

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Q I N F A

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 AND
CONNECTED TRANSACTION AND
(2) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO FINANCIAL GUARANTEE**

Financial adviser



Alliance Capital Partners Limited
同人融資有限公司

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



THE DISPOSAL

On 5 June 2025, the Vendor, which is a wholly-owned subsidiary of the Company, and the Purchaser 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, at a Consideration of RMB30,000,000.

The Disposal Company is incorporated in Hong Kong and is a wholly owned subsidiary of the Group. As at the date of this announcement, the Group held the entire issued share capital of the Disposal Company. The Disposal Company is an investment holding company. The principal activities of the Disposal Group are coal mining and operation, sales of coal from coal mines located in the PRC. Upon Completion, the Disposal Company will cease to be a subsidiary of the Group and its financial results, assets and liabilities will no longer be consolidated into the consolidated financial statements of the Group.

As one or more of the applicable percentage ratios for the Disposal exceed 75%, the Disposal constitutes a very substantial disposal of the Company under Rule 14.06 of the Listing Rules. Accordingly, the Disposal is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Purchaser is directly and wholly-owned by Mr. XU, a controlling shareholder of the Company. As at the date of this announcement, Mr. XU and his associates are interested in approximately 67.19% of the issued share capital of the Company. Therefore, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

PROVISION OF CORPORATE GUARANTEE FOR THE DISPOSAL GROUP

As of 31 May 2025, the Disposal Group had three domestic bank loans aggregating RMB389,500,000, which remain guaranteed by the members of the Remaining Group under the Maximum Guarantee Agreements as of the date of the Sale and Purchase Agreement. In connection with this, the Company entered into the Corporate Guarantee Agreement with the Disposal Company on 5 June 2025, pursuant to which the Company conditionally agreed to provide, and procure Qinfal Logistics to provide, continued corporate guarantees for the Existing Bank Loans with an aggregate outstanding principal loan amount of RMB389,500,000 as at 31 May 2025. The term of the guarantees for the aforementioned bank loans under the Corporate Guarantee Agreement shall commence on the date of Completion and shall expire on, (i) with respect to the Existing Bank Loans obtained from Jinshang Bank Taiyuan Bing Zhou Branch (晉商銀行太原并州支行), the date falling three years after the date of fulfillment of the last repayment obligation under the relevant loan agreement (which is expected to be 13 March 2029); (ii) with respect to the Existing Bank Loans obtained from Shanxi Bank Shuozhou Branch (山西銀行朔州分行), the date falling three years after the date of fulfillment of the last repayment obligation under the relevant loan agreement (which is expected to be 5 February 2029); and (iii) with respect to the Existing Bank Loans obtained from China Everbright Bank Taiyuan Branch (光大銀行太原分行), the date falling three years after the date of fulfillment of the last repayment obligation under the China Everbright Bank Loan Agreement (which is expected to be 3 September 2029). In return, the Disposal Company has undertaken to provide an interest free loan of RMB417,000,000 to the Company as security upon Completion. The maturity date of the loan will be the date on which the corporate guarantees provided by the Company and Qinfal Logistics under the Maximum Guarantee Agreements are fully released. The Company shall have the rights to use such loan amount to fully indemnify the Company and Qinfal Logistics for all liabilities and obligations which may be borne by the Company and Qinfal Logistics under the Maximum Guarantee Agreements.

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Corporate Guarantee Agreement and the Maximum Guarantee Agreements exceeds three years, the Company must appoint an independent financial adviser to explain why the agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. Independent Financial Adviser has been appointed for this purpose.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Corporate Guarantee Agreement and the provision of corporate guarantee contemplated thereunder exceeds 5% but is less than 25%, the corporate guarantees will constitute discloseable transaction of the Company, which shall be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. In addition, the Disposal Group will be indirectly and wholly-owned by Mr. XU, the controlling shareholder of the Company, upon Completion. Therefore, the Disposal Group will be deemed as connected persons of the Company and the provision of corporate guarantee for the Disposal Group after Completion constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Corporate Guarantee Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As additional time is needed to prepare the financial information of the Disposal Group for the year ended 31 December 2024, a circular containing, among other things, (i) further details of the Disposal; (ii) a Competent Person's Report in accordance with the requirements of Chapter 18 of the Listing Rules; (iii) a notice of the EGM; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Sale and Purchase Agreement, the Corporate Guarantee Agreement and the transactions contemplated thereunder; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (vi) other relevant information, including the financial information of the Group and the Disposal Group, as well as pro forma financial information of the Group, will be despatched to the Shareholders on or before 30 June 2025.

INTRODUCTION

On 5 June 2025, the Vendor and the Purchaser entered into the Sale and Purchase Agreement dated 5 June 2025, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares, at a Consideration of RMB30,000,000.

A. PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

1. Date

5 June 2025

2. Parties:

Vendor: Hong Kong Qinfa International Trading Limited (香港秦發國際貿易有限公司); and

Purchaser: Add Harmony Group Limited (添和集團有限公司).

Assets to be disposed of:

Pursuant to the Sale and Purchase Agreement, the Vendor conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Disposal Company, to the Purchaser (i) free from any Encumbrances and together with (ii) all rights attaching thereto, including all dividends and distributions declared, made or paid on or after the date of Completion.

As at the date of this announcement, the Vendor is interested in the entire issued share capital of the Disposal Company. Upon Completion, the Vendor will cease to hold any shareholding interests in the Disposal Company, and the Disposal Company will cease to be subsidiary of the Group and the results of the Disposal Group will no longer be consolidated into the consolidated financial statements of the Group.

3. Consideration:

The Consideration for the Disposal to be paid by the Purchaser to the Vendor is RMB30,000,000, which shall be settled in cash by the Purchaser on the Completion Date.

The Consideration was determined based on normal commercial terms and after arm's length negotiations between the Purchaser and the Vendor, after taking into consideration the following factors, among other things:

(i) *Financial condition of the Disposal Group*

- (a) Total deficit attributable to equity shareholders: As of 31 December 2024, the Disposal Group recorded an unaudited total deficit attributable to equity shareholders of RMB169,492,000, which has already reflected the share capital increase of RMB1.6 billion, net balance of the intragroup amount due from the Remaining Group of approximately RMB440 million and after impairments of coal mining rights, property, plant, and equipment. The intragroup balances among the Disposal Group and the Remaining Group will be cleared upon the Completion;
- (b) Purchaser's liability assumption: The Purchaser will absorb the deficit of RMB169.49 million, which exceeds the Consideration of RMB30 million by RMB139.49 million (or 465% of the Consideration);

- (c) The Board has assessed the commercial rationale for third party to acquire the Disposal Group with significant amount of deficit if there is no share capital increase to the Disposal Company and no repayment of significant amount of loans, even if the consideration was at a nominal value, such as HK\$1. It would not be commercially viable for investor to assume a significant amount of liabilities that exceeds the market value of the companies holding coal mines of the Disposal Group;

(ii) Independent Valuation assessment

Based on the preliminary assessment of the independent Valuer, the Disposal Group's market value as of 31 December 2024 was net liabilities of RMB470 million; therefore, the preliminary Valuation as at 31 December 2024 is minimal. Such Valuation justifies a nominal consideration;

(iii) Retain unused export tax refund

Since year 2020, SDE, a member of the Remaining Group, has purchased certain materials in the PRC and exported them to Indonesia ("**Exported Materials**") through a member of the Disposal Group ("**Export Company**"). The Export Company has obtained export tax refunds from relevant authorities in the PRC as a result of SDE's purchase of the Exported Materials. These refunds have been used to cover the transportation cost of the Exported Materials which should be borne by SDE. The surplus of the total amount of export tax refund of the Export Company (arising from the purchase of the Export Materials by SDE) over the total transportation cost of the Exported Materials since year 2020 and up to April 2025 ("**Unused Export Tax Refund**") was approximately RMB33 million.

As the export tax refunds have been arisen from the purchase of the Export Materials by SDE, the Company negotiated with the Purchaser to retain RMB30,000,000 of this Unused Export Tax Refund (i.e. approximately 90.90% of the Unused Export Tax Refund).

4. Conditions Precedent

Completion is conditional upon the following:

- (a) the Disposal Company and the Company having entered into the Corporate Guarantee Agreement, and the Maximum Guarantee Agreements entered into between certain members of the Remaining Group and the relevant banks remaining effective and valid;
- (b) the passing of the resolution(s) by the Independent Shareholders of the Company at an extraordinary general meeting of the Company approving (a) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (b) the Corporate Guarantee Agreement and the transactions contemplated thereunder in accordance with the Listing Rules; and
- (c) the Disposal Company and the Company having entered into the Loan Agreement.

In the event the Conditions Precedent set out above are not satisfied or waived on or before 31 December 2025 or such other date as the Vendor and the Purchaser may agree, the Sale and Purchase Agreement shall cease and terminate, and thereafter neither party shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms of the Sale and Purchase Agreement.

Completion

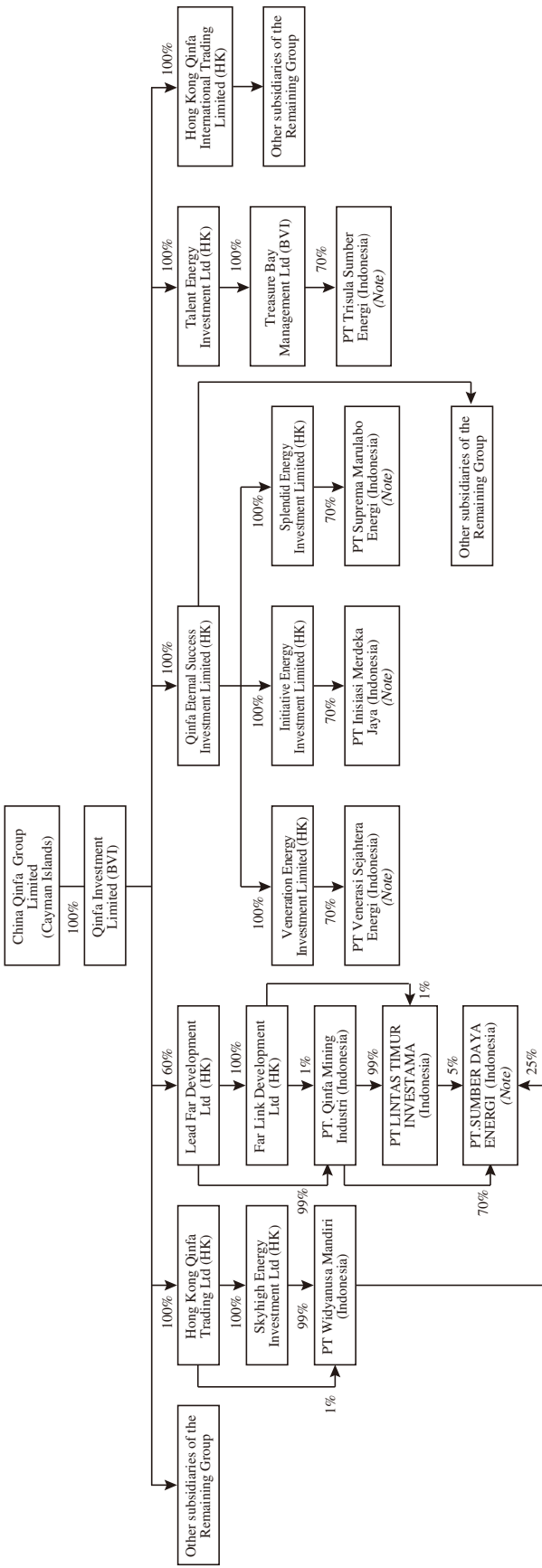
Completion shall take place on the Completion Date.

Upon Completion, the Vendor will cease to hold any shareholding interest in the Disposal Company, and the Disposal Group will cease to be a subsidiary of the Group. The results of the Disposal Group will no longer be consolidated into the consolidated financial statements of the Group.

A simplified structure of the Group comprising the Disposal Group and the Remaining Group as at the date of this announcement is set out below:



A simplified structure of the Remaining Group immediately after the Disposal is set out below:



Note: These companies hold operation license for mining for the coal mine held by each of them

INFORMATION OF THE GROUP AND THE DISPOSAL GROUP

The Group

The Company was incorporated in the Cayman Islands on 4 March 2008 as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 3 July 2009.

The principal activities of the Group was coal mining, purchase and sales, filtering, storage, blending of coal in the PRC and Indonesia.

The Disposal Group

As at the date of this announcement, the Group held the entire issued share capital of the Disposal Company. The Disposal Company was incorporated in Hong Kong and is a wholly owned subsidiary of the Group. The Disposal Company is an investment holding company and the principal activities of the Disposal Group are Coal Business in PRC. The principal assets of the Disposal Group include (i) three coal mines in Shuozhou Shanxi, the PRC, each of which are held by Huameiao Energy –Xingtao, Huameiao Energy – Fengxi and Huameiao Energy – Chongsheng, 80% shareholding interest of which are held by the Disposal Group; and (ii) two coal mines in Xinzhou Shanxi, the PRC, each of which are held by Shenda Energy – Xinglong and Shenda Energy – Hongyuan, which are wholly owned by the Disposal Group. Save as disclosed above, the Disposal Group does not possess any other coal mines.

Set out below are the coal reserves of coal mines held by the Disposal Group Member:

Reserves and resources

	Huameiao Energy– Xingtao	Huameiao Energy– Fengxi	Huameiao Energy– Chongsheng	Shenda Energy– Xinglong	Shenda Energy– Hongyuan	Total
Reserves as of 31 December 2024 (Mt)	7.14	0.94	4.72	13.50	10.46	36.76
– Proven reserves	3.12	–	–	–	–	3.12
– Probable reserves	<u>4.02</u>	<u>0.94</u>	<u>4.72</u>	<u>13.50</u>	<u>10.46</u>	<u>33.64</u>
Operation status	Under operation	Under operation	Under operation	Under (Temporarily suspended)	Under development (Temporarily suspended)	

In respect of the re-commencement of coal mine development of Shenda Energy – Xinglong and Shenda Energy – Hongyuan, there are a number of documents and licences required to be approved and/or obtained from the relevant government authorities, which include, but not limited to, business and mining licenses, environmental and safety assessments, geological and resource verification, design and construction approvals, cultural relic protection plan and various compliance reports related to water use, fire protection, energy conservation, etc.

Shenda Energy – Hongyuan has commenced the processes for two years and completed the Documents Required, which enable it to re-commence the development of coal mine. However, Shenda Energy – Xinglong is still under the process to complete the Documents Required.

FINANCIAL SUMMARY OF THE GROUP AND THE DISPOSAL GROUP

The financial information as extracted from (i) the consolidated financial statements of the Group as stated in the Annual Report, and (ii) the unaudited combined financial statements of the Disposal Group for each of the three years ended 31 December 2024 is set out below:

The Group	For the year ended 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from continuing operations	3,794,039	3,449,182	2,600,933
Gross profit from continuing operations	1,273,283	878,020	514,543
Profit before taxation from			
continuing operations	766,781	352,137	588,799
Profit after taxation from			
continuing operations	490,036	192,027	556,370
Total assets	7,850,531	7,857,573	8,629,329
Total liabilities	7,037,320	7,538,655	5,143,084
Net assets/(liabilities)	813,211	318,918	3,486,245
Non-controlling interests	800,106	791,787	1,514,446
Total equity/(deficit) attributable			
to equity shareholders of the Company	13,105	(472,869)	1,971,799

The Disposal Group	For the year ended 31 December		
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	2,768,575	2,182,657	1,672,258
Gross profit	603,256	367,447	204,029
Profit/(loss) before taxation	305,020	(42,646)	496,640
Profit/(loss) after taxation	153,673	(81,855)	499,664
Total assets	8,291,097	8,933,600	10,535,308
Total liabilities	8,636,520	10,036,697	9,850,640
Net assets/(liabilities)	(345,423)	(1,103,097)	684,668
Non-controlling interests	800,103	791,784	854,160
Total equity/(deficit) attributable to equity shareholders of the Company	(1,145,526)	(1,894,881)	(169,492)

The financial performance of the Disposal Group has declined over the past three years, including in both revenue and gross profit. This was primarily due to the significant decrease in the average coal selling price in the PRC, which fell from RMB838/ton in 2022 to RMB504/ton in 2024. Furthermore, for the year ended 31 December 2023, the Disposal Group recorded a loss after taxation of RMB81,855,000. For the year ended 31 December 2024, the Disposal Group reported a profit after taxation of RMB499,664,000. However, after excluding the one-off gains, the RMB476,356,000 gain from the substantial modification upon loan restructuring (due to the full settlement of the loan for the year) and the RMB 85,677,000 gain from the non-substantial modification upon loan restructuring (resulting from the revised repayment schedule with the relevant asset management company), the Disposal Group actually incurred a loss after taxation of RMB62,369,000. The Company believes that excluding these one-off gains from the profit after tax provides a clearer reflection of the underlying profitability of the coal business of the Disposal Group.

The Group increased its shareholding and obtained control over Huameiao Energy, a major subsidiary of the Disposal Group, in 2011 and the Disposal Group has formed a significant part of the Group over the years. The Disposal Group incurred a significant amount of loans which were guaranteed by certain member of the Remaining Group and the Company.

As mentioned in the paragraph headed “Reasons for and benefits of the Disposal”, the Disposal Group’s high leverage resulting from the acquisition of the Huameiao Energy in the PRC and its net current liability position have caused hurdles during approval process by relevant authorities in the PRC when reviewing the potential SOEs partnership with the Group. The Directors are of the view that the high leverage of the Disposal Group may constrain further development of the Group’s coal mines in Indonesia with potential SOEs partnership. In addition, the Company had discussions with third parties regarding the disposal of its shareholding interest in Huameiao Energy and Shenda Energy. However, the disposal was not concluded.

In light of the above, the Company had proactively reviewed the financial position of the Disposal Group. Reference is made to 2018 Announcement and 2021 Announcement. The loans with the domestic state-owned asset management companies had high interest rate up to 15% per annum. Having considered the high interest rate, significant amount of liabilities and deficit attributable to the shareholders, the Group injected fund to the Disposal Group and settled the loans with the asset management companies, which reduced a significant amount of interest expenses and released a majority of the guarantees provided by the member of the Remaining Group and the Company.

The Group repaid RMB1,348,869,900 and RMB152,627,000 respectively in full on 13 December 2024 and 3 January 2025 to a domestic state-owned asset management company. For details of the debt owed by the Group to this asset management company, please refer to 2018 Announcement. Furthermore, reference is made to the 2021 Announcement. The Disposal Group repaid RMB185,460,000 in full to the domestic state-owned asset management company according to the repayment schedule in the relevant loan restructuring proposal.

In addition, due to low coal reserve in the Disposal Group, the production volume is expected to decrease significantly in the future, which may in turn affect the profitability of the Disposal Group.

FINANCIAL EFFECTS OF THE DISPOSAL

It is expected that the Group will record a gain of approximately RMB196 million from the Disposal, the details of which are set out as follows:

	<i>RMB'000</i>
Consideration of the Disposal	30,000
<i>Less:</i>	
Estimated direct expenses in relation to the Disposal	(3,555)
<i>Add:</i>	
Net liabilities of the Disposal Group attributable to equity shareholders of the Company as at 31 December 2024	<u>169,492</u>
Estimated gain on the Disposal as equity transaction	<u><u>195,937</u></u>

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group intends to focus on higher growth business by considering the possibilities of restructuring the business through selling a group of subsidiaries that are engaged in the Coal Business in the PRC, so that the value of the Group can be better reflected after such a sale transaction. The Directors consider that the Disposal provides an opportunity to dispose of the loss making business of the Group and to concentrate on growing Coal Business in Indonesia.

Coal Business in the PRC

i. Low coal reserves

The coal reserve of Huameiao Energy of the Disposal Group was approximately 12.8 million tons as at 31 December 2024. Comparing with the raw coal production volume of Huameiao Energy in 2024 at 6.7 million tons, there may not be significant economic benefit available from Huameiao Energy. The raw coal production volume depends on the coal reserves availability. The coal reserve of coal mines under Huameiao Energy as at 31 December 2024 may only support the raw coal production for less than two years. However, in technical terms, when the coal mine starts production, rectangular coal seam is excavated to accommodate mining machinery. The longer the length, width and height of the coal seam, the higher the efficiency and cost effectiveness for coal production. Good coal seam will normally be consumed in early stage of coal mine production. Once the coal mine remains only small reserve, the remaining coal seam normally is shorter in length, width and height. Transitioning between these seams requires halting production for approximately one month, and frequent transitioning will significantly increase production costs. In this light, the economic benefit will drop significant in the late useful life of coal mines. In addition, the declining reserve base undermines the Group's ability to sustain production volumes, forcing reliance on incremental capital expenditures for marginal yield improvements. By divesting these assets, the Group eliminates the need for further non-strategic investments in end-of-life mines, redirecting resources toward high-growth opportunities in Indonesia.

The coal reserve of Shenda Energy of the Disposal Group was approximately 23.96 million tons as at 31 December 2024. Since the coal reserve of the Shenda Energy only accounts for 7.8% of coal mine of SDE of the Remaining Group, it is preferable to allocate financial resources of the Group toward developing Coal Business in Indonesia, rather than investing further in Shenda Energy. This approach prioritizes resource deployment in coal mines with greater growth potential and larger reserve bases, thereby maximizing the return on investment.

The operation of coal mine of Shenda Energy – Hongyuan has been temporary suspended since year 2016 and development of coal mine of Shenda Energy – Xinglong has been temporary suspended since year 2017. During year 2014 to 2020, the average coal selling price of the Group ranged from RMB309-405 per ton. The low level of coal price caused the financial difficulties to support the capital expenditure for the development of the coal mines of Shenda Energy. During year 2021 to 2024, the average coal selling price of the Group ranged from RMB 504-838 per ton, which enable the Group to generate a significant amount of cashflow for further development of coal mine. However, after comparing the reserve level of coal mine of SDE and Shenda Energy, the Group focused on SDE as the major development project of the Group to invest capital expenditures. As a result, coal mines of Shenda Energy have been kept temporary suspension for a long period. Further significant amount of capital expenditures will be needed to re-commence the production.

ii. *Prohibitive costs of new mine development*

Acquiring new coal mines in China has become economically unworthy due to very high price of coal mining right. According to two coal mining right auction results in Shanxi province in the PRC, two coal mining rights were sold at RMB6.8 billion and RMB12.126 billion respectively in 2024 (Sources: announcements of Department of Natural Resources of Shanxi Province dated 22 August 2024). The high investment cost of coal mining right makes the Group hesitate in further investment in the Coal Business in the PRC.

iii. *Financial performance of Coal Business in the PRC*

The Group acquired the Coal Business in the PRC in 2011. After the acquisition, the Group suffered from long-term net current liabilities status. The Disposal Group has consistently reported net liabilities over an extended period. The volatility of coal prices has led to significant fluctuations in the Group's profits and losses, primarily driven by impairment assessments. Comparing with Coal Business in Indonesia, the impairment assessment is not expected to significantly affect the profit and loss of the Group. The profitability of the Group was also suffering from high depreciation and amortization of coal mining right and assets in the PRC. As the depreciation and amortisation cost are calculated by dividing book value of fixed assets and coal mining rights by the quantity of coal reserves, these costs are much higher in the Group's coal mines in the PRC. This is due to high acquisition cost of Coal Business in the PRC in 2011 (when coal prices were high) and the relatively low level of coal reserves. In Coal Business in Indonesia, depreciation and amortization cost per unit of commercial coal only accounted for approximately 22% of the corresponding cost in Coal Business in the PRC.

iv. Litigation overhang

Starting from 2018 and as disclosed in the Company's annual reports, the Group faces ongoing litigations tied to historical disputes with non-controlling shareholders of Huameiao Energy. This overhang distracts management, risks unplanned cash outflows, and complicates relationships with lenders. Retaining these assets will perpetuate legal uncertainties, whereas the Disposal will transfer these contingent liabilities to the Purchaser, thereby shielding the Remaining Group from further exposure. The disputes with non-controlling shareholders of Huameiao Energy may expose the Group to uncertainties and contingent liabilities that may undermine operational stability and will potentially divert resources from the Group's core growth initiatives in Indonesia.

v. Offer the Disposal to third parties without success

Starting from 2024, the Company discussed with two potential coal enterprises to dispose the shareholding of Huameiao Energy. However, due to the disagreement of the non-controlling shareholders to dispose together and continuing litigations with the Group, the disposal was not concluded.

In 2024, a state owned enterprise approached the Group to discuss the disposal of Shenda Energy. However, after conducting due diligence work, the disposal was not concluded because of the low coal reserve of Shenda Energy.

In this connection, the Directors consider that it is reasonable to dispose the Coal Business in the PRC to the Purchaser.

Coal Business in Indonesia

Upon Completion, the Group will cease to have any interest in the Disposal Group, and the Group will no longer be engaged in the Coal Business in the PRC. The Group will then be principally engaged in Coal Business in Indonesia, which includes coal mining and operation, filtering and sale of coal worldwide. The major assets of the Remaining Group will be coal mines for such business. The Group acquired 5 coal mines in Indonesia since year 2021. The customer base is mainly from international coal traders with supply to South East Asia and south coast of China. The supplier base is mainly from China for underground mining equipment and spare parts, which are not supplied in Indonesia. Fuel, sand and cement are supplied domestically in Indonesia.

i. Superior production capacity and scalability

The SDE mine in South Kalimantan has emerged as the Group's flagship operation, producing 2.57 million tonnes of raw coal in 2024. With a mine life exceeding 20 years and reserves of 305 million tonnes, SDE provides a stable production base. The commissioning of its coal washing plant in late 2024 will further enhance margins by increasing the proportion of high-calorific-value. The Group has an operating coal mine and four acquired and undeveloped coal mining rights. It is likely that each of the coal mine in Indonesia has a significantly higher coal reserve than those in the PRC. While the cost of acquiring coal mining right in Indonesian is much lower than in the PRC, it is expected that the coal mines in Indonesia will play a dominant role in the Group's business growth going forward.

ii. Comparable productivity with Coal Business in the PRC

First phase of coal mine of SDE commenced production in December 2023 and started the commercial sale in July 2024 once the jetty license approved. Starting from the fourth quarter of 2024, SDE recorded the following unaudited results which was comparable with 3 coal mines of Huameio Energy:

Unaudited figures	Coal Business in the PRC	Coal Business in Indonesia
The Fourth quarter of 2024		
Raw coal production volume (tons)	1,250,000	1,178,000
Sale volume (tons)	770,165	713,230
Revenue (RMB'000)	394,944	253,230
The First quarter of 2025		
Raw coal production volume (tons)	1,070,000	1,180,000
Sale volume (tons)	754,630	1,198,742
Revenue (RMB'000)	305,090	500,028

iii. Continuing collaboration with state-owned enterprises in the PRC

Retaining Indonesian operations strengthens the Group's position as a strategic partner for SOEs seeking offshore coal resources. The Group sold 40% of Lead Far Development Limited, effectively 30% of SDE, to Zhejiang Energy International Limited in 2024. This business model combines the Group's operational expertise with SOE financing capabilities. Future partnerships could replicate this structure for remaining coal mines in Indonesia.

iv. *Mitigated financing and regulatory risks*

The Disposal Group's high leverage resulting from the acquisition of the Huameiao Energy in the PRC and its net current liability position have caused hurdles during approval process by relevant authorities in the PRC when reviewing the potential SOEs partnership with the Group and application for further bank financing. After the Disposal, the Remaining Group's pro forma net debt-to-equity ratio will improve significantly and it will regain a net current asset position. This strengthened financial position will enable the Group to further develop the remaining coal mines in Indonesia.

v. *Continued expansion and development of coal mining operations*

The Remaining Group will continue to develop the coal mines into operational mines. Capital expenditure in 2025 is expected to be approximately RMB 0.5 billion, of which RMB 0.23 billion has already been paid. 70% of the capital expenditure is expected to be funded by the Group and the remaining 30% is expected to be funded by the other shareholder of the coal mines in Indonesia, Zhejiang Energy International Limited. The Board is of the view that the Group has sufficient internal resources to fulfill the capital expenditure requirement in 2025. Starting in 2026, second phase of SDE Coal Mine will commence operations and increase production volume, which should sufficiently support the Remaining Group's capital expenditure for other coal mines. Meanwhile, the Group's management is exploring potential cooperation with other companies, including state-owned enterprises, to develop coal mines, potentially enhancing the value and utilization of existing coal mining rights. The Company's management believes that, upon completion of the Disposal, the financial position of the Remaining Group will be strengthened, potentially enabling the Company to secure additional financing from banks or equity fundraising in the stock market if necessary.

The Board is of the view that the Group will have sufficient financial resource to support the Coal Business in Indonesia.

vi. *No current plan to dispose of or downsizing the remaining business*

Currently, the Company has not entered, or proposed to enter, into any agreement, arrangement, understanding or undertaking, formal or informal, and express or implied, and negotiation and intention to dispose of/downsize its remaining business. However, if there are financing needs for the Group to fund further capital expenditures of expansion or development of existing coal mining rights, the Company may consider to raise fund through sale of equity interest held by the Group in or issuing of new shares of the Remaining Group, but in any event, the Remaining Group will maintain control on coal mine of SDE with shareholding of not less than 51%.

The Directors consider that the Disposal is in the best interests of the Company and the Shareholders as a whole due the following factors and reasons:

- (a) the Disposal is for the purpose of maximizing shareholders' value. The Directors are of the view that the Group will be able to improve from net current liability position after the Disposal. Such financial improvement can sustain financing channels to enhance the development of more coal mines in Indonesia;
- (b) the Directors are of the view that the Coal Business in the PRC is unlikely to continue to contribute profit to the Group. The carving out of the Coal Business in the PRC helps the Group to restructure its business for further growth;
- (c) the Directors are of the view that disposing the Coal Business in the PRC can eliminate the risks of litigations from non-controlling shareholders of Huameiao Energy, which allow the Remaining Group to operate with lower risks;
- (d) the Directors are of the view to dispose of the Coal Business in the PRC to keep the Remaining Group free from any assets pledge.

As mentioned above, the Company is expected to receive gross sale proceeds of RMB30 million and a net sale proceeds of RMB26.45 million upon Completion. As the Remaining Group continues to expand its coal business in Indonesia, it requires sufficient liquidity for production and resources deployment for new projects going forward; therefore, the net sale proceeds of the Disposal will be used for funding the working capital of the Remaining Group, including but not limited to purchase of materials, transportation costs, settlement of payables and payment of employee compensation. The Directors consider that the terms of the Disposal, which are determined after arm's length negotiations among the parties to the Sale and Purchase Agreement, are on normal commercial terms and are fair and reasonable, and the Disposal is in the interests of the Company and its shareholders as a whole.

VALUATION

The Valuation was conducted by BMI Appraisals Limited, an independent valuer, using the asset-based approach and the income approach. The asset-based approach is considered to be the most appropriate one for measuring the fair value of the Disposal Group except the subsidiaries that operate in mining. Other than Huameiao Energy – Xingtao, Huameiao Energy – Fengxi, Huameiao Energy – Chongsheng, Shenda Energy – Xinglong and Shenda Energy – Hongyuan that adopted discounted cash flow (DCF) method, all the subsidiaries of the Disposal Group do not operate any business except Qingdao Qinfa Materials Supply Limited that principally operate in the provision of material procurement business and Shanxi Qinfa Changsheng Equipment Maintenance Ltd that principally operate in the provision of equipment maintenance services. Regarding the asset-based approach, we have adopted the consolidated financial statements of the Disposal Group provided by the management, excluding the five subsidiaries that operate in mining operations (i.e. Xingtao, Fengxi, Chongsheng, Xinglong and Hongyuan). The income approach was considered to be the most appropriate valuation approach in the valuation of the subsidiaries that operate in mining, as it takes the future growth potential and firm-specific issues of the Disposal Group into consideration. Under the income approach, the DCF method was adopted. 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 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.

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:

<i>FCF</i>	=	free cash flow
<i>NI</i>	=	net income after tax
<i>NCE</i>	=	non-cash expense
<i>Int</i>	=	interest expenses
<i>T_{int}</i>	=	tax rate applied to interest expense
<i>Int (1 - T_{int})</i>	=	after-tax interest expense
<i>NCI</i>	=	non-cash incomes
<i>InvFA</i>	=	investment in capital expenditure
<i>InvNWC</i>	=	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:

$$PVFCF = FCF_1/(1 + r)^1 + FCF_2/(1 + r)^2 + \cdots + FCF_n/(1 + r)^n$$

Where:

<i>PVFCF</i>	=	present value of free cash flows
<i>FCF</i>	=	free cash flow
<i>r</i>	=	discount rate
<i>n</i>	=	number of year of projections

In addition, 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. This announcement is therefore subject to the requirements under Rule 14.60A of the Listing Rules in relation to profit forecasts. For the purpose of complying with Rule 14.60A of the Listing Rules, the details of the principal assumptions upon which the Valuation was based 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 Disposal Group is currently or will be situated;
- There will be no material change in the taxation laws and regulations in the jurisdiction where the Disposal 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 Disposal 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 Disposal Group or similar products and/or services will not differ materially from those of present or expected;
- The products and/or services of the Disposal 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 Disposal Group or similar products and/or services; and

- The market data, industrial 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 Disposal Group have been obtained or can be obtained upon request with an immaterial cost;
- The core operation of the Disposal Group will not differ materially from those of present or expected;
- The financial and operational information in respect of the Disposal Group have been prepared on a reasonable basis that have been arrived at after due and careful consideration by the senior management of the Company;
- The Disposal 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 Disposal Group, and the required human capital and capacity will be acquired in a timely manner that will not affect the operation of the Disposal Group;
- The Disposal 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 Disposal Group will implement only those prospective financial and operational strategies that will maximize the efficiency of the operation of the Disposal Group;
- The senior management of the Disposal Group has sufficient knowledge and experience in respect of the operation of the Disposal Group, and the turnover of any director, management or key person will not affect the operation of the Disposal Group;
- The senior management of the Disposal 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 Disposal Group; and

- The senior management of the Disposal 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 Disposal Group.

Specific assumptions

- The reserves and mine life below with no terminal value were estimated based on the draft Competent Person's Report of the Disposal Group. The mines have no terminal value as the mine life is finite and tied directly to the depletion of the coal reserves. Once the coal reserves are exhausted, the mines cease and therefore there is no terminal value;

Mine	Reserves (Mt)	Mine life (years)
Huameiao Energy – Xingtao	7.14	3
Huameiao Energy – Fengxi	0.94	1
Huameiao Energy – Chongsheng	4.72	4
Shenda Energy – Xinglong	13.50	18
Shenda Energy – Hongyuan	10.46	14

- The end of forecasted period of each mine is as follows:

Mine	End of forecasted period
Huameiao Energy – Xingtao	2027
Huameiao Energy – Fengxi	2025
Huameiao Energy – Chongsheng	2028
Shenda Energy – Xinglong	2045
Shenda Energy – Hongyuan	2040

- The annual revenue growth rate was determined based on: (a.) the annual production of coal of each of the mines; and (b.) the coal price. The coal prices are determined based on the information provided by the Company based on the types of coal the Disposal Group produces, and forecasted at 2% rate with reference to the inflation of the PRC. During the forecasted period, the coal price of the five mines ranged from RMB 471-696 per ton;

- The annual production of each of the mines is as follows:

Annual production (in million tons)

Huameiao Energy – Xingtao	1.91 to 3.08
Huameiao Energy – Fengxi	0.94
Huameiao Energy – Chongsheng	0.37 to 2.31
Shenda Energy – Xinglong	0.1 to 0.9
Shenda Energy – Hongyuan	0.1 to 0.9

- From Valuer’s perspective, we did not observe any changes in major expense.
- The level of capital expenditure was estimated based on the Disposal Group’s business plan. The average annual capital expenditure per annum of each of the mines until the end of the mine life is as follows:

Mine	Average capital expenditure (in RMB) (Rounded)
Huameiao Energy – Xingtao	0
Huameiao Energy – Fengxi	0
Huameiao Energy – Chongsheng	24,000,000
Shenda Energy – Xinglong	11,288,000
Shenda Energy – Hongyuan	14,162,000

- The working capital was determined with reference to estimations based on the Disposal Group’s business plan; and

- A post-tax discount rate of approximately 11% was adopted for appraising the valuation of three of the subsidiaries of the Disposal Group that operate in mining and a post-tax discount rate of approximately 13% was adopted for appraising the valuation of the remaining two subsidiaries of the Disposal Group that operate in mining. The adopted rates of the valuation parameters are as follows:

	Xingtao, Fengxi, Chongsheng	Xinglong, Hongyuan
a. Risk-free rate	1.68%	1.68%
b. Beta coefficient	0.81	0.81
c. Market risk premium	7.20%	7.20%
d. Size premium	2.66%	2.66%
e. Company-specific risk premium	2.00%	5.00%
f. Cost of equity	12.19%	15.19%
g. Cost of debt	4.90%	4.90%
h. After-tax cost of debt	3.68%	3.68%
i. Weight of debt	18.45%	18.45%
j. Weight of equity	81.55%	81.55%
k. Discount rate (rounded)	11%	13%

- 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. As the Disposal Group is not listed on 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. A discount for lack of marketability of 20.4% was adopted in assessing the Valuation.
- The valuation of the Disposal Group is summarised below:

	Market Values (in RMB) (Rounded)
Huameiao Energy – Chongsheng	381,000,000
Huameiao Energy – Fengxi	109,000,000
Huameiao Energy – Xingtao	543,000,000
Shenda Energy – Hongyuan	740,000,000
Shenda Energy – Xinglong	732,000,000
	<hr/>
Market values of the five mines	<u><u>2,505,000,000</u></u>

	Book Values (in RMB) (Rounded)	Market Values* (in RMB) (Rounded)
Total current assets	7,016,000,000	7,016,000,000
Total current liabilities	9,342,000,000	9,342,000,000
Total non-current liabilities	509,000,000	509,000,000
Total non-controlling interests	<u>140,000,000</u>	<u>140,000,000</u>
Total net assets/(liability) of the Disposal Group (excluding the five mines)	<u>(2,975,000,000)</u>	<u>(2,975,000,000)</u>
Market values of the five mines		<u>2,505,000,000</u>
Market value of the Disposal Group		<u><u>(470,000,000)</u></u>

* Assuming the book values of the consolidated financial statements of the Disposal Group, other than the companies that operate in mining operations, are the same as market values

- The sensitivity analysis on (a.) discount rate; and (b.) coal price growth rate adopted in the Valuation, details of which are set out as follows:

Discount rate	Coal price growth rate	Market Values (in RMB) (Rounded)
9.62% and 12.07% (-1%)	2.5%(+0.5%)	-251,000,000
10.62% and 13.07% (base input)	2.5%(+0.5%)	-399,000,000
11.62% and 14.07% (+1%)	2.5%(+0.5%)	-532,000,000
9.62% and 12.07% (-1%)	2% (base input)	-329,000,000
10.62% and 13.07% (base input)	2% (base input)	-470,000,000
11.62% and 14.07% (+1%)	2% (base input)	-596,000,000
9.62% and 12.07% (-1%)	1.5% (-0.5%)	-406,000,000
10.62% and 13.07% (base input)	1.5% (-0.5%)	-539,000,000
11.62% and 14.07% (+1%)	1.5% (-0.5%)	-659,000,000

Confirmations

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

The Directors 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 Directors are of the opinion that the discount cash flow upon which the Valuation was based has been made after due and careful enquiry by the Directors.

Independent Financial Adviser has been engaged by the Company to confirm that they are satisfied that the discounted cash flows upon which the Valuation was based has been made by the Directors after due and careful enquiry.

A letter from the Independent Financial Adviser and a report from Moore CPA Limited are included in the appendices to this announcement for the purpose of Rule 14.60A of the Listing Rules.

Experts and Consents

The qualifications of Moore CPA Limited, the Valuer and Independent Financial Adviser are as follows:

Name	Qualifications
Moore CPA Limited	Certified Public Accountants
BMI Appraisals Limited	Professional valuer
Astrum Capital Management Limited	a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of Moore CPA Limited, the Valuer and Independent Financial Adviser is a third party independent of the Group and is not a connected person of the Group. As at the date of this announcement, neither of Moore CPA Limited, the Valuer and Independent Financial Adviser has 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 person(s) to subscribe for securities in any member of the Group. As at the date of this announcement, each of Moore CPA Limited, the Valuer and Independent Financial Adviser does not have any direct or indirect interests in any assets which have been since 31 December 2024 (the date to which the latest published annual result of the Group 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. Each of Moore CPA Limited, the Valuer and Independent Financial Adviser has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its opinion and advice in its report/letter and all references to its name in the form and context in which it appears in this announcement.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios for the Disposal exceed 75%, the Disposal constitutes a very substantial disposal of the Company under Rule 14.06 of the Listing Rules. Accordingly, the Disposal is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Purchaser is directly and wholly-owned by Mr. XU, a controlling shareholder of the Company. As at the date of this announcement, Mr. XU and his associates are interested in approximately 67.19% of the issued share capital of the Company. Therefore, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. XU and his associates, which together hold 1,704,974,861 Shares, representing approximately 67.19% of the issued shares of the Company as at the date of this announcement, are required to abstain from voting in respect of the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM. The voting in respect of the Disposal at the EGM will be conducted by way of poll. In addition, Mr. XU Da and Ms. DENG Bingjing, the executive Directors, are also the son and the daughter-in-law of Mr. XU. Hence, they have abstained from voting in the Board meeting to approve the Sale and Purchase Agreement.

An Independent Board Committee has been formed to consider the Disposal and give a recommendation to the Independent Shareholders in respect of the Disposal. An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders.

As additional time is needed to prepare the financial information of the Disposal Group for the year ended 31 December 2024, a circular containing, among other things, (i) further details of the Disposal; (ii) a Competent Person's Report in accordance with the requirements of Chapter 18 of the Listing Rules; (iii) a notice of the EGM; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Sale and Purchase Agreement, the Corporate Guarantee Agreement and the transactions contemplated thereunder; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (vi) other relevant information, including the financial information of the Group and the Disposal Group, as well as pro forma financial information of the Group, will be despatched to the Shareholders on or before 30 June 2025.

The Completion of the Disposal is subject to the fulfilment of the conditions precedent as set out under the section headed "Conditions Precedent" in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

B. THE CORPORATE GUARANTEE AGREEMENT

Salient terms of the Corporate Guarantee Agreement are summarized below:

Date: 5 June 2025

Parties: (i) the Company, as corporate guarantor; and
(ii) the Disposal Company

Guarantee amount: The Company conditionally agreed to continue to provide, and procure Qinfal Logistics to continue to provide, corporate guarantees in respect of the Existing Bank Loans of the Disposal Group, with an aggregated principal amount of up to RMB417,000,000 under the Maximum Guarantee Agreements.

Undertaking: The Disposal Company agreed to provide an interest-free loan of RMB417,000,000 to the Company as security upon Completion. The maturity date of the loan will be the date on which the corporate guarantees provided by the Company and Qinfal Logistics under the Maximum Guarantee Agreements are fully released. The Company shall have the right to use the loan amount to fully indemnify all liabilities and obligations that may be borne by the Company and Qinfal Logistics under the Maximum Guarantee Agreements. Any portion of the loan amount used to indemnify the Company and Qinfal Logistics will be deemed to have been repaid.

Guarantee fee: No guarantee fee will be charged by the Company within the term and the scope of corporate guarantee set out in the Corporate Guarantee Agreement.

Term of guarantee:

The term of the guarantees to be provided shall commence on the date of Completion and shall expire on: (i) with respect to the Existing Bank Loans obtained from Jinshang Bank Taiyuan Bing Zhou Branch (晉商銀行太原并州支行), the date falling three years after the date of fulfillment of the last repayment obligation under the relevant loan agreement (which is expected to be 13 March 2029); (ii) with respect to the Existing Bank Loans obtained from Shanxi Bank Shuozhou Branch (山西銀行朔州分行), the date falling three years after the date of fulfillment of the last repayment obligation under the relevant loan agreement (which is expected to be 5 February 2029); and (iii) with respect to the Existing Bank Loans obtained from China Everbright Bank Taiyuan Branch (光大銀行太原分行), the date falling three years after the date of fulfillment of the last repayment obligation under the China Everbright Bank Loan Agreement (which is expected to be 3 September 2029).

Conditions Precedent:

(i) the passing of the resolution(s) by the Independent Shareholders of the Company at an extraordinary general meeting of the Company approving the Corporate Guarantee Agreement and the transactions contemplated thereunder in accordance with the Listing Rules; and (ii) the Disposal Company and the Company having entered into the Loan Agreement.

BASIS OF DETERMINING THE AMOUNT OF GUARANTEE

On 12 March 2025 and 5 February 2025 and in September 2023, certain members of the Remaining Group (i.e. the Company and Qinfal Logistics), as guarantors, entered into a maximum guarantee agreement with (i) Jinshang Bank Taiyuan Bing Zhou Branch, (ii) Shanxi Bank Shuozhou Branch, and (iii) China Everbright Bank Taiyuan Branch, respectively. Pursuant to which, the guarantors shall guarantee the repayment obligations of the Disposal Group under the Maximum Loan Facility Agreements. The aggregated principal amount guaranteed by the guarantors under the Maximum Guarantee Agreements is up to RMB417,000,000. Mr. XU also as guarantor entered into the maximum guarantee agreements with (i) Jinshang Bank Taiyuan Bing Zhou Branch on 12 March 2025, (ii) Shanxi Bank Shouzhou Branch on 5 February 2025, and (iii) China Everbright Bank Taiyuan Branch on 7 June 2024, to guarantee the repayment obligations of the Disposal Group under the Maximum Loan Facility Agreements.

The scope of the guarantee under the Maximum Guarantee Agreements includes the principal and any interest payable to the banks by the Disposal Group under the Maximum Loan Facility Agreements, handling fees, damages, compensation and any other related fees and expenses which may be payable by the Disposal Group under the Maximum Loan Facility Agreements.

As such, the amount of guarantee under the Corporate Guarantee Agreement was determined through negotiation between the Company and the Disposal Group, and with reference to the principal amounts guaranteed under the Maximum Guarantee Agreements, with an aggregated principal amount of RMB417,000,000.

TERMS OF THE CORPORATE GUARANTEE

As the connected transaction contemplated under the Corporate Guarantee Agreement and the Maximum Guarantee Agreements will exceed a term of three years, the Independent Financial Adviser has been 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 is of the view that the Corporate Guarantee Agreement and the Maximum Guarantee Agreements with a term longer than three years is a normal business practice for agreements of this type to be of such duration. Further details of the Independent Financial Adviser's view will be set out in the circular to be published by the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CORPORATE GUARANTEE AGREEMENT

As of 31 May 2025, the Disposal Group had three domestic bank loans aggregating RMB389,500,000 which remain guaranteed by certain members of the Remaining Group under the Maximum Guarantee Agreements as of the date of the Sale and Purchase Agreement. These loans include (i) a loan in the amount of RMB185,000,000 extended by Jinshang Bank Taiyuan Bing Zhou Branch to Huameiao Energy, a member of the Disposal Group, under loan agreement dated 14 March 2025 with a maturity date of 13 March 2026 and guarantee agreements dated 12 March 2025 with an expiry date falling three years after the date of fulfillment of the last repayment obligation under the relevant loan agreement (which is expected to be 13 March 2029); (ii) a loan in the amount of RMB186,000,000 extended by Shanxi Bank Shuozhou Branch to Huameiao Energy under first loan agreement dated 6 February 2025 with a maturity date of 6 February 2026, second loan agreement dated 7 February 2025 with a maturity date of 7 February 2026 and guarantee agreement dated 5 February 2025 with an expiry date falling three years after the date of fulfillment of the last repayment obligation under the relevant loan agreements (which is expected to be 5 February 2029); and (iii) a loan in the amount of RMB18,500,000 extended by China Everbright Bank Taiyuan Branch to Huameiao Energy under the China Everbright Bank Loan Agreement and guarantee agreement entered into in September 2023 with an expiry date falling three years after the date of fulfillment of the last repayment obligation under the China Everbright Bank Loan Agreement (which is expected to be 3 September 2029).

In fulfilling condition precedent (a) of the Sale and Purchase Agreement, the Company entered into the Corporate Guarantee Agreement with the Disposal Company on 5 June 2025, pursuant to which, the Company conditionally agreed to provide, and procure Qinfal Logistics to provide, continued corporate guarantees for the Existing Bank Loans under the Maximum Guarantee Agreements. In return, the Disposal Company has undertaken to provide an interest-free loan of RMB417,000,000 to the Company as security upon Completion. The maturity date of the loan will be the date on which the corporate guarantees provided by the Company and Qinfal Logistics under the Maximum Guarantee Agreements are fully released. The Company shall have the right to use the loan amount to fully indemnify all liabilities and obligations that may be borne by the Company and Qinfal Logistics under the Maximum Guarantee Agreements. In this connection, any portion of the loan amount used to indemnify the Company and Qinfal Logistics will be deemed to have been repaid.

It is expected that this loan will be funded by the net balance of the intragroup amount due from the Remaining Group, which is approximately RMB308 million as at the date of this announcement, with the remaining RMB109 million to be funded by Mr. XU.

Given the undertaking to provide an interest-free loan of RMB417,000,000 by the Disposal Group, as security, the Directors believe that the Remaining Group is protected by this loan. The Company considers that the continued provision of such corporate guarantees to the Disposal Group will not have a material impact on the financial position of the Group.

Further, despite the fact that relevant banks may not discharge and release all guarantee obligations and liabilities as they will only accept guarantor which is no less favourable than the Group, being a listed group, for the replacement of guarantor to the Disposal Group's Existing Bank Loans, upon the Completion of the Disposal, the Company intends to approach and negotiate with the banks to procure the said discharge and release.

Having considered the above, the Company considers that the terms of the Corporate Guarantee Agreement, which are determined after arm's length negotiations among the parties to the Corporate Guarantee Agreement, are on normal commercial terms and are fair and reasonable, and the provision of corporate guarantee is in the interests of the Company and its shareholders as a whole. Therefore, the Remaining Group has decided to continue to provide the corporate guarantee under the Maximum Guarantee Agreements by entering into the Corporate Guarantee Agreement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Corporate Guarantee Agreement and the provision of corporate guarantee contemplated thereunder exceeds 5% but is less than 25%, the corporate guarantees will constitute a discloseable transaction of the Company, which shall be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. In addition, the Disposal Company will be indirectly and wholly-owned by Mr. XU, the controlling shareholder of the Company, upon Completion. Therefore, the Disposal Company will be deemed as connected person of the Company and the provision of corporate guarantee for the Disposal Group constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Accordingly, the Corporate Guarantee Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.52 of the Listing Rules, as the term of the Corporate Guarantee Agreement and the Maximum Guarantee Agreements exceeds three years, the Company must appoint an independent financial adviser to explain why the agreement requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration. Independent Financial Adviser has been appointed for this purpose.

Mr. XU Da and Ms. DENG Bingjing, the executive Directors, are also the son and the daughter-in-law of Mr. XU. Hence, they have abstained from voting in the Board meeting to approve the Corporate Guarantee Agreement and the transactions contemplated thereunder. In addition, Mr. XU and his associates are required to abstain from voting in respect of the resolution that would be proposed to approve the Corporate Guarantee Agreement and the transactions contemplated thereunder at the EGM. The voting in respect of the Corporate Guarantee Agreement at the EGM will be conducted by way of poll.

An Independent Board Committee has been formed to consider the entering into of Corporate Guarantee Agreement by the Company and give a recommendation to the Independent Shareholders in respect of the Corporate Guarantee Agreement. An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders.

DEFINITIONS

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

“2018 Announcement”	the announcement of the Company dated 9 August 2018 in relation to, among other thing, debt restructuring
“2021 Announcement”	the announcement of the Company dated 13 December 2021 in relation to, among other thing, debt restructuring
“Banks”	Jinshang Bank Taiyuan Bing Zhou Branch (晉商銀行太原并州支行), Shanxi Bank Shuozhou Branch (山西銀行朔州分行), and China Everbright Bank Taiyuan Branch (光大銀行太原分行)
“Board”	the board of Directors
“Business Day”	a day other than a Saturday, Sunday or public holiday in Hong Kong
“China Everbright Bank Loan Agreement”	a loan in the amount of RMB18,500,000 extended by China Everbright Bank Taiyuan Branch (光大銀行太原分行) to Huameiao Energy under loan agreement dated September 2023, with a maturity date of September 2026
“Coal Business in the PRC”	services included coal mining and operation, sales of coal in the PRC, which is one of the principal activities performed by the Group prior to the Disposal
“Coal Business in Indonesia”	services included coal mining and operation, sales of coal worldwide, which is one of the principal activities performed by the Group prior to the Disposal and retains in the Remaining Group after the Disposal
“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 Disposal pursuant to the terms and conditions under the Sale and Purchase Agreement

“Completion Date”	the Business Day on which the last Condition Precedent is satisfied (or waived where applicable), or such other date as the Purchaser and the Vendor may mutually agree, and in any event, no later than 31 December 2025
“Competent Person’s Report”	has the meaning as defined in Chapter 18 of the Listing Rules
“Conditions Precedent”	conditions precedent set out in paragraph headed “Conditions Precedent”
“Consideration”	RMB30,000,000
“Corporate Guarantees”	Subject to the terms and conditions of the Corporate Guarantee Agreement, the Company agrees to continue to provide, and procure Qinfra Logistics to continue to provide, corporate guarantees in favour of the relevant Banks in respect of the Existing Bank Loans with an aggregated principal amount of up to RMB417,000,000 under the Maximum Guarantee Agreements
“Corporate Guarantee Agreement”	the conditional agreement dated 5 June 2025 entered into between the Company and the Disposal Company in relation to the corporate guarantees provided by the Company and Qinfra Logistics in respect of the Existing Bank Loans under the Maximum Guarantee Agreements
“DCF”	discounted cash flow
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the entire issued share capital in the Disposal Company pursuant to the terms and conditions of the Sale and Purchase Agreement
“Disposal Company”	Perpetual Goodluck Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company before completion of the Disposal
“Disposal Group”	the Disposal Company and its subsidiaries
“Disposal Group Member”	any of the Disposal Company and its subsidiaries

“Documents Required”	the documents and licences required to be approved and/or obtained from the relevant government authorities for re-commencement of coal mine development of Shenda Energy - Xinglong and Shenda Energy - Hongyuan
“EGM”	an extraordinary general meeting of the Company to be held to approve the Sale and Purchase Agreement and the Corporate Guarantee Agreement and the transactions contemplated thereunder
“Encumbrance”	any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind
“Existing Bank Loans”	the existing bank loans of Shanxi Huameiao Energy Group Company Limited (山西華美奧能源集團有限公司), a subsidiary of the Disposal Company, obtained from (i) Jinshang Bank Taiyuan Bing Zhou Branch (晉商銀行太原并州支行) with outstanding principal amount of RMB185,000,000, (ii) Shanxi Bank Shuozhou Branch (山西銀行朔州分行) with outstanding principal amount of RMB186,000,000, and (iii) China Everbright Bank Taiyuan Branch (光大銀行太原分行) with outstanding principal amount of RMB18,500,000, as at 31 May 2025
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huameiao Energy”	Shanxi Huameiao Energy Group Company Ltd., a company incorporated in the PRC, which is held 80% indirectly by the Disposal Company
“Huameiao Energy – Chongsheng”	Chongsheng Coal Mine Preparation Co., Ltd., a company incorporated in the PRC, which is wholly owned by Huameiao Energy, and in turn is held 80% indirectly by the Disposal Company

“Huameiao Energy – Fengxi”	Fengxi Coal Mine Preparation Co., Ltd., a company incorporated in the PRC, which is wholly owned by Huameiao Energy, and in turn is held 80% indirectly by the Disposal Company
“Huameiao Energy – Xingtao”	Xingtao Coal Mine Preparation Co., Ltd., a company incorporated in the PRC, which is wholly owned by Huameiao Energy, and in turn is held 80% indirectly by the Disposal Company
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Prof. SHA Zhenquan, Mr. JING Dacheng and Mr. HO Ka Yiu Simon, established to give advice to the Independent Shareholders on the Sale and Purchase Agreement, the Corporate Guarantee Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Astrum Capital Management Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement, the Corporate Guarantee Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than Mr. XU and his associates (as defined in the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement with interest-free loan amount of RMB417,000,000 to be entered into between the Disposal Company as lender and the Company as borrower, which shall include the following terms: (i) the maturity date of the loan shall be the date on which the corporate guarantees provided by the Company and Qinfa Logistics under the Maximum Guarantee Agreements are fully released; and (ii) the Company shall have the rights to use such loan amount to fully indemnify the Company and Qinfa Logistics for all liabilities and obligations which may be borne by the Company and Qinfa Logistics under the Maximum Guarantee Agreements

“Loan Facilities”	the maximum loan facilities with an aggregated principal amounts of up to RMB417,000,000 from the Banks to the Disposal Group pursuant to the Maximum Loan Facility Agreements
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Maximum Guarantee Agreements”	the maximum guarantee agreements entered into between certain members of the Remaining Group and (i) Jinshang Bank Taiyuan Bing Zhou Branch (晉商銀行太原并州支行) dated 12 March 2025, (ii) Shanxi Bank Shuozhou Branch (山西銀行朔州分行) dated 5 February 2025, and (iii) China Everbright Bank Taiyuan Branch (光大銀行太原分行) in September 2023, respectively
“Maximum Loan Facility Agreements”	the loan facility agreements entered into between Shanxi Huameiao Energy Group Company Limited and (i) Jinshang Bank Taiyuan Bing Zhou Branch (晉商銀行太原并州支行) dated 14 March 2025, (ii) Shanxi Bank Shuozhou Branch (山西銀行朔州分行) dated 6 February 2025 and 7 February 2025, and (iii) China Everbright Bank Taiyuan Branch (光大銀行太原分行) in September 2023, respectively
“Mr. XU”	Mr. XU Jihua, a controlling Shareholder (as defined under the Listing Rules)
“Mt”	Metric ton
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Add Harmony Group Limited (添和集團有限公司), a company incorporated in the British Virgin Islands with limited liability, which is directly and wholly-owned by Mr. XU

“Qinfa Logistics”	Zhuhai Qinfa Logistics Co., Ltd (珠海秦發物流有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Remaining Group”	the Group other than the Disposal Group
“Sale and Purchase Agreement”	the conditional agreement dated 5 June 2025 entered into between the Vendor and Purchaser in relation to the Disposal
“Sale Shares”	1,701,441,000 Shares, representing the entire issued share capital of the Disposal Company
“SDE”	PT Sumber Daya Energi, a company established under the laws of Republic of Indonesia, 70% effective interest of which is held by the Company
“SDE 2 Coal Mine”	the second phase of coal mining site of SDE
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenda Energy”	Shenchi Shenda Energy Investment Co., Ltd, a company incorporated in the PRC and an indirect wholly owned subsidiary of the Disposal Company
“Shenda Energy – Hongyuan”	Shanxi Xinzhou Shenchi Hongyuan Coal Co., Ltd, a company incorporated in the PRC and wholly owned by Shenda Energy
“Shenda Energy – Xinglong”	Shanxi Xinzhou Shenchi Xinglong Coal Co., Ltd., a company incorporated in the PRC and wholly owned by Shenda Energy
“SOE(s)”	State-owned enterprise(s) of the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Valuation”	the fair value of 100% equity interest in Perpetual Goodluck Limited
“Valuer”	BMI Appraisals Limited, an independent valuer
“Vendor”	Hong Kong Qinfa International Trading Limited (香港秦發國際貿易有限公司), a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“%”	per cent.

By the order of the Board
China Qinfa Group Limited
XU Da
Chairman

Hong Kong, 5 June 2025

As at the date of this announcement, 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.

APPENDIX I – REPORT FROM THE REPORTING ACCOUNTANTS

The following is the text of a report received from Moore CPA Limited, the reporting accountants of the Company, for the purpose of incorporation into this announcement.

The Board of Directors
China Qinfu Group Limited
Suite 5703, 57/F
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

REPORT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF EQUITY INTERESTS IN THE PROJECT COMPANIES (AS DEFINED BELOW)

To the Board of Directors of China Qinfu Group Limited

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by BMI Appraisal Limited dated 5 June 2025 in respect of the equity interests in Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Co., Ltd., Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Co., Ltd., Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Co., Ltd., Shanxi Xinzhou Shenchu Xinglong Coal Industry Co., Ltd. and Shanxi Xinzhou Shenchu Hongyuan Coal Industry Co., Ltd (collectively referred to as the “**Project Companies**”) which have been accounted for as the indirect long-term equity investments of Perpetual Goodluck Limited (“**Disposal Company**”), as at 31 December 2024 (the “**Valuation**”) is based. The Valuation, prepared in connection with the Project Companies is set out in the announcement of China Qinfu Group Limited dated 5 June 2025 (the “**Announcement**”). 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 the Company (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 Announcement (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 24 April 2025 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 Disposal 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

Leung Man Chung

Practising Certificate Number: P08074

Hong Kong, 5 June 2025

APPENDIX II – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter received from the independent financial adviser, Astrum Capital Management Limited, for the purpose of incorporation into this announcement.

5 June 2025

China Qinfa Group Limited (the “**Company**”)
Suite 5703 on 57/F
Central Plaza
18 Harbour Road
Wan Chai, Hong Kong

Attention: The Board of Directors

Dear Sirs,

We refer to the announcement of Chian Qinfa Group Limited (the “**Company**”) dated 5 June 2025 (the “**Announcement**”) in connection with the proposed disposal of Perpetual Goodluck Limited and its subsidiaries (the “**Disposal Group**”) and the proposed provision of corporate guarantee for the Disposal Group (the “**Transactions**”). Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Announcement.

The Announcement refers to the Valuation of the Disposal Group prepared by BMI Appraisals Limited (the “**Valuer**”) for the purpose of the Transactions. We understand that the Valuation and certain other documents relevant to the Transactions have been provided to you as directors of the Company (the “**Directors**”) in connection with your consideration of the Transactions.

We note that the Valuation consists of (i) 13 non-mining operation companies within the Disposal Group that asset-based approach was adopted, and (ii) five mining operation companies that the discounted cash flow method based on, among others, the cash flow forecasts (the “**Forecasts**”) provided by the management of the Company under income approach was adopted.

As the Forecasts are regarded as a profit forecast under Rule 14.61 of the Listing Rules, we have been engaged solely for the purpose of reporting to you under Rule 14.60A of the Listing Rules and for no other purpose.

We have reviewed the Forecasts of the five mining operation companies that the Valuation based, for which you as the Directors are solely responsible. We have attended discussions with the Directors, the management of the Company and the Valuer regarding the bases and assumptions upon which the Forecasts has been made. In these discussions, the participants also discussed the historical performance of the five mining operation companies and other information considered relevant by the Valuer and the Company to the Forecasts and the Valuation. We have also reviewed the reports to the Directors from Moore CPA Limited, dated 5 June 2025, as set forth in Appendix I to the Announcement regarding the calculations of discounted future cash flows.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions selected by the Valuer, for which the Valuer and the Company are responsible, we are satisfied that the discounted cash flows upon which the Valuation was based has been made by the Directors after due and careful enquiry. The Directors are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances. For the avoidance of doubt, this letter does not constitute an independent valuation or fairness opinion and is expressly limited to the matters described herein.

The work undertaken by us has been undertaken for the purpose of reporting solely to you under Rule 14.60A of the Listing Rules and for no other purpose. We have not independently verified the assumptions or computations leading to the valuation of the Disposal Group. We have had no role or involvement and have not provided and will not provide any assessment of the value on the Disposal Group to the Company. We have assumed that all information, materials and representations provided to us by the Company and the Valuer, including all information, materials, and representations referred to or contained in the Announcement, were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of the Announcement and that no material fact or information has been omitted from the information and materials supplied. No representation or warranty, whether express or implied, is made by us on the accuracy, truth or completeness of such information, materials or representations. Accordingly, we accept no responsibility to any other person in respect of, arising out of or in connection with our work or this letter.

Yours faithfully,

For and on behalf of
Astrum Capital Management Limited
Hidulf Kwan
Managing Director