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If you have sold or transferred all your shares in China Qinfa Group Limited (the “**Company**”), you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**MAJOR TRANSACTION
PROCUREMENT CONTRACT**

Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 4 to 10 of this circular.

The Company has obtained written approval in respect of the Procurement Contract from the Shareholders holding more than 50% of the issued share capital of the Company. Accordingly, no general meeting of Shareholders will be convened to approve the Procurement Contract and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

28 March 2023

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Appendix I – Financial Information of the Group	11
Appendix II – General Information	15

DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Coal Sale Agreements”	two long-term coal sale agreements entered into between Qinfa Energy and ZMJ dated 5 January 2023 in respect of the procurement of coal by ZMJ from Qinfa Energy for onward sale to the Ultimate Customers
“Company”	China Qinfa Group Limited, a company incorporated in the Cayman Islands with limited liabilities, the Shares of which are listed on the main board of the Stock Exchange (Stock Code: 866)
“Consideration”	the aggregate consideration in the sum of approximately RMB156 million (including VAT) for the Procurement Contract
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company
“Equipment”	the equipment to be purchased by Qingdao Qinfa under the Procurement Contract, including, among others, shearers, conveyors and powered roof supports
“Equipment Security Agreement”	the equipment security agreement dated 28 December 2022 and entered into between Huameiao Chongsheng, Huameiao Xingtao, Qingdao Qinfa and ZMJ
“Fortune Pearl”	Fortune Pearl International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. XU
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huameiao Chongsheng”	Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Company Limited* (山西朔州平魯區華美奧崇升煤業有限公司), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of the Company

DEFINITIONS

“Huameiao Xingtao”	Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Company Limited* (山西朔州平魯區華美奧興陶煤業有限公司), a company incorporated in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“Indonesia”	the Republic of Indonesia
“Latest Practicable Date”	24 March 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. XU”	Mr. XU Jihua, a controlling Shareholder (as defined under the Listing Rules)
“Mr. Xu Da”	Chairman and an executive director of the Board and the son of Mr. XU
“PRC”	the People’s Republic of China
“Procurement Contract”	the procurement contract dated 28 December 2022 and entered into between Qingdao Qinfa and ZMJ in respect of the procurement of the Equipment
“Qinfa Energy”	Qingdao Qinfa Energy Ltd.* (青島秦發能源有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Qingdao Qinfa”	Qingdao Qinfa Materials Supply Ltd.* (青島秦發物資供應有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tripartite Agreement”	the tripartite contractual agreement dated 5 January 2023 entered into among Qinfa Energy, Qingdao Qinfa and ZMJ

DEFINITIONS

“VAT”	PRC value-added tax
“ZMJ”	Zhengzhou Coal Mining Machinery Group Company Limited (鄭州煤礦機械集團股份有限公司), a company incorporated in the PRC with limited liability, the shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange (stock code: 0564.HK and 601717.SH)
“%”	per cent.

* *For identification only*

LETTER FROM THE BOARD



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

Independent Non-executive Directors:

Mr. LAU Sik Yuen

Prof. SHA Zhenquan

Mr. JING Dacheng

Registered Office:

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Guangzhou, The PRC

*Principal Place of Business
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Suite 5706, 57th Floor

Central Plaza

No. 18 Harbour Road

Wanchai

Hong Kong

28 March 2023

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION PROCUREMENT CONTRACT

INTRODUCTION

Reference is made to the announcement of the Company dated 28 December 2022 in relation to the Procurement Contract.

LETTER FROM THE BOARD

The Procurement Contract and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules since the highest of all applicable percentage ratios (as defined under the Listing Rules) is more than 25% but less than 100%.

On 29 December 2022, the Company has obtained the written shareholders' approval in respect of the Procurement Contract from Mr. XU, Fortune Pearl and Mr. Xu Da, who hold an aggregate of 1,290,364,861 Shares, representing approximately 51.75% of the issued share capital of the Company. Accordingly, no EGM is required to be convened for the purpose of approving the Procurement Contract in accordance with Rule 14.44 of the Listing Rules.

The purpose of this circular is to provide you with further information relating to the Procurement Contract together with other information of the Group as required by the Listing Rules.

THE PROCUREMENT CONTRACT

On 28 December 2022 (after trading hours), Qingdao Qinfa entered into the Procurement Contract with ZMJ, under which ZMJ agreed to sell the Equipment and provide technical support to Qingdao Qinfa at a total consideration of approximately RMB156 million (including VAT).

The principal terms of the Procurement Contract are set out below:

Date:

28 December 2022

Parties:

- (1) Qingdao Qinfa as the purchaser
- (2) ZMJ as the vendor

Equipment:

The Equipment includes, amongst others, shearers, conveyors, and powered roof supports. Shearer, conveyor and powered roof support are the key machineries used for coal extraction. A shearer is a cutting machine, which cut slices of coal from the coal face. A conveyor is used to transport coal slices from the coal face to elsewhere. Powered roof support is used to support the roof of a mining site, in order to prevent roof fall related casualties.

Consideration:

The contract sum is RMB156,097,953 (including VAT), which was determined after arm's length negotiations with reference to the market price of similar products sold by other independent third parties, particularly the Company had made reference to the price quotation of similar products provided by another equipment provider, and having taken into account the technical requirement and specification of the Equipment, and the technical support services to be provided by ZMJ.

LETTER FROM THE BOARD

Delivery and Payment Terms:

The delivery and payment terms are summarised as follows:

- (i) RMB29,815,855 is payable by Qingdao Qinfra as prepayment within ten days after the Procurement Contract is entered into. Upon receipt of the prepayment, ZMJ shall deliver the first batch of Equipment to Qingdao Qinfra within 4 months;
- (ii) ZMJ should complete the production of the remaining Equipment and the factory inspection of the remaining Equipment within five months upon the satisfaction of the following requirements:
 - a) the Equipment Security Agreement and the Procurement Contract have been entered into simultaneously; and
 - b) the Coal Sale Agreements and the Tripartite Agreement have been entered into simultaneously, and pursuant to the Coal Sale Agreements, ZMJ has received the contractual sum from the Ultimate Customers (as defined below) for sale of coal;
- (iii) after receiving RMB14,907,926 from Qingdao Qinfra, ZMJ shall deliver the remaining Equipment under the Procurement Contract to Qingdao Qinfra within 14 days; and
- (iv) the remaining RMB111,374,172 of the total consideration shall be paid by Qingdao Qinfra in 18 instalments in 18 months after delivery of the remaining Equipment.

Security:

On 28 December 2022, Huameiao Chongsheng and Huameiao Xingtao, non-wholly owned subsidiaries of the Company, Qingdao Qinfra and ZMJ entered into the Equipment Security Agreement, under which charges over certain equipment of Huameiao Chongsheng and Huameiao Xingtao are created in favour of ZMJ to secure Qingdao Qinfra's performance of payment obligations under the Procurement Contract.

Guarantee:

To guarantee the performance of payment obligation by Qingdao Qinfra, it is contemplated under the Procurement Contract that Qingdao Qinfra, Qinfra Energy and ZMJ would enter into the Coal Sale Agreements and the Tripartite Agreement. Pursuant to the aforesaid agreements, Qinfra Energy will sell an agreed annual sum of coal to ZMJ at market price, and ZMJ will in turn sell the coal purchased from Qinfra Energy to the Ultimate Customers (as defined below) introduced by Qingdao Qinfra, and if Qingdao Qinfra is unable to fulfil its payment obligation under the Procurement Contract, such default payment will be offset by Qinfra Energy's trade receivable from ZMJ for the sale of coal.

LETTER FROM THE BOARD

On 5 January 2023, as contemplated under the Procurement Contract, Qinfa Energy entered into the Coal Sale Agreements with ZMJ for a term from January 2023 to 31 December 2023. Pursuant to each of the Coal Sale Agreements, an annual sum of 0.2 million tonnes of coal will be sold from Qinfa Energy to ZMJ for onward sale to two ultimate customers, both being existing customers of the Company (the “**Ultimate Customers**”). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Ultimate Customers are independent of the Company and its connected persons (as defined under the Listing Rules). The selling price of coal under the Coal Sale Agreements are to be determined based on market price. The above arrangement is for the sole purpose of securing Qingdao Qinfa's payment obligation under the Procurement Contract. The selling price of coal to be sold to the Ultimate Customers via ZMJ will be comparable to the selling price of coal to be sold by the Company to the Ultimate Customers.

In addition, on 5 January 2023, Qinfa Energy entered into the Tripartite Agreement with Qingdao Qinfa and ZMJ, pursuant to which, in the event that Qingdao Qinfa is default in payment under the Procurement Contract, such default payment will be offset by Qinfa Energy's trade receivable from ZMJ for the sale of coal under the Coal Sale Agreements. The Tripartite Agreement is effective from the date of signing until the contractual sum under the Procurement Contract is fully settled by Qingdao Qinfa.

Fulfillment of Conditions Precedent

The Procurement Contract shall be subject to the Company having obtained Shareholders' approval in a general meeting of the Company, or written shareholders' approval pursuant to the Listing Rules.

On 29 December 2022, the Company obtained the written shareholders' approval in respect of the Procurement Contract from Mr. XU, Fortune Pearl and Mr. Xu Da, who hold an aggregate of 1,290,364,861 Shares, representing approximately 51.75% of the issued share capital of the Company.

INFORMATION ON THE GROUP AND THE PURCHASER

The Group is principally engaged in coal operation business involving mining, purchase and sales, filtering, storage and blending of coal.

Qingdao Qinfa is a company established in the PRC with limited liability, which principally engaged in purchasing mining equipment and consumables for the Group. As at the Latest Practicable Date, Qingdao Qinfa is an indirect wholly-owned subsidiary of the Company.

INFORMATION OF THE VENDOR

ZMJ is a company incorporated in the PRC with limited liability, which principally engaged in the manufacturing and sales of auto parts and hydraulic roof supports and related components for comprehensive coal mining and provision of related services. ZMJ is a company listed on the Stock Exchange (0564.HK) and the Shanghai Stock Exchange (601717.SH).

LETTER FROM THE BOARD

As at the Latest Practicable Date, ZMJ is owned as to approximately 15.6%, 3.9% and 13.7% by Hong Yi Investment Management (Henan) Partnership (Limited Partnership)* (泓羿投資管理(河南)合夥企業(有限合夥)) (“**Hong Yi**”), Henan Asset Management Co., Ltd.* (河南資產管理有限公司) (“**Henan Asset**”) and Henan Machinery Investment Group Co., Ltd.* (河南機械裝備投資集團有限責任公司) (“**Henan Machinery**”), respectively.

Hong Yi is owned as to approximately 24.9% by Henan Hongpu Equity Investment Fund (Limited Partnership)* (河南泓樸股權投資基金(有限合夥)) (“**Henan Hongpu**”). Henan Hongpu is owned as to approximately 99.9% by Henan Asset. Henan Asset is owned as to 40% by Henan Investment Group Ltd.* (河南投資集團有限公司) (“**Henan Investment**”). Henan Investment is owned as to 100% by Henan Provincial Finance Department (河南省財政廳).

Henan Machinery is owned as to 100% by Henan State Owned Capital Operation Group Ltd. (河南國有資本運營集團有限公司) (“**Henan Capital**”). Henan Capital is owned as to 100% by State-owned Assets Supervision and Administration Commission of Henan Provincial People’s Government (河南省人民政府國有資產監督管理委員會).

To the best of the Directors’ knowledge, information and belief, after having made all reasonable enquiries, ZMJ and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

REASONS FOR AND BENEFITS OF THE PROCUREMENT CONTRACT

As at the Latest Practicable Date, the Group is principally engaged in the coal operation business involving coal mining, purchase and sales, filtering, storage and blending of coal in the PRC. The Group has been focusing its resources on coal operation which accounted for the major portion of the Group’s revenue.

As disclosed in the announcements of the Company dated 7 August 2020, 31 December 2020, 31 March 2021 and 25 May 2021, the Group acquired 70% equity interest in SDE, which is the holder of the mining business license in respect of a coal mine located in Sungai Durian, Kotabaru, South Kalimantan, Indonesia. The procurement of the Equipment under the Procurement Contract is part of the Group’s preparation for production and extraction of underground coal reserve at the said coal mine.

The terms of the Procurement Contract were agreed by the parties based on arm’s length negotiations. In view of the above, the Directors are of the view that the terms of the Procurement Contract are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL IMPACT ON THE GROUP

The payment of the Consideration will be funded by internal resources of the Group. Approximately 71% of the total Consideration shall be paid in 18 instalments in 18 months. Therefore, the Procurement Contract may increase the Group’s gearing ratio to a certain extent. As approximately 71% of the Consideration for the Procurement Contract is payable by instalments, it is not expected to have substantial impact on the Group’s cashflow position or its business operations.

LETTER FROM THE BOARD

The Procurement Contract is not expected to result in a material impact on the earnings, assets and liabilities of the Group.

LISTING RULES IMPLICATIONS

As the highest of all applicable percentage ratios in respect of the transactions contemplated under the Procurement Contract is more than 25% but less than 100%, the entering into of the Procurement Contract and the transactions contemplated thereunder constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. As far as the Directors are aware after making all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Procurement Contract and the transactions contemplated thereunder. In light of the foregoing, written shareholders' approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. On 29 December 2022, the Company obtained the written shareholders' approval in respect of the Procurement Contract from Mr. XU, Fortune Pearl and Mr. Xu Da (collectively, "**Closely Allied Group of Shareholders**"), who hold 14,229,610 Shares, 1,183,000,000 Shares and 93,135,251 Shares respectively, representing an aggregate of 51.75% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Procurement Contract.

Details of the Closely Allied Group of Shareholders are set out below:

Name of the Shareholders	Number of Shares held	Percentage shareholding in the Company
Mr. XU	14,229,610	0.57%
Fortune Pearl ⁽¹⁾	1,183,000,000	47.44%
Mr. Xu Da ⁽²⁾	93,135,251	3.74%
Total:	1,290,364,861	51.75%

Notes:

(1) Fortune Pearl is wholly-owned by Mr. XU.

(2) Mr. Xu Da is the son of Mr. XU.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Directors believe the terms of the Procurement Contract are fair and reasonable and in the interests of the Company and the Shareholders. Accordingly, if the Company were to convene a general meeting for the approval of the Procurement Contract, the Directors recommend that all Shareholders to vote in favour of the Procurement Contract.

GENERAL INFORMATION

Your attention is also drawn to the general information set out in the appendices to this circular. The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

Yours faithfully,
For and on behalf of
China Qinfra Group Limited
Xu Da
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022 are disclosed in the following documents which have been published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.qinfagroup.com):

- the annual report of the Company for the year ended 31 December 2019 (pages 87 to 244)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0512/2020051200589.pdf>
- the annual report of the Company for the year ended 31 December 2020 (pages 89 to 264)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0430/2021043000041.pdf>
- the annual report of the Company for the year ended 31 December 2021 (pages 140 to 328)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042900386.pdf>
- the interim report of the Company for the six months ended 30 June 2022 (pages 21 to 78)
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0929/2022092900005.pdf>

2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Due to coal shortages, the international community has been actively seeking new sources of coal imports, which has prompted more downstream industries in China to increase their purchases of domestic coal. As a result, the strong demand for thermal coal from downstream industries will support domestic coal sales. The Chinese government will also continue to implement measures such as “Ensuring Supply and Stabilizing Prices”, thereby accelerating the release of high quality production capacity of coal mines located in the country's major coal producing regions. As a result, the domestic coal supply should remain on a high level. The supply-and-demand balance of thermal coal is expected to remain tight, with coal prices staying relatively high.

As a result of the Procurement Contract, the Group's gearing ratio is expected to be increased to a certain extent. As approximately 71% of the Consideration for the Procurement Contract is payable by instalments, it is not expected to have substantial impact on the Group's cashflow position or its business operations.

3. INDEBTEDNESS STATEMENT

Indebtedness

As at the close of business on 31 January 2023, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, the Group had the following indebtedness:

	Secured		The Group Unsecured		Total RMB'000
	Guaranteed	Non- guaranteed	Guaranteed	Non- guaranteed	
	RMB'000	RMB'000	RMB'000	RMB'000	
Interest-bearing bank borrowings					
– current	1,330	–	582,990	–	584,320
– non-current	71,158	–	–	–	71,158
Other borrowings					
– current	2,619,912	–	247,200	–	2,867,112
– non-current	–	–	–	–	–
Lease liabilities					
– current	–	–	–	8,939	8,939
– non-current	–	–	–	1,007	1,007
Amount due to ultimate controlling shareholder	–	–	–	161	161
Amount due to ultimate holding company	–	–	–	21,177	21,177
Amount due to directors of the Company	–	–	–	464	464
Amount due to related party	–	–	–	141	141
Amount due to a related company	–	–	–	–	–
	<u>2,692,400</u>	<u>–</u>	<u>830,190</u>	<u>31,889</u>	<u>3,554,479</u>

Interest-bearing bank borrowings

The amounts of interest-bearing bank borrowings of approximately RMB583 million are unsecured.

The amount of interest-bearing bank borrowing of approximately RMB72 million is secured by certain bank deposit of the Group of RMB89 million.

Other borrowings

The Group's other borrowings of approximately RMB2,620 million are secured by:

- (i) certain property, plant and equipment of the Group of RMB249 million;
- (ii) certain coal mining rights of the Group of RMB2,283 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 RMB247 million are unsecured.

Contingent liabilities

For the contingent liabilities relating to outstanding litigations, please refer to paragraph no. 6 of Appendix II 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 January 2023.

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 January 2023.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

5. WORKING CAPITAL

As at 31 January 2023, the Group's current liabilities exceeded its current assets by approximately RMB4,171 million. 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 but not limited to, the following:

- (i) For borrowings which will be maturing within 12 months from the date of this circular, the Group is actively negotiating with banks/lenders before they fall due to secure their renewals so as to ensure that the necessary funds will be in place to meet the Group's working capital and financial requirements in the future will continue to be met. The directors of the Company are of the view that based on past experience and the current communication with banks, no significant difficulties are expected in renewing the banks' short-term borrowings upon their maturities;
- (ii) In relation to those borrowings that have been past due or those borrowings that became immediately repayable due to cross-default clauses set out in the respective loan agreements, which are classified as current liabilities, the Group is in the process of negotiating with the relevant banks and other lenders to extend the repayment dates and to obtain waivers from banks. The directors of the Company are of the view that based on past experience and the current communication with banks/lenders, it is not probable that the banks/lenders will exercise the cross-default clauses to demand immediate payment;
- (iii) The Group will actively obtain additional new sources of financing as and when needed;
- (iv) Given the stability of coal market and uprising coal prices, the Group will accelerate the coal production of those coal mines currently under production and apply for the renewal of those expired coal mining rights of coal mines not yet commenced production, together with applying cost control measures in cost of sales, administrative expenses and capital expenditures, to increase the Group's internally generated funds and operating cash inflows in coming years continuously; and
- (v) The Group has appointed external lawyers and/or assigned external lawyers to handle the outstanding litigations, and to mitigate the risk exposure from any legal claims. In respect of some of the litigations, the directors of the Company are of the opinion that the Group has valid grounds to defend against the claims.

If the Group fails to successfully implement the above measures, the Group will not have sufficient working capital for at least 12 months from the date of this circular.

Except for the potential impacts of the matters described above, in the absence of unforeseen circumstances, on the basis of the successful implementation of the measures described above in the foreseeable future and after assessing the Group's current and forecasted cash positions, the Directors are of the opinion that the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of this circular.

1. 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.

2. DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")), which were required (a) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (b) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules were as follows:

Name of Director	Capacity	Number of Shares	Percentage of issued capital
Mr. Xu Da*	Beneficial Owner	93,135,251 (L)	3.74%
Mr. BAI Tao	Beneficial Owner	50,000,000 (L)	2.01%
Mr. LAU Sik Yuen	Beneficial Owner	500,000 (L)	0.02%

(Note 1)

* Mr. Xu Da, being a Director, is also acting as the Chairman of the Board.

(L) – Long Position

Note:

- The beneficial interest represents Shares that may be issued pursuant to the full exercise of the options granted to Mr. LAU Sik Yuen under the share option scheme of the Company on 30 April 2015.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company

As at the Latest Practicable Date, so far as known to the Directors, the following persons or entities (not being a Director or a chief executive of the Company) who had interests and short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of interest	Number of Shares <i>(Note 2)</i>	Percentage of issued capital <i>(Note 3)</i>
Mr. XU Jihua <i>(Note 1)</i>	Beneficial owner	14,229,610 (L)	0.57%
	Interest in a controlled corporation	1,301,000,000 (L)	52.18%
Fortune Pearl	Beneficial owner	1,301,000,000 (L)	52.18%
Yangyuan Jintong Transportation Corp. Ltd. (陽原晉通 物流有限公司)	Beneficial owner	215,000,000 (L)	8.62%

(L) – Long Position

Notes:

- Mr. XU Jihua is the father of Mr. Xu Da. Mr. Xu Da is the chairman and an executive Director of the Group. Mr. XU Jihua is interested in 100% shareholding of Fortune Pearl, which in turn is interested in 1,183,000,000 Shares and 118,000,000 Shares which may be allotted and issued upon full conversion of the perpetual subordinated convertible securities (“PSCS”) 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.
- The shareholding information of the Shareholders of the Company as at the Latest Practicable Date are based on the information recorded in the register required to be kept by the Company under section 352 of the SFO.
- The calculation is based on the total number of 2,493,413,985 Shares in issue of the Company as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than Directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and his/her respective close associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses to which a Director and his/her close associate were appointed to represent the interests of the Company and/or the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group which is not determinable by the Group within one year without payment of any compensation, other than statutory compensation.

5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2021, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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 in relation to the business of the Group.

6. LITIGATION

(i) Litigation claims relating to repayment to non-controlling shareholders of Shanxi Huameiao Energy Group Co., Ltd (“Huameiao Energy”)

On 1 September 2020, there was a litigation initiated by the non-controlling shareholders against the Group to claim for 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 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. The directors of the Company are of the opinion that the Group has a valid ground to defend against the claim. 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 Shuozhou City Intermediate People's Court that a lawsuit was filed by the 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. Up to the Latest Practicable Date, the litigation claim is still in progress.

(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. Up to the Latest Practicable Date, the litigation claim is still in progress.

(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 of approximately RMB77,643,000, which including the aforesaid payable to this supplier of approximately RMB54,124,000 and late penalty interest of approximately RMB23,519,000. Up to the Latest Practicable Date, the litigation claim is still in progress.

7. MATERIAL CONTRACTS

The following material contracts were entered into by members of the Group within the two years immediately preceding the date of this circular:

- (a) five head of agreements dated 12 May 2021 entered into between Qinfu Overseas Investment Limited (“**Qinfu Overseas**”), a wholly-owned subsidiary of the Company, and PT Indonesia Multi Energi (“**IME**”), PT Persada Berau Jaya Sakti (“**PBJS**”), PT Pengelola Limbah Kutai Kartanegara (“**PLKK**”), PT Tansri Madjid Energi (“**TME**”) and PT Vipronity Power Energy (“**VPE**”) respectively in relation to the acquisition of 70% shareholding interest in five new mining companies, details of which were set out in the announcements of the Company dated 13 May 2021 and 12 November 2021;
- (b) five addendums of the heads of agreement dated 31 December 2021 entered into between PT Qinfu Mining Industri (“**Qinfu Mining**”), a wholly-owned subsidiary of the Company or Qinfu Overseas (as the case maybe) and IME, PBJS, PT Sugico Pendragon Energi, TME, VPE, Heirs of Kokos Jiang, Eric Wiratirana or PT Widyanusa Mandiri (as the case maybe) in relation to the proposed transactions of establishment of new mining companies in relation to the proposed transactions in respect of new mining companies and the mining business licenses, pursuant to which the total subscription prices payable by the Group for the establishment of the new mining companies amount to IDR37,500,000,000 and the total deposit funds is USD4 million, details of which were set out in the announcement of the Company dated 3 January 2022;

- (c) a memorandum of agreement dated 6 December 2021 entered into between Zhuhai Qinfa Shipping Co., Limited* (珠海秦發航運有限公司), a wholly-owned subsidiary of the Company, as vendor, and Ningbo Haizhou Logistics Co., Limited* (寧波市海洲物流有限公司) as the purchaser, pursuant to which Zhuhai Qinfa Shipping Co., Limited* agreed to sell and Ningbo Haizhou Logistics Co., Limited* agreed to buy the vessel named “QIN FA 18” at a total consideration of RMB66.33 million, details of which were set out in the announcements of the Company dated 6 December 2021 and 23 December 2021;
- (d) a loan restructuring proposal dated 13 December 2021 entered into between the Group and a domestic asset management company in relation to debt restructuring of the Group, details of which were set out in the announcement of the Company dated 13 December 2021;
- (e) a construction contract and a technical service contract each dated 2 March 2022 entered into between Qinfa Mining and Jiangsu Mining Engineering Group Co., Ltd.* (江蘇省礦業工程集團有限公司) (“**Jiangsu Mining**”), pursuant to which Jiangsu Mining agreed to provide construction services to Qinfa Mining at a total consideration of RMB68 million, details of which were set out in the announcement of the Company dated 2 March 2022;
- (f) a deed of non-competition (“**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;
- (g) a procurement contract dated 18 November 2022 entered into between PT Sumber Daya Energi (“**SDE**”), an indirect non-wholly owned subsidiary of the Company and SUMEC Complete Equipment & Engineering Co., Ltd.* (江蘇蘇美達成套設備工程有限公司) (“**SUMEC Complete**”), pursuant to which SUMEC Complete agreed to sell 10 sets of diesel generator and power plant ancillary equipment to SDE at a total consideration of approximately RMB39 million, details of which were set out in the announcement of the Company dated 18 November 2022; and
- (h) the Procurement Contract.

8. MISCELLANEOUS

- (i) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the Company's principal place of business in Hong Kong is at Room 5706, 57th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (ii) The branch registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (iii) The Secretary of the Company is OR Chun Wai Dennis, who is a member of Hong Kong Institute of Certified Public Accountants.
- (iv) The English text of this circular will prevail over the Chinese text in the event of inconsistency.

9. DOCUMENTS ON DISPLAY

A copy of the Procurement Contract 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.