no terminal value assumed;

- The working capital was determined with reference to estimations based on the Target Group's business plan; and

- A mine life of 28 years has been assumed.

11. VALUATION METHODOLOGY

Under the income approach, the discounted cash flow (DCF) method was adopted in the valuation. The DCF method is the most fundamental and prominent method of the income approach. In applying the DCF method, the free cash flows were computed using the following formula:

$$FCF = NI + NCE + Int\ (1 - T_{int}) - NCI - InvFA - InvNWC$$

Where:

FCF	=	free cash flow
NI	=	net income after tax
NCE	=	non-cash expenses
Int	=	interest expenses
T_{int}	=	tax rate applied to interest expense
Int $(1 - T_{int})$	=	after-tax interest expense
NCI	=	non-cash incomes
InvFA	=	investment in capital expenditure
InvNWC	=	investment in net working capital

The results were then discounted using a discount rate, or the cost of capital, to determine the present value of the expected cash flows.

The present value of the expected cash flows was computed using the following formula:

$$PVFCF = FCF_1 /(1 + r)^1 + FCF_2 /(1 + r)^2 + ... + FCF_n /(1 + r)^n$$

Where:

PVFCF	=	present value of free cash flows
FCF	=	free cash flow
r	=	discount rate
n	=	number of year of projections

The projected future financial performance of the Target Group for years with maximum and minimum free cash flow throughout the life of mine are as follows:

(RMB)	**Year with Maximum Free Cash Flow**	**Year with Minimum Free Cash Flow**
Revenue	7,542,712,950	862,473,215
Operating Expenses and Tax	4,817,605,813	631,223,324
Net Operating Profit After Tax	2,725,107,137	231,249,891
Depreciation and Amortisation	487,057,530	73,172,303
Investment in Capital Expenditure	124,667,491	17,248,934
Investment in Net Working Capital	(101,419,883)	285,911,075
Free Cash Flow	3,188,917,059	1,262,185

12. VALUATION PARAMETERS

Comparable Companies

For the purpose of our valuation, we referred to the information in respect of publicly listed companies that are considered to be comparable to the Target Group (referred to as the "**Comparable Companies**").

Selection Criteria of the Comparable Companies

The selection of the Comparable Companies was based on the comparability of the overall industry sector and geographical location. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

The selection criteria of the Comparable Companies are as follows:

- The principal activities of the Comparable Companies are located in Indonesia;
- The Comparable Companies are principally engaged in the coal operation business involving mining and the related operation;
- Shares of the Comparable Companies are listing in stock exchange in Indonesia and are being actively traded in a reasonable period of time; and
- Detailed financial and operational information in respect of the Comparable Companies are available at publicly available sources.

Selected Comparable Companies

Given the abovementioned selection criteria, the Comparable Companies were considered to be fair and representative samples. Details of the Comparable Companies are as follows:

Comparable Company 1

Name of Company	:	PT Atlas Resources Tbk
Stock Code	:	ARII IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	PT Atlas Resources Tbk explores for and produces coal. It operates in East Kalimantan and South Sumatra in Indonesia, and Papua New Guinea.

Comparable Company 2

Name of Company	:	PT Golden Eagle Energy Tbk
Stock Code	:	SMMT IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	PT Golden Eagle Energy Tbk is a coal mining company based in Indonesia.

Comparable Company 3

Name of Company	:	PT Alfa Energi Investama Tbk
Stock Code	:	FIRE IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	PT Alfa Energi Investama Tbk offers mining services. It provides exploration, extraction, production and trading of coal, as well as develops coal fired power plant for electricity. It serves customers in Indonesia.

Comparable Company 4

Name of Company	:	Mitrabara Adiperdana Tbk Pt
Stock Code	:	MBAP IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	Mitrabara Adiperdana Tbk PT is a coal mining company based in Indonesia.

Comparable Company 5

Name of Company	:	PT Dwi Guna Laksana Tbk
Stock Code	:	DWGL IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	PT Dwi Guna Laksana Tbk provides coal mining services. It mines and supplies coal, as well as owns and operates supporting logistic infrastructure operations. It serves customers in Indonesia.

Comparable Company 6

Name of Company	:	PT Resource Alam Indonesia Tbk
Stock Code	:	KKGI IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	PT Resource Alam Indonesia Tbk is a coal mining company. It focuses on the exploration, production, transportation and supplies of Indonesian thermal coal.

Comparable Company 7

Name of Company	:	PT Adaro Energy Indonesia Tbk
Stock Code	:	ADRO IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	PT Adaro Energy Indonesia Tbk is a coal mining company. It produces thermal coal product, envirocoal, a sub-bituminous coal with medium calorific value and ultra-low pollutant content. It operates in Indonesia.

Comparable Company 8

Name of Company	:	PT Bumi Resources Tbk
Stock Code	:	BUMI IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	PT Bumi Resources Tbk operates in the exploration and exploitation of coal deposits, including coal mining and oil exploration activities. It offers its services to cement companies and power plants, as well as middle and large scale industrial companies that involve in chemical, mine and textile businesses.

Comparable Company 9

Name of Company	:	PT Bukit Asam Tbk
Stock Code	:	PTBA IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	PT Bukit Asam Tbk provides coal mining services. It offers general surveying, exploration, exploitation, production, transportation and marketing of coal. It serves customers in Indonesia.

Comparable Company 10

Name of Company	:	Bayan Resources Tbk PT
Stock Code	:	BYAN IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	Bayan Resources Tbk PT is a coal producer. It extracts thermal coal from surface open cut mines.

Comparable Company 11

Name of Company	:	PT Harum Energy Tbk
Stock Code	:	HRUM IJ
Stock Exchange	:	Indonesia Stock Exchange
Company Description	:	PT Harum Energy Tbk mines thermal coal.

Discount Rate

The Weighted Average Cost of Capital (WACC) was adopted as the discount rate for the valuation. It is the required return on the capital investment of a company. The cost of capital will be different for each source of capital and class of securities a company has, reflecting the different risks. The WACC is the weighted average of the costs of each of the different types of capital, and the weights are proportion of the company's capital that comes from each source.

The WACC was computed using the following formula:

$$WACC = R_e\,(E/V) + R_d\,(D/V)\,(1 - T_c)$$

Where:

$WACC$	=	weighted average cost of capital
R_e	=	cost of equity
R_d	=	cost of debt
E	=	value of the firm's equity
D	=	value of the firm's debt
V	=	sum of the values of the firm's equity and debt
T_c	=	corporate tax rate

The WACC comprises two components: the cost of equity and the cost of debt. The cost of equity was determined using the Capital Asset Pricing Model (CAPM). The CAPM describes the relationship between the risk of a particular asset, its market price and the expected return to the investor, that investors required additional return to compensate additional risk associated.

The cost of equity under the modified CAPM was computed using the following formula:

$$R_e = R_f + \beta * MRP + RP_S + RP_U$$

Where:

R_e	=	cost of equity
R_f	=	risk-free rate
β	=	beta coefficient
MRP	=	market risk premium
RP_S	=	size premium
RP_U	=	company-specific risk premium

Risk-free Rate

R_f The risk-free rate (R_f) represents the time value of money. It is the theoretical rate of return of an investment with no risk of financial loss The yield rate of bonds issued by a government or agency where the risks of default are so low as to be negligible are commonly applied as the risk-free rate.

The yield rate of the 10-year Government Bond of Indonesia as at the date of valuation was adopted as the risk-free rate in the valuation.

Beta Coefficient

β The beta coefficient (β) measures the risk of an asset relative to the overall market. It reflects the sensitivity of an asset's value to economic variables or risks that affect the values of all risky assets, including economic growth rates, interest rates, exchange rates and inflation rates.

In the valuation, as the Target Group is not listing in any major stock exchange or be marketable in any over-the-counter market, it is not possible to determine its beta coefficient directly. Instead, the beta coefficient for the Target Group was determined as the average of the betas of the Comparable Companies, with adjustment for differences in corporate tax rates and leverage compositions.

The adjusted betas of the Comparable Companies, which measure their risks relative to the market, were derived from the corresponding raw betas, modified by the assumption that a security's beta moves toward the market average over time with the following generally accepted formula:

*Adjusted Beta = (1/3) + (2/3) * Raw Beta*

The unlevered beta was calculated to consider the differences in corporate tax rates and leverage compositions of the Target Group and the Comparable Companies. The unlevered beta removes the effects of the use of leverage on the capital structure of a firm. Removing the debt component allows an investor to compare the base level of risk between various companies.

The unlevered beta was computed using the following formula:

$$\beta_{unlevered} = \beta_{levered} * 1 + (1 - T_c)\ (D/E)$$

Where:

$\beta_{unlevered}$	=	unlevered beta
$\beta_{levered}$	=	levered beta
T_c	=	corporate tax rate
D	=	value of the firm's debt
E	=	value of the firm's equity
D/E	=	debt-to-equity ratio

The average of the unlevered betas of the Comparable Companies was then being relevered based on the specific corporate tax rate and the expected debt-to-equity ratio applied to the Target Group.

The relevered beta was computed using the following formula:

$$\beta_{relevered} = \beta_{unlevered} * 1 + (1 - T_c)\ (D/E)$$

Where:

$\beta_{relevered}$	=	relevered beta
$\beta_{unlevered}$	=	unlevered beta
T_c	=	corporate tax rate
D	=	value of the firm's debt
E	=	value of the firm's equity
D/E	=	debt-to-equity ratio

Market Risk Premium

MRP The market risk premium (*MRP*) is the implied risk premium expected from the market using forecasted growth rates, earnings, dividends, payout ratios and current values. It represents the additional return required by an investor as compensation for investing in equities rather than a risk-free instrument.

The market risk premium of Indonesia as at the date of valuation was computed using the market return of Indonesia and the risk-free rate of Indonesia.

Size Premium

By considering the size of the Target Group, a size premium was adopted in the valuation.

Company-specific Risk Premium

By considering the additional risk associated with the operation of the Target Group, a company-specific risk premium was adopted in the valuation.

Cost of Equity

The cost of equity was determined using the CAPM.

Cost of Debt

The cost of debt was determined by the expected lending rate of the Target Group.

After-tax Cost of Debt

Since the interest paid on debts are tax-deductible expense for a company, the cost of the company of obtaining debt funds is less than the required rate of return of the suppliers of the debt capital. The after-tax cost of debt was calculated by multiplying one minus the corporate tax rate of Indonesia by the cost of debt.

Weight of Debt

The weight of debt was determined by the average of the weights of debt of the Comparable Companies, assuming that the weight of debt of the Target Group moves toward that of the average of the Comparable Companies over time.

Weight of Equity

The weight of equity was determined by the average of the weights of equity of the Comparable Companies, or calculated as one minus the weight of debt of the Target Group.

In the valuation, the adopted rates of the above-mentioned valuation parameters are as follows:

	Valuation Parameter	**As at 31 December 2023**
a.	Risk-free Rate	6.45%
b.	Beta Coefficient	0.851
c.	Market Risk Premium	9.64%
d.	Size Premium	3.05%
e.	Company-specific Risk Premium	3.00%
f.	Cost of Equity	20.70%
g.	Cost of Debt	7.13%
h.	After-tax Cost of Debt	5.56%
i.	Weight of Debt	15.31%
j.	Weight of Equity	84.69%
k.	Discount Rate	18.38%

18.38% was adopted as the discount rate for the valuation of the Target Group as at the Valuation Date.

With 1% increase and decrease in the discount rate, the equity value of 40% interest in the Target Group will be approximately RMB2.8 billion and RMB3.1 billion respectively.

Discount for Lack of Marketability

The discount for lack of marketability is a downward adjustment to the value of an investment to reflect its reduced level of marketability. The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell.

The discount for lack of marketability reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

As the Target Group is unlikely to undergo public offering and shares of the Target Group are unlikely to be listed in any major stock exchange or be marketable in any over-the-counter market in the near future, a discount for lack of marketability has been adopted in the valuation. With reference to the research result of Stout Restricted Stock Study, published by Business Valuation Resources, LLC in 2022, 15.7% was adopted as the DLOM for the valuation.

13. STATEMENT OF INDEPENDENCE

We hereby certify that we have neither present nor prospective interest in the Company, the Target Group or the result reported. In addition, our directors are neither directors nor officers of the Company or the Target Group.

In the course of our valuation, we are acting independently of all parties.

Our fees are agreed on a lump-sum basis and are not correlated with the result as stated in this report.

14. REMARKS

For the purpose of our valuation, we have been furnished with information provided by the senior management of the Company. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made or liability assumed for the accuracy of any data, opinions or valuations identified as being furnished by others, which have been used in formulating our analysis.

15. CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to uncertainties and contingencies that are beyond the control of the Company, the Target Group or us.

Based on our analysis outlined in this report, it is our independent opinion that the total market value of the Target Group comprising of 40% equity interest in as at 31 December 2023 was **RMB2,970,000,000 (RENMINBI TWO BILLION NINE HUNDRED AND SEVENTY MILLION ONLY)** .

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C. H. Cheng
BSc (Bldg), MUD, MBA(Finance), MSc.(Eng), PhD(Econ),
FSOE, FIPlantE, CEnv, FIPA, FAIA, FRSM, CPA UK, SIFM, FCMA,
FRSS, MCIArb, MASCE, MHKIE, MIEEE, MASME, MIISE, MIET
Managing Director

Note:

Dr. Cheng has over 20 years' experience in valuing coal mines and related assets and facilities since 2003. He is a member of European Association of Geoscientists & Engineers (EAGE), a member of The Minerals, Metals & Materials Society (TMS) and a member of Society of Petroleum Engineers (SPE).

Furthermore, Dr. Cheng has various engineering and accounting & finance qualifications. He is a Fellow member of Royal Statistical Society, Fellow member of the Society of Operations Engineers, and the Institution of Plant Engineers, and a member of the Hong Kong Institution of Engineers and the American Society of Mechanical Engineers.

Besides, Dr. Cheng is a Fellow member of Chartered Institute of Management Accountants (CIMA), Fellow member of Association of International Accountants, Fellow member of the Institute of Public Accountants.

The following is the text of a report received from Moore CPA Limited for the purpose of incorporation in this circular.

REPORT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF 40% EQUITY INTEREST IN THE TARGET GROUP (AS DEFINED BELOW)

To the Board of Directors of China Qinfa Group Limited

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by BMI Appraisals Limited dated 25 June 2024 in respect of 40% equity interests in Lead Far Development Limited (the "**Target Company**") and its subsidiaries (collectively referred to as the "**Target Group**") as at 31 December 2023 (the "**Valuation**") is based. The Valuation prepared in connection with the Target Group is set out in the circular of China Qinfa Group Limited dated 28 June 2024 (the "**Circular**"). The Valuation which is based on the discounted future estimated cash flows are regarded as profit forecasts under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

DIRECTORS' RESPONSIBILITIES

The directors of China Qinfa Group Limited (the "**Directors**") are solely responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Directors and set out in the Circular (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

REPORTING ACCOUNTANT'S 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 Hong Kong Institute of Certified Public Accountants ("**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 ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.60A(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our engagement in accordance with the terms of our engagement letter dated 31 January 2024 and Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of the Target Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

OPINION

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Yours faithfully,

Moore CPA Limited
Certified Public Accountants

Cheung Sai Kit
Practising Certificate Number: P05544

Hong Kong, 28 June 2024

The following is the text of a letter received from the Board for the purpose of incorporation in this circular.

28 June 2024
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL – DISPOSAL OF 40% INTEREST IN THE TARGET COMPANY

We refer to the circular of the Company dated 28 June 2024 (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We refer to the Valuation conducted by BMI Appraisals Limited, an independent valuer. The Valuer conducted an income-based approach valuation (the "**Income Approach Valuation**") of the Target Group, among which the Income Approach Valuation (which is based on the discounted cash flow forecast) is regarded as a profit forecast under Rule 14.61 of the Listing Rules.

We have discussed with the Valuer the different aspects upon which the Valuation was prepared (including the bases and assumptions) and have reviewed the Valuation for which the Valuer is responsible. Pursuant to Rule 14.60A of the Listing Rules, we have engaged Moore CPA Limited, the auditor of the Company, to report on whether the discounted future estimated cash flows in connection with the valuation of the Target Group, so far as the calculations are concerned, have been properly compiled, in all material aspects in accordance with the bases and assumptions as set out in the valuation report.

On the basis of the above, we confirm that the Valuation has been made after due and careful enquiry by us.

Yours faithfully,
On behalf of the Board
China Qinfa Group Limited
XU DA
Chairman

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

(a) Directors and chief executive

As at the Latest Practicable Date, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Hong Kong Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules are as follows:

Long positions in the Shares of the Company

Name of Director	Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
XU Da	Beneficial owner	93,135,251 (L)	3.74%
BAI Tao	Beneficial owner	50,000,000 (L)	2.01%
ZHAI Yifeng	Beneficial owner	2,000,000 (L) *(Note 1)*	0.08%
DENG Bingjing	Interest of spouse	93,135,251 (L) *(Note 2)*	3.74%

(L) – Long Position

Notes:

1. The beneficial interest represents Shares that may be issued pursuant to the full exercise of the options granted to Mr. ZHAI Yifeng under the share option scheme of the Company on 30 April 2015.

2. Ms. DENG Bingjing is the spouse of Mr. XU Da. Hence, Ms. DENG is deemed to be interested in the 93,135,251 Shares held by Mr. XU Da by virtue of the SFO.

(b) Substantial Shareholder

As at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the Shares of the Company

Name of Shareholder	Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
XU Jihua *(Note 1)*	Beneficial owner	14,229,610 (L)	0.57%
	Interest in controlled corporation	1,350,618,938 (L)	54.17%
Fortune Pearl International Limited ("**Fortune Pearl**") *(Note 1)*	Beneficial owner	1,350,618,938 (L)	54.17%

(L) – Long Position

Note:

1. Mr. XU Jihua is the father of Mr. XU Da. Mr. XU Da is the chairman and an executive Director of the Company. Mr. XU Jihua is interested in 100% shareholding of Fortune Pearl, which in turn is interested in 1,232,618,938 Shares and 118,000,000 Shares which may be allotted and issued upon full conversion of the perpetual subordinated convertible securities held directly by Fortune Pearl. By virtue of the SFO, Mr. XU Jihua is deemed to have interests in the Shares so held by Fortune Pearl.

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors or chief executive of the Company had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OR ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2023, being the date to which the latest published audited accounts of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant to the business of the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

EXPERTS' QUALIFICATION AND CONSENTS

The following is the qualification of the experts who have given their opinion and advice which are included in this circular:

Name	Qualifications
Moore CPA Limited	Certified Public Accountants
BMI Appraisals Limited	Professional valuer
SRK Consulting China Ltd	Competent person

As at the Latest Practicable Date, each of the experts above did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the experts above did not have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Group were made up.

Each of the experts above has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinion or report and the references to its name and/or its opinion or report in the form and context in which they respectively appear.

LITIGATION

(i) Litigation claims relating to dividends to non-controlling shareholders of Huameiao Energy

On 1 September 2020, there was a litigation initiated by the non-controlling shareholders against the Group to claim for their entitled benefits in respect of acquiring 20% of coal production of Xingtao Coal Mine, Fengxi Coal Mine and Chongsheng Coal Mine held by subsidiaries of Huameiao Energy from the year of 2013 to 2020 at production cost prices as the distributions entitled to non-controlling shareholders of Huameiao Energy for the aforesaid period, which were equivalent to aggregate amount of approximately RMB705,860,000.

Pursuant to the judgment issued by the Shanxi Provincial Shouzhou Municipal Intermediate People's Court on 14 October 2023, the Group was ordered to deliver 6.03 million tonnes of coal to non-controlling shareholders without any charge. The directors of the Company are of the opinion that the court judgment deviated from the legal claims by the non-controlling shareholders and also the clauses stated in the relevant shareholders' agreements. Subsequently, the Group filed an appeal, which was accepted by Shanxi Provincial High People's Court. Up to the Latest Practicable Date, the litigation claim is still in progress.

(ii) Litigation claims relating to repayment to a former shareholder of an acquired business of Huameiao Energy

In February 2021, the Group received notice from the Shanxi Provincial Shuozhou Municipal Intermediate People's Court that a lawsuit was filed by a former shareholder of an acquired business of Huameiao Energy against the Group to claim for unsettled consideration payment amounting to RMB30,469,000 for transfer of business and related compensation amounting to RMB3,000,000.

Pursuant to the judgement issued by the Supreme People's Court of the People's Republic of China, dated 29 November 2023, the court dismissed the appeal application filed by the former shareholder due to the lack of substantial evidence and legal basis. The directors of the Company believe that no compensation is required to be paid to the former shareholder.

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

During the year ended 31 December 2019, Yu Lin Zhong Kuang initiated a litigation claim against the Group to demand for economic losses in relation to the suspension of construction project of coal mining infrastructure, of which amount are related to compensation to the staff costs and equipment costs incurred during the implementation of the project. The court order for the claim is approximately RMB10,121,000.

Pursuant to the judgement issued by Shanxi Provincial Shouzhou Municipal Intermediate People's Court, dated 17 November 2023, the Group was ordered to make immediate repayment of part of the payable, which are part of the aforesaid payable to this supplier of approximately RMB3,000,000 and late penalty interest of approximately RMB24,000. The directors of the Company are of the opinion that the provision for the above litigation is sufficient in the consolidated statement of financial position as at the Latest Practicable Date.

(iv) Litigation claims relating to the performance of the purchase contract execution between Shanxi Yunxin International Trade Co., Ltd ("Shanxi Yunxin") and Huameiao Energy and Fengxi Coal

During the year ended 31 December 2019, there was a litigation claim initiated by Shanxi Yunxin against the Group to demand immediate repayment of overdue payable in relation to purchases of consumables and equipment by the Group. The overall claim amount was approximately RMB71,977,000, which included the aforesaid payable to this supplier of approximately RMB54,124,000 and late penalty interest of approximately RMB17,853,000. Up to the Latest Practicable Date, the litigation claim is still in progress.

The directors of the Company are of the opinion in respect of all the above litigation that the Group has a valid ground to defend against the claim or else made sufficient provision when necessary in the consolidated statement of financial position as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Group was not involved in any other material litigation or arbitration. As far as the directors of the Company were aware, the Group had no other material litigation or claim which was pending or threatened against the Group. As at the Latest Practicable Date, 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 directors of the Company believe that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(a) the Sale and Purchase Agreement;

(b) the Shareholders' Agreement;

(c) the agreement dated 22 August 2022 entered into between Qinfa Overseas Investment Limited ("**Qinfa Overseas**") and PT Tansri Madjid Energi in relation to the termination of acquisition of the coal mining business license;

(d) the deed of non-competition dated 30 September 2022 (as amended and supplemented by a supplemental deed dated 10 October 2022) entered into by Fortune Pearl, Mr. Xu Jihua, and Mr. Xu Da (collectively, the "**Covenantors**") in favour of the Company, details of which were set out in the announcements of the Company dated 30 September 2022, 10 October 2022 and 31 October 2022 and the circular of the Company dated 14 October 2022;

(e) the procurement contract dated 18 November 2022 entered into between SDE, as buyer, and SUMEC Complete Equipment & Engineering Co., Ltd. (江蘇蘇美達成套設備工程有限公司), as seller, in relation to the procurement of equipment at a total consideration of approximately RMB39 million;

(f) the procurement contract dated 28 December 2022 entered into between Qingdao Qinfa Materials Supply Limited (青島秦發物資供應有限公司), as buyer, and Zhengzhou Coal Mining Machinery Group Company Limited (鄭州煤礦機械集團股份有限公司), as seller, in relation to the procurement of equipment and technical support at a total consideration of approximately RMB156 million;

(g) the sale and purchase agreements dated 30 October 2023 and 13 November 2023 entered into between several wholly owned subsidiaries of the Group and PT Indonesia Multi Energi, PT Vipronity Power Energy and PT Sugico Pendragon Energi in relation to the reduction of shareholding interest in the new mining companies from 75% to 70%; and

(h) the agreement dated 1 March 2024 entered into between Qinfa Overseas and PT Pengelola Limbah Kutai Kartanegara in relation to the termination of acquisition of the coal mining business license.

MISCELLANEOUS

The registered office and principal place of business in the PRC of the Company is located at Unit Nos. 2201 to 2208, Level 22, South Tower, Poly International Plaza, No.1 Pazhou Avenue East, Haizhu District, Guangzhou City, the PRC. The principal place of business of the Company in Hong Kong is located at Room 5706, 57th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The company secretary of the Company is Mr. Or Chun Wai Dennis, who is a member of the Hong Kong Institute of Certified Public Accountants.

The branch share registrar and transfer office of the Company is Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

The English text of this circular shall prevail over the Chinese text in case of any inconsistency, except for the English names/translations of the companies established in the PRC, relevant authorities in the PRC and other Chinese terms used in this circular which are only translations of their official Chinese names.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (www.qinfagroup.com) for a period of 14 days from the date of this circular:

(a) the Sale and Purchase Agreement;

(b) the Shareholders' Agreement;

(c) the unaudited financial information of the Target Group for the three years ended 31 December 2021, 2022 and 2023, the text of which is set out in Appendix II to this circular;

(d) the report from Moore CPA Limited in relation to the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(e) the competent person's report issued by SRK Consulting China Ltd, the text of which is set out in Appendix V to this circular;

(f) the valuation report issued by the Valuer, the text of which is set out in Appendix VI to this circular;

(g) the report on discounted future estimated cash flows issued by Moore CPA Limited, the text of which is set out in Appendix VII to this circular;

(h) the letter from the Board on profit forecast, the text of which is set out in Appendix VIII to this circular;

(i) the written consents referred to in the paragraph headed "Experts' Qualification and Consents" in this appendix; and

(j) this circular.

QINFA

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of China Qinfa Group Limited (中國秦發集團有限公司) (the "**Company**") will be held at Meeting Rooms 6 and 7, Level 2, InterContinental Guangzhou Exhibition Center, No. 828, Yuejiang Middle Road, Haizhu District, Guangzhou City, the PRC on Tuesday, 23 July 2024 at 11:00 a.m. to consider and, if thought fit, approve the following resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(i) the sale and purchase agreement dated 25 June 2024 (the "**Sale and Purchase Agreement**", a copy of which has been produced to the meeting and marked "A" and initialled by the chairman of the meeting for the purpose of identification) entered into among Qinfa Investment Limited (秦發投資有限公司) as vendor, Zhejiang Energy International Limited (浙江能源國際有限公司) as purchaser and the Company as guarantor in relation to the disposal of 40% shareholding interest in Lead Far Development Limited (力遠發展有限公司) at a consideration of RMB2,950 million (subject to adjustment) and the transactions contemplated thereunder, including but not limited to the guarantee provided by the Company in relation to the performance of the vendor's obligations thereunder, be and are hereby approved, confirmed and ratified; and

(ii) any one or more directors of the Company be and is hereby authorised to do all such acts and things and sign and execute all such documents, deed or instruments (under seal, if required) and to take all such actions as he/she may consider necessary, expedient or desirable in connection with or to implement, give effect to and/or complete the Sale and Purchase Agreement and the transactions contemplated thereunder and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interests of the Company."

By the order of the Board
China Qinfa Group Limited
XU DA
Chairman

Guangzhou, 28 June 2024

As at the date of this notice, the Board comprises Mr. XU Da, Mr. BAI Tao, Mr. ZHAI Yifeng and Ms. DENG Bingjing as the executive Directors, and Prof. SHA Zhenquan, Mr. JING Dacheng and Mr. HO Ka Yiu Simon as the independent non-executive Directors.

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in the PRC:
Unit Nos. 2201 to 2208
Level 22, South Tower
Poly International Plaza
No. 1 Pazhou Avenue East
Haizhu District, Guangzhou City
PRC

Principal Place of Business in Hong Kong:
Suite 5706, 57th Floor
Central Plaza
No. 18 Harbour Road
Wanchai
Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it; a proxy need not be a shareholder of the Company.

2. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

3. In order to be valid, a form of proxy must be deposited at the Company's share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting (i.e. by Sunday, 21 July 2024 at 11:00 a.m.) or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.

4. The register of members of the Company will be closed from Thursday, 18 July 2024 to Tuesday, 23 July 2024 (both days inclusive). During such period, no transfer of Shares will be registered for the purpose of determining the entitlement to attend and vote at the EGM. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Wednesday, 17 July 2024.

5. The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be Tuesday, 23 July 2024. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. Wednesday, 17 July 2024.