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ZHONGZHENG INTERNATIONAL COMPANY LIMITED
中證國際有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 943)

UPDATE ON COAL MINING BUSINESS AND SUPPLEMENTAL ANNOUNCEMENT REGARDING QUALIFIED OPINION ON EXPLORATION AND EVALUATION ASSETS

Reference is made to the annual report of the Zhongzheng International Company Limited (the "**Company**") for the year ended 30 June 2025 (the "**2025 Annual Report**") published on 29 September 2025. Unless otherwise defined, terms used herein shall have the same meaning as those defined in the 2025 Annual Report.

The purpose of this announcement is to provide an update to shareholders and potential investors on the latest development in the Group's coal mining business. It also serves to provide supplemental information to the 2025 Annual Report concerning qualified opinion#1 related to its exploration and evaluation assets. Unless otherwise defined, terms used herein shall have the same meanings as those defined in the 2025 Annual Report.

INTRODUCTION

As disclosed in the 2025 Annual Report, the Group was in negotiation to resume production of PT Bara Mine in Indonesia with its former contractor, PT Nusantara Energi Thermal (the "**Former Contractor**"), and considering alternative options to engage a subcontractor to cooperate with the Former Contractor or to take over the mining activities to address the qualified opinion.

The board of directors (the "**Board**") wishes to update the Shareholders that following these negotiations, on 18 October 2025, the Group terminated the cooperation agreement dated 7 September 2023 (the "**Former Contracting Agreement**") with the Former Contractor in accordance with the terms thereof with immediate effect. Following the termination and on the same date, an exclusive cooperation agreement dated 14 October 2025 (the "**BMS Agreement**") had been executed between the Group and PT Barindo Multi Sejahtera ("**BMS**") as new contractor. Pursuant to the BMS Agreement, BMS shall carry out all production activities at the PT Bara Mine.

TERMINATION OF THE FORMER CONTRACTING AGREEMENT

On 24 August 2023, the Group was notified by the Indonesian Government that the decision to the revocation of the Mining License has been cancelled. Following the reinstatement, the Group and the Former Contractor entered into the Former Contracting Agreement on 9 September 2023 for a five-year term, under which the Former Contractor was responsible for carrying out all production activities at the PT Bara Mine and bearing all related costs. In return, it was entitled to the sales revenue from coal production, subject to paying the royalty fees to PT Bara as agreed therein.

Following the execution of the Former Contracting Agreement, coal production and sales commenced in first half of 2024 calendar year. Since then, the Former Contractor had carried out mining activities at the PT Bara until the suspension of mining activities in the beginning of year 2025, primarily due to significant decline in coal prices globally and bad weather. The Management had been negotiating with Former Contractor for remedial measures to restore to pre-agreed production level, and considering alternative options to engage a subcontractor to cooperate with the Former Contractor or to take over the mining activities to address the qualified opinion. Despite these efforts, the Former Contractor did not resume operations. With a view to sustaining the mining activities of the PT Bara Mine, starting from May 2025 and up to October 2025, PT Bara itself had undertaken limited mining and selling activities to maintain a reasonable production level and prepare for a full-scale operation once the market recovers.

The Group terminated the Former Contracting Agreement on 18 October 2025. The termination was in accordance with the terms thereof with immediate effect. Following the termination, the Group and BMS reached the BMS Agreement for BMS to carry out the coal mining activities at the PT Bara Mine.

THE BMS AGREEMENT

The BMS Agreement dated 14 October 2025 had been executed by the Group and BMS. Set out below are the principal terms of the BMS Agreement:

Parties:

i. PT Bara, a 99.98%-owned indirect subsidiary of the Company; and

ii. BMS

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

Pursuant to BMS Agreement, BMS shall carry out all production activities which include pre-production, production, sales and post-production operations and bear all costs relating to the aforesaid operations including but not limited to operating costs, land acquisition costs, reclamation and infrastructure costs, taxes and other government expenses. It is also obligated to meet the agreed minimum production targets and pay net royalty fees to PT Bara on the basis as stipulated in the BMS Agreement. In return, BMS will be entitled to receive the total sales amount.

Production target

BMS is obligated to meet the mutually agreed production and sale targets as follows:

i. a minimum of 450,000 tons for the first year to October 2026, with production gradually increasing from 25,000 tons to 50,000 tons per month; and

ii. in the ensuing years, a minimum of 900,000 tons per year at 75,000 tons per month.

Royalty

In consideration for PT Bara granting the right of mining management to BMS, the Group will be entitled to receive from BMS a net royalty based on the sale price of the coal on accelerating scale as follows:

Selling Price per ton *US$*	**Royalty payable to PT Bara** *US$*
Up To 50.00	1.00
50.01 – 52.00	1.50
52.01 – 54.00	2.00
54.01 – 56.00	2.50
56.01 – 58.00	3.00
58.01 – 60.00	3.50
60.01 – above	4.00

The royalty fee payable by BMS to PT Bara is calculated based on the quantity of coal shipped and is payable monthly.

BMS is obliged to pay royalties to PT Bara according to the agreed target if the production target is not achieved. If the actual production exceeds the pre-agreed target, PT Bara is entitled to receive additional royalties according to the amount of production.

Term

The BMS Agreement is valid for a period of five years from 14 October 2025 and will end on 13 October 2030.

INFORMATION OF BMS

Based on the information available to the Company, apart from operating two coal mines in Indonesia, BMS is a coal trading company in Indonesia, specializing in trading a diverse range of coal types, including low-grade coals such as lignite and sub-bituminous coals, as well as higher-grade coals such as bituminous and anthracite coals. BMS serves a broad customer base domestically and internationally, which includes commodity supply chain management platform providers listed in the PRC as well as various domestic and global commodity trading companies. With the broad customer base and the diversity of the coal products sold to its customers, the Company is given to understand that BMS manages a substantial trading volume of around 250,000 tons of coal per month across East and West Kalimantan, with strategic plans to further expand its operation into Central Kalimantan. As far as the Management is aware, BMS is working on a high calorie mine in Central Kalimantan. The blending of PT Bara Mine's mid-low calorie coal with the existing output of BMS's other products would allow BMS to have a better margin for its company sale.

REASONS FOR ENTERING INTO THE BMS AGREEMENT

As disclosed in the 2025 Annual Report, mining activities at the PT Bara Mine were suspended for several months, due to a combination of weak coal prices and adverse weather conditions.

Despite that the suspension in production was due to causes beyond the Company's control, the Company took proactive measures to resume production as soon as possible. These efforts included (a) continuously in communications with the Contractor to monitor the work conditions and explore alternatives for sale and production available to the Contractor. Work conditions include road work maintenance and work force availability; (b) the undertaking of limited scale of mining and selling activities by the PT Bara itself since May 2025 despite the difficult market environment with the purpose of maintaining reasonable level of production out of the PT Bara Mine and prepared for normal scale operation once the market recovers; and (c) seeking other potential partners with greater resilience in cost and pricing to better navigate challenging market conditions, among which was BMS, an established Indonesian company with extensive experience in coal mine management and trading of coals in diversified grades of coals in terms of calories. Since May 2025, the Company has been negotiating with BMS to explore options for collaboration with the Former Contractor or for BMS to take over the mining activities.

Following the termination of the Former Cooperation Agreement on 18 October 2025 and on the same date, the Group and BMS finally reached the BMS Agreement for BMS to carry out the coal mining activities of the PT Bara Mine. The Company considers that BMS is a suitable contractor to resume and sustain coal production, as BMS (a) has a broader customer base both domestically and globally, including commodity supply chain management platform service providers listed in the PRC and other commodity trading companies worldwide; (b) has a higher historical coal trading volume, managing approximately 250,000 tons per month in East and West Kalimantan; (c) possesses stronger financial capacity and lower production costs; and (d) produces both high-grade and low-grade coal, enabling it to blend PT Bara Mine's products with its high-grade coal to enhance profitability.

In view of the above, the Directors consider that the industry presence and trading capacity of BMS would enable it to be more price-resilient to the present global market trend for coal products. On this basis, the Directors consider that it would be in the interests of the Company to collaborate with BMS to ensure smooth production during the term of the BMS Agreement.

THE VIEW OF THE MANAGEMENT, THE AUDIT COMMITTEE AND THE AUDITORS REGARDING QUALIFIED OPINION ON EXPLORATION AND EVALUATION ASSETS

The basis for the qualification in relation to the exploration and evaluation assets is set out in the Auditors' report contained in the 2025 Annual Report, which is extracted below:

"during the year ended 30 June 2025, the mining activities were suspended for several months. The Group is negotiating with the Contractor for the remedial actions to restore to the pre-agreed production level. In the meanwhile, the Group is considering options to engage a subcontractor to cooperate with the Contractor or to take over the mining activities. Up to date of this report, the negotiations with the Contractor are still in progress and no new subcontractor is engaged. Since the outcome of the negotiation with the Contractor for restoring the production level and the terms of the cooperation agreement with new subcontractor, if any, are uncertain, we are unable to evaluate the appropriateness of the estimations and assumptions adopted in cash flow projections for determining the value-in-use of the mines and there are no other audit procedures that we could adopt to determine the recoverable amounts of the mines. Therefore, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the exploration and evaluation assets on the consolidated statement of financial position as at 30 June 2025 of approximately HK$25,623,000, and to the appropriateness of the recognition of the related impairment of exploration and evaluation assets on the consolidated statement profit or loss and other comprehensive income of approximately HK$5,752,000 for the year ended 30 June 2025."

Subsequent to the execution of the BMS Agreement, in November 2025, PT Bara and BMS submitted a work and budget plan to the mining authority for endorsement. Since late-October 2025, BMS has taken over the coal production and sales of the PT Bara Mine and PT Bara is entitled to receive royalty fees in accordance to the terms of the BMS Agreement. It is expected that commencing from January 2026, the production scale of the PT Bara Mine will gain traction according to the production targets agreed in the BMS Agreement.

With the plan for re-commencement of production of the PT Bara Mine in January 2026, the Company believes that the uncertainty surrounding the determination of the value-in-use of the PT Bara Mines as referred to in the qualified opinion in respect of the exploration and evaluation assets will be satisfactorily addressed for the purpose of preparing the financial statements of the Group for the year ending 30 June 2026.

Management's view:

The Management is of the view that with BMS's operational expertise and financial strength and the execution of the BMS Agreement, there is a clear and credible plan to resume and sustain coal production in line with the target levels, thereby enabling the preparation of cash flow projections with supporting evidence. Therefore, the Management considers that the execution of the BMS Agreement and the roll out of the coal production as agreed with BMS would be a critical path for the Company to satisfy the Auditors that the key estimations and assumptions used in determining the value-in-use of the PT Bara Mine as at 30 June 2026 would be fair and reasonable, and would be adequate and effective to resolve the audit qualification concerning the determination of the value-in-use of the exploration and evaluation assets of the Group.

Regarding the resultant impacts of this qualified opinion on the comparative figures of the values of the exploration and evaluation assets for the year ending 30 June 2026 and 30 June 2027 respectively, please refer to the view of the Auditors thereon as set out below. The Management acknowledges the basis of the view of the Auditors, and in this respect share the same view with the Auditors in terms of the expected timeline on complete clearance of the resultant effects of this qualified opinion on the financial statements of the Group for the year ending 30 June 2026 and 30 June 2027 respectively.

Audit Committee's view:

Barring unforeseeable factors, the Audit Committee concurs with the views of the management that the course of actions would be adequate and effective to resolve the audit qualification, taking into account BMS's background, the terms of the BMS Agreement and the projected implementation timeline. The Audit Committee also acknowledges and agrees with the Auditors' view set out below.

Auditors' view:

The Auditors are of the view that the value-in-use of the exploration and evaluation assets can be reliably measured once a target production level is mutually agreed upon and subsequently achieved. Accordingly, they consider the course of actions to be effective in resolving the audit qualification related to the recoverability of these assets in the consolidated statement of financial position. This qualification is expected to be removed in the financial year ending 30 June 2026. However, the comparative figures for this item would only be fully resolved by the year ending 30 June 2027 as further explained below.

For the statement of profit or loss and other comprehensive income (the "**P&L**"), the Auditors will issue a qualification regarding the impairment loss or reversal of impairment loss (the "**Impairment**"), if any, for the year ending 30 June 2026. This is because the Auditors are unable to ascertain the opening balance of the exploration and evaluation assets as at 1 July 2025 as carried forward from 30 June 2025. A qualified opinion on the related comparative figures for the Impairment will continue for the year ending 30 June 2027, following which, the qualifications relating to the Impairment in the P&L are expected to be fully resolved for the financial statements of the Group for the year ending 30 June 2028.

By order of the Board
Zhongzheng International Company Limited
Liu Liyang
Executive Director

Hong Kong, 5 December 2025

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Tam Lup Wai, Franky, and Mr. Liu Liyang; one non-executive Director, namely Mr. Lim Kim Chai, J.P.; and four independent non-executive Directors, namely Mr. Hau Chi Kit, Mr. Leung Chi Hung, Mr. Li Hon Kuen and Ms. Yang Yan Tung Doris.