THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

QINFA

中國秦發集團有限公司
CHINA QINFA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00866)

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION;
(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO FINANCIAL GUARANTEE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

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

ASTRUM

A notice convening the EGM of China Qinfa Group Limited to be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 11 July 2025 at 10:30 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting (i.e. by Wednesday, 9 July 2025 at 10:30 a.m.) or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting at the meeting or any adjournment thereof if they so wish and in such event, the form of proxy shall be deemed to be revoked.

Important Information

Kindly be informed that NO refreshments will be served, and there will be NO distribution of gifts at the EGM.

25 June 2025

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

"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
"Announcement"	the announcement of the Company dated 5 June 2025 in relation to, among others, the Disposal and the Corporate Guarantees
"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 Qinfa 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 Qinfa 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 on Friday, 11 July 2025 at 10:30 a.m. for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement, 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"	Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal 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"	Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal 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"	Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal 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)
"Latest Practicable Date"	20 June 2025, being the latest practicable date for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan"	an interest-free loan amount of RMB417,000,000 to be provided by the Disposal Company to the Company
"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
"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 circular, 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.

QINFA

中國秦發集團有限公司
CHINA QINFA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00866)

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

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

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

Principal place of business in Hong Kong:
Room 5703, 57th Floor,
Central Plaza
18 Harbour Road
Wanchai,
Hong Kong

25 June 2025

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION; (2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO FINANCIAL GUARANTEE; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Company's announcement dated 5 June 2025.

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.

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

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).

The Purchaser is a company wholly-owned by Mr. XU, the ultimate controlling shareholder of the Company.

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 Latest Practicable Date, 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. The Disposal Company is not subject to any encumbrances as at the Latest Practicable Date.

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.

The Directors have reviewed the valuation report ("**Valuation Report**") in relation to the Valuation and discussed with the Valuer. They noted that the Valuation Report has been prepared in accordance with the international valuation standards issued by the International Valuation Standards Council. There are four generally accepted valuation approaches, namely the cost approach, market approach, asset-based approach and income approach. The Directors have reviewed and assessed the Valuation approaches adopted by the Valuer.

As mentioned in the Valuation Report, the cost approach does not directly incorporate information about the economic benefits contributed by the subject asset, and it is generally applied to newly established companies or a company that is unable to conduct effective assessment by using income approach or market approach.

The market approach, instead, relies generally on deriving value through a measure of the values of industry comparables or market transactions. Given the characteristics of the Disposal Group, there was a lack of explicitly industry comparables or market transactions available as at the date of valuation to derive an indicative value of the Disposal Group with sufficient level of accuracy. Accordingly, the market approach was abandoned.

The asset-based approach was considered to be the most appropriate one adopted by the Valuer for measuring the market value of the Disposal Group except the non-current assets of the Disposal Group. The principle underlying the asset-based approach is that the value of ownership of an enterprise is equivalent to the market value of its assets less the market value of its liabilities. Moreover, the income approach was considered to be the most appropriate Valuation approach in the Valuation of the non-current assets of subsidiaries that operate in mining, i.e. Huameiao Energy - Xingtao, Huameiao Energy - Fengxi, Huameiao Energy -Chongsheng, Shenda Energy - Xinglong and Shenda Energy - Hongyuan, as it takes the future growth potential and firm-specific issues of the Disposal Group into consideration. Under the income approach, the discounted cash flow method was adopted by the Valuer.

The Directors have assessed the Valuation methodologies adopted by the Valuer, including but not limited to cash flow forecast, comparable companies, discount rate and discount for lack of marketability. Cash flow forecast was estimated based on Competent Person's Report and coal price with reference to the inflation of the PRC. Comparable companies were selected based on similar attributes in the industry, listing status and financial and operational information available at publicly available sources. A post tax discount rate of approximately 11%-13% was adopted for appraising the Valuation after considering the Valuation parameters set out in Appendix VI to this circular. Discount for lack of marketability was adopted in the Valuation because there is no ready market for the Disposal Group.

The Directors have reviewed, discussed and concurred with the Valuer that the Valuation approaches and methodologies adopted are appropriate, details of which are set out in Appendix VI to this circular. On the basis of the above, the Directors considered that the Valuation has been made after due and careful enquiry by us.

(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. The export tax refund is obtained due to the relevant tax policy in the PRC on refunding the value-added tax relating to export goods. As far as the management of the Company understands, according to the Notice of the Ministry of Finance and the State Administration of Taxation on Value-Added Tax and Consumption Tax Policies for Exported Goods and Services (《財政部 國家税務總局關於出口貨物劳務增值税和消費税政策的通知》) for foreign trade enterprises or other entities without production capacity that export goods or services, the "exemption and refund" policy shall apply, that is, value-added tax ("**VAT**") is exempted on export, and the corresponding input VAT amount will be refunded.

These refunds have been used to cover and offset the transportation cost of the Exported Materials which should be borne by SDE. However, the refund VAT amount was higher than the transportation cost. 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. The Purchaser agreed to the Remaining Group to retain RMB30 million of the Unused Export Tax Refund after considering that the difference between the Consideration of RMB30 million and the Unused Export Tax Refund of approximately RMB33 million is the operating cost (other than the transportation cost from China to Indonesia) incurred by the Export Company on purchasing the goods. By only paying to the Remaining Group of RMB30 million and retaining approximately RMB3 million, the Export Company could recover the operating cost incurred.

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. As at the Latest Practicable Date, other than condition (a), none of the above conditions has been fulfilled or waived. The condition precedent (a) mentioned above was fulfilled on 5 June 2025.

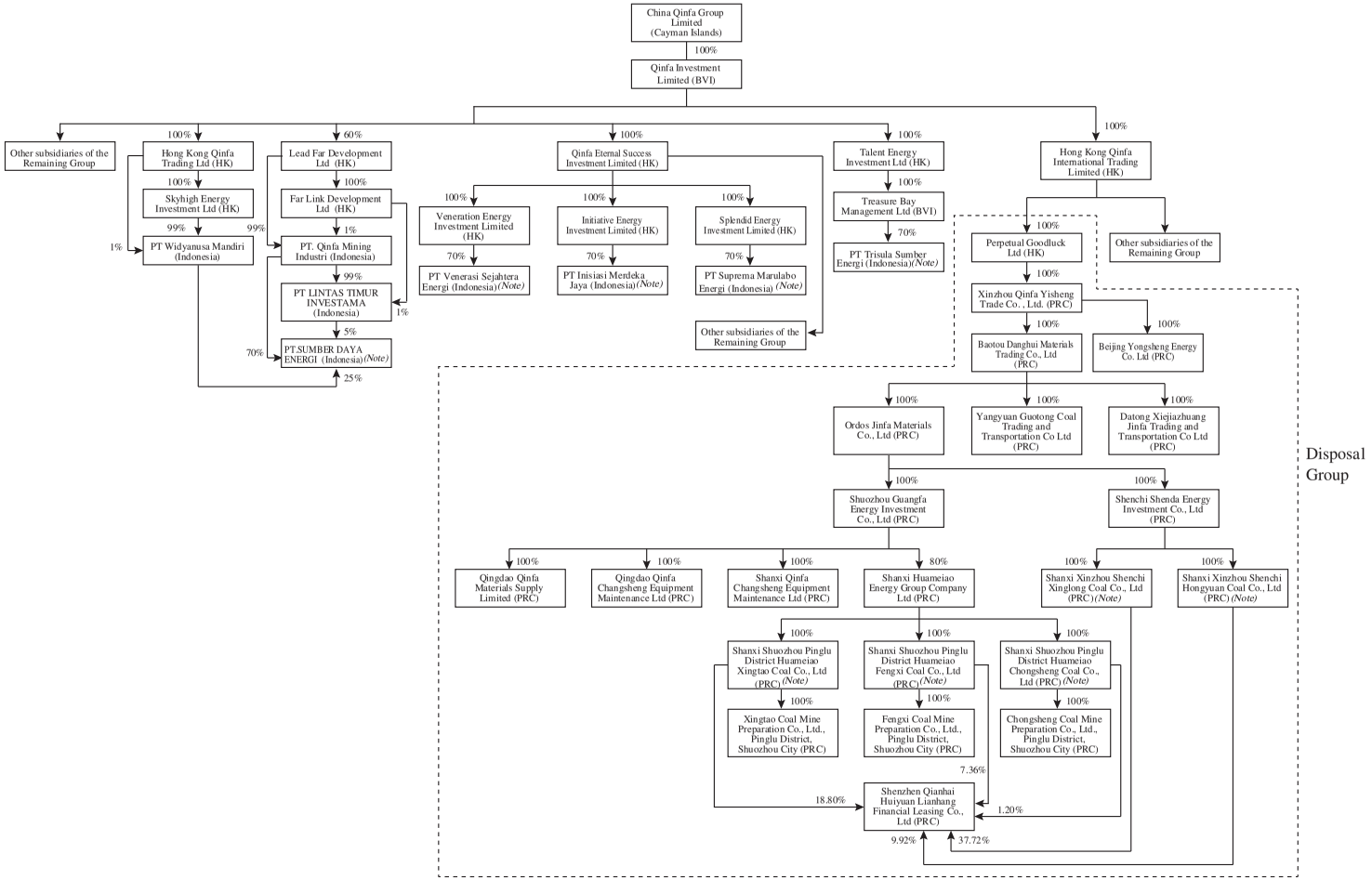
5. Completion

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.

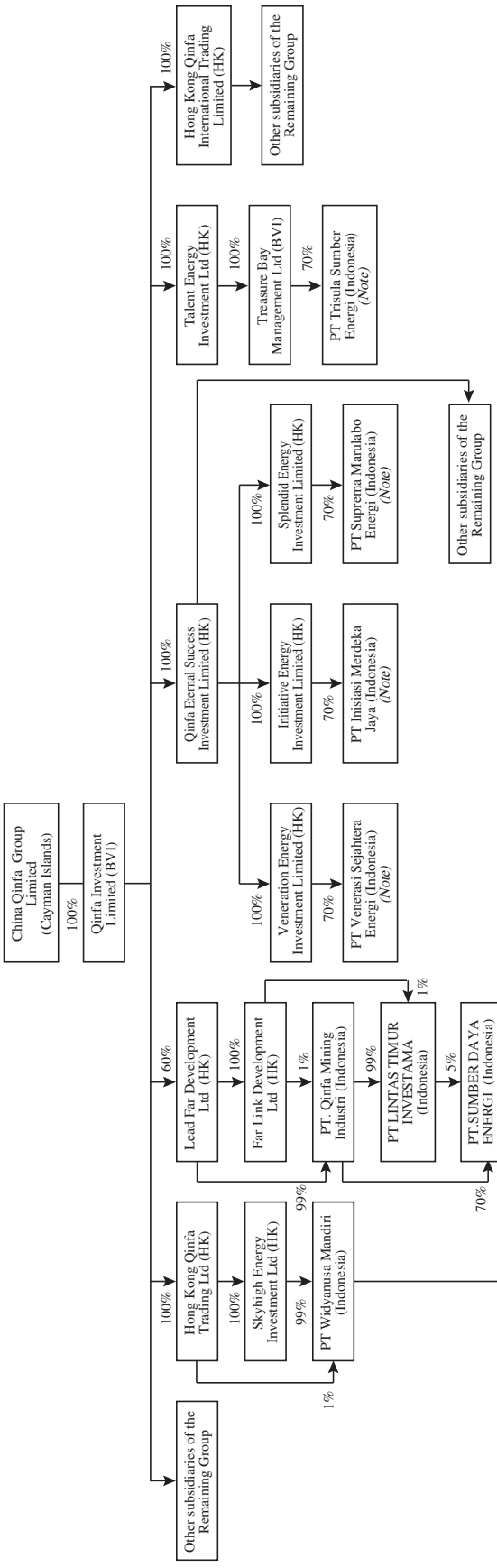
STRUCTURE OF THE GROUP AND THE REMAINING GROUP

A simplified structure of the Group comprising the Disposal Group and the Remaining Group as at the Latest Practicable Date is set out below:



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

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 Latest Practicable Date, 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	4.02	0.94	4.72	13.50	10.46	33.64
Operation status	Under operation	Under operation	Under operation	Under development (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.

Set out below is the list of Documents Required:

i. Business license

ii. Water abstraction permit

iii. Mine manager qualification certificate

iv. Cultural relics protection plan

v. Geological report approval

vi. Preliminary design modification approval

vii. Water prevention zoning assessment report approval

viii. Hydrogeological classification report approval

ix. Resource reserves verification report

x. Coal seam goaf area demonstration report

xi. Four-in-one report in relation to safety, environmental protection, resource development and occupational health

xii. Mining license

xiii. Safety facility design modification approval

xiv. Environmental impact assessment report modification approval

xv. Fire protection special section

xvi. Energy conservation assessment report

xvii. Construction contractor qualification filing

xviii. Engineering quality supervision procedure

xix. Commencement report

xx. Commencement report filing

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 and obtain 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**
	RMB'000	*RMB'000*	*RMB'000*
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**
	RMB'000	*RMB'000*	*RMB'000*
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. Since the financial year ended 31 December 2011 ("**FY2011**"), the coal business has been a major business segment of the Group, contributing more than 50% of the Group's revenue. The Disposal Group was part of the coal business. For FY2011, the commercial coal production volume of the coal mines of the Disposal Group was more than 20% of the volume of coal handling and trading of the Group. Since 2011, the coal mines of the Disposal Group have contributed significantly to the volume of coal handling and trading.

The two major subsidiaries of the Disposal Group had loan facilities of RMB2.82 billion since 2010 and as mentioned above, the Group gained control over Huameiao Energy, a major subsidiary of the Disposal Group in 2011. After the acquisition, the total liabilities of the Group as at 31 December 2011 was approximately RMB9,824 million, which was significantly higher than the total liabilities as at 31 December 2010 (being approximately RMB4,647 million). A significant amount of loans of the Disposal Group were guaranteed by certain members 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 in relation to, among other things, debt restructuring. 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 RMB1.6 billion to the Disposal Group and settled approximately RMB1,555 million of loans with two 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, which amounted to approximately RMB1,555 million.

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:

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

No material liabilities will remain with the Remaining Group upon completion of the Disposal.

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. The capital expenditure of Xinglong and Hongyuan are approximately RMB203 million and approximately RMB198 million respectively.

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.

On 1 September 2020, non-controlling shareholders of Huameiao Energy initiated litigation against the Group, seeking their entitled benefits for acquiring 20% of coal production from the three coal mines of Huameiao Energy at production cost prices for the years 2013 to 2020, amounting to approximately RMB705.86 million. The initial court judgment in October 2023 ordered the Group to deliver 6.03 million tonnes of coal to these shareholders without charge, but this was appealed and subsequently revoked by the Shanxi Provincial High People's Court, which remanded the case for retrial. Following the retrial, the court ordered the Group to pay RMB513 million in compensation. Subsequently, the Group filed an appeal against the court judgment, and the appeal is still in progress as of the Latest Practicable Date.

In addition, one of the non-controlling shareholders of Huameiao Energy filed a separate lawsuit on 30 October 2024, claiming benefits for 10% of coal production from 2021 to 2023, valued at approximately RMB412.26 million. The proceedings for this separate litigation were suspended by the court on 1 April 2025.

For more details, please refer to the section headed "Litigation" in Appendix IX.

v. Offer the Disposal to third parties without success

From year 2024 to March 2025, 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.

From July 2023 to March 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 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 (The debt to equity ratio of the Group as at 31 December 2024 was approximately 87.99%, and the pro forma debt to equity ratio of the Remaining Group as at 31 December 2024 was approximately 66.78%). This strengthened financial position will enable the Group to further develop the remaining coal mines in Indonesia. For details of the unaudited pro forma financial information of the Remaining Group, please refer to Appendix III to this circular.

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 RMB0.5 billion, of which RMB0.23 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, SDE 2 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 that disposal of the Coal Business in the PRC can 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.

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 Latest Practicable Date, 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, Mr. XU Da, which together, directly or indirectly hold 1,704,974,861 Shares, representing approximately 67.19% of the issued shares of the Company as at the Latest Practicable Date, 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. Mr. Xu Da holds approximately 3.67% of the issued share capital of the Company as at the Latest Practicable Date. 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, and to advise the Independent Shareholders on how to vote of the relevant resolution at the EGM. A letter from the Independent Board Committee is set out on pages 33 to 34 of this circular. An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard. A letter from the Independent Financial Adviser is set out on pages IFA-1 to IFA-28 of this circular.

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 circular. 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 Qinfa 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 (being 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 Qinfa Logistics under the Maximum Guarantee Agreements are fully released. The Company shall have the right to use the Loan to fully indemnify all liabilities and obligations that may be borne by the Company and Qinfa Logistics under the Maximum Guarantee Agreements. Any portion of the loan amount used to indemnify the Company and Qinfa Logistics will be deemed to have been repaid.

Moreover, pursuant to the Loan Agreement, the Disposal Company shall procure that the Disposal Group shall not make early repayments of the Existing Bank Loans to the relevant banks without the prior written consent of the Company. If the Disposal Group makes any early repayments of the Existing Bank Loans to the relevant banks without the prior written consent of the Company (the "**Default Early Repayment**"), the maturity date of the Loan shall remain to be the original date on which the guarantees provided by the guarantors under the Maximum Guarantee Agreements would have been irrevocably released, discharged or terminated in full, absent such Default Early Repayment.

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 (晋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.

As at 31 May 2025, (i) the principal amount of loans of RMB185,000,000 from Jinshang Bank Taiyuan Bing Zhou Branch (晋商銀行太原并州支行); (ii) the principal amount of loans of RMB186,000,000 from Shanxi Bank Shuozhou Branch (山西銀行朔州分行); and (iii) the principal amount of loans of RMB18,500,000 from China Everbright Bank Taiyuan Branch (光大銀行太原分行) were guaranteed by Qinfa Logistics. The above-mentioned principal amount of loans of RMB185,000,000 from Jinshang Bank Taiyuan Bing Zhou Branch (晋商銀行太原并州支行) and the principal amount of loans of RMB186,000,000 from Shanxi Bank Shuozhou Branch (山西銀行朔州分行) were also guaranteed by the Company.

BASIS OF DETERMINING THE AMOUNT OF GUARANTEE

Certain members of the Remaining Group have been providing the corporate guarantees to the relevant banks for the loans of the Disposal Group since 2011. On 12 March 2025 and 5 February 2025 and in September 2023, certain members of the Remaining Group (i.e. the Company and Qinfa 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. A letter from the Independent Financial Adviser is set out on pages IFA-1 to IFA-28 of this circular.

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 a guarantee agreement 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 Qinfa 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 Qinfa 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 Qinfa Logistics under the Maximum Guarantee Agreements. In this connection, any portion of the loan amount used to indemnify the Company and Qinfa 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 the Announcement, with the remaining RMB109 million to be funded by Mr. XU. Mr. XU will inject such amount to the Disposal Company on or before the date of Completion. The amount due from the Remaining Group was mainly arisen from the purchase of coal produced from the Disposal Group, as well as the equipment and materials purchased by the Disposal Group for the Remaining Group. Such purchases by the Disposal Group for the Remaining Group have no fixed payment terms.

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. However, based on the preliminary discussions with the relevant banks, they have not yet indicated whether they will discharge and release all guarantees obligations and liabilities of the Remaining Group.

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.

IMPLICATIONS UNDER THE LISTING RULES

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. A letter from the Independent Financial Adviser is set out on pages IFA-1 to IFA-28 of this circular.

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.

EGM

Set out on pages EGM-1 to EGM-3 of this circular is the notice of EGM at which, inter alia, ordinary resolution(s) will be proposed to Shareholders to consider and approve the Sale and Purchase Agreement, the Corporate Guarantee Agreement and the transactions contemplated thereunder.

The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be Friday, 11 July 2025. All transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than 4:00 p.m. on Monday, 7 July 2025.

The register of members of the Company will be closed from Tuesday, 8 July 2025 to Friday, 11 July 2025 (both days inclusive). During such period, no transfer of Shares will be registered for the purpose of determining the entitlement to attend and vote at the EGM. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Monday, 7 July 2025.

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

RECOMMENDATION

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

ADDITIONAL INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee; (ii) the letter from the Independent Financial Adviser; and (iii) the additional information contained in the appendices to this circular.

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

QINFA

中國秦發集團有限公司

CHINA QINFA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00866)

25 June 2025

To the Independent Shareholders

Dear Sir and Madam,

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION AND (2) DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular of the Company dated 25 June 2025 (the "**Circular**") of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider and to advise the Independent Shareholders as to whether, in our opinion, (1) the terms of the Sale and Purchase Agreement, and (2) the terms of the Corporate Guarantee Agreement, and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

Astrum Capital Management Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether (1) the terms of the Sale and Purchase Agreement, and (2) the terms of the Corporate Guarantee Agreement, and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and advise the Independent Shareholders how to vote in respect of the resolution(s). Details of its recommendations and advice, together with the principal factors taken into consideration in arriving at such recommendations and advice, are set out on page IFA-1 to IFA-28 of the Circular.

We wish to draw your attention to the "Letter from the Board" set out on pages 7 to 32 of the Circular, as well as the "Letter from the Independent Financial Adviser" set out on pages IFA-1 to IFA-28 of the Circular, and the additional information set out in the appendices to the Circular.

Notwithstanding that the transactions under the Sale and Purchase Agreement and the Corporate Guarantee Agreement may not be in the Company's ordinary and usual course of business, having taken into account (i) the factors referred to in the sections headed "Reasons for and benefits of the Disposal" and "Reasons for and benefits of entering into the Corporate Guarantee Agreement" in the letter from the Board; and (ii) the advice and recommendation of the Independent Financial Adviser as set out in the letter from Independent Financial Adviser, we consider (1) the terms of the Sale and Purchase Agreement, and (2) the terms of the Corporate Guarantee Agreement are fair and reasonable, on normal commercial terms, so far as the interests of the Independent Shareholders are concerned and that the entering into of the Sale and Purchase Agreement and the Corporate Guarantee Agreement are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Sale and Purchase Agreement, the Corporate Guarantee Agreement, and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Prof. SHA Zhenquan	**Mr. Jing Dacheng**	**Mr. HO Ka Yiu Simon**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of a letter of advice from 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 and the Corporate Guarantee Agreement which has been prepared for the purpose of inclusion in this circular.

Room 2704, 27/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

25 June 2025

To the Independent Board Committee and
the Independent Shareholders of
China Qinfa Group Limited

Dear Sirs,

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION AND (2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO FINANCIAL GUARANTEE

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the independent board committee (the "**Independent Board Committee**") and the independent shareholders (the "**Independent Shareholders**") of China Qinfa Group Limited (the "**Company**") in relation to the entering into a sale and purchase agreement (the "**Sale and Purchase Agreement**") and a corporate guarantee agreement (the "**Corporate Guarantee Agreement**"). The details of the Sale and Purchase Agreement and the Corporate Guarantee Agreement are disclosed in the announcement of the Company dated 5 June 2025 (the "**Announcement**") and in the letter from the Board (the **"Letter from the Board"**) set out on pages 7 to 32 of the circular of the Company dated 25 June 2025 (the **"Circular"**) to its shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise defined.

On 5 June 2025, the Vendor, which is a wholly-owned subsidiary of the Company, and the Purchaser, which is directly and wholly-owned by Mr. XU, a controlling shareholder of the Company, entered into the Sale and Purchase Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares, representing the entire issued share capital of the Disposal Company, at a Consideration of RMB30 million, which shall be settled in cash by the Purchaser on the Completion Date.

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. As the Purchaser is directly and wholly -owned by a controlling shareholder of the Company, 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.

Prior to the entering into the Sale and Purchase Agreement, certain members of the Remaining Group (i.e. the Company and Qinfa Logistics), as guarantors, entered into the Maximum Guarantee Agreements with certain banks, pursuant to which the guarantors shall guarantee the repayment obligations of the Disposal Group.

On 5 June 2025, the Company entered into the Corporate Guarantee Agreement with the Disposal Company, pursuant to which the Company conditionally agreed to provide, and procure Qinfa Logistics to provide, continued corporate guarantees for the repayment obligations of the Disposal Group under the Existing Bank Loans. In return, the Disposal Company has undertaken to provide an interest-free loan of RMB417,000,000 to the Company as security upon Completion, of which the amount is equivalent to the aggregate principal amount under the Corporate Guarantee Agreement and the Maximum Guarantee Agreements.

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 Hong Kong Listing Rules. The corporate guarantees also constitute 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.

The EGM will be held for the Independent Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement, the Corporate Guarantee Agreement and the transactions contemplated thereunder. The voting at the EGM will be conducted by way of a poll whereby Mr. Xu and his associates, Mr. Xu Da, which together, directly or indirectly hold 1,704,974,861 Shares, representing approximately 67.19% of the issued shares of the Company as at the Latest Practicable Date, shall abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement, and Corporate Guarantee Agreement and the transactions contemplated thereunder. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, other than Mr. Xu and his associates, no other Shareholders are required to abstain from voting on the relevant resolutions to be proposed at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Prof. SHA Zhenquan, Mr. Jing Dacheng, and Mr. HO Ka Yiu Simon, has been established to advise the Independent Shareholders as to whether (1) the terms of the Sale and Purchase Agreement, and (2) the terms of the Corporate Guarantee Agreement, and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole, and as to voting in respect thereof at the EGM. We, Astrum Capital Management Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

INDEPENDENCE DECLARATION

As at the Latest Practicable Date, we were not aware of any relationships or interests between Astrum Capital Management Limited, the Company, the Purchaser and/or any of their respective substantial shareholders, directors or chief executive, or any of their respective associates. In the last two years, we were not aware of any relationships between Astrum Capital Management Limited and the Company, and there was no other engagement between the Group and Astrum Capital Management Limited. Apart from the normal advisory fees payable to us for the relevant engagement in relation to the Disposal and the corporate guarantees, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. Accordingly, Astrum Capital Management Limited is independent as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Disposal and corporate guarantees.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, *inter alia,* the Announcement, the Circular, the Sale and Purchase Agreement, the Corporate Guarantee Agreements, the Maximum Guarantee Agreements, and the annual reports of the Company for the two years ended 31 December 2023 and 31 December 2024 (the "**2023 Annual Report**" and the "**2024 Annual Report**", respectively). We have also reviewed certain information provided by the management of the Company (the "**Management**") relating to the operations and prospects of the Group and the Disposal Group. In addition, we have reviewed the valuation report (the "**Valuation Report**") prepared by an independent professional valuer, namely BMI Appraisals Limited (the "**Valuer**"), in respect of the valuation of the Disposal Group as at 31 December 2024 (the "**Valuation**"), including the methodology of, and the bases and assumptions adopted for, the Valuation. Based on the foregoing steps, we consider that we have taken all the reasonable endeavors, which are applicable to the Disposal and the Corporate Guarantees, as referred to and required under Rule 13.80(2)(b) of the Listing Rules (including its annex notes) in forming our opinion. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussion with the Management regarding the terms of the Sale and Purchase Agreement, the Corporate Guarantee Agreements, and the transactions contemplated thereunder. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Announcement and the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Announcement and the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Announcement and the Circular, the omission of which would make any statement herein or in the Announcement and the Circular misleading. We consider that we have performed all necessary steps to enable us to reach an informed view regarding the terms of, and the reasons for entering into, the Sale and Purchase Agreement, and Corporate Guarantee Agreement and the transactions contemplated thereunder and to justify our reliance on the information provided so as to provide a reasonable basis of opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date. This letter is issued to provide information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the entering into of the Sale and Purchase Agreement, the Corporate Guarantee Agreement and the transactions contemplated thereunder. Except for the inclusion in the Circular, this letter shall not be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the entering into of the Sale and Purchase Agreement, and Corporate Guarantee Agreement and the transactions contemplated thereunder, we have taken into account the following principal factors and reasons:

I. Information of the Group

A. Principal business of the Group

According to the Letter from the Board, the Group is principally engaged in coal operation business involving coal mining, purchase and sales, filtering, storage, blending of coal in the PRC and Indonesia.

B. Financial information of the Group

Set forth below is the audited consolidated financial information of the Group for the three years ended 31 December 2022, 31 December 2023 and 31 December 2024 ("**FY2022**", "**FY2023**" and "**FY2024**", respectively) as extracted from the 2023 Annual Report and the 2024 Annual Report:

	FY2022	**FY2023**	**FY2024**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Revenue	3,794,039	3,449,182	2,600,933
Cost of sales	(2,520,756)	(2,571,162)	(2,086,390)
Gross Profit	1,273,283	878,020	514,543
Profit before taxation	766,781	352,137	588,799
Profit attributable to equity shareholders of the Company for the year	456,543	200,346	501,944

	As at 31 December 2022	**As at 31 December 2023**	**As at 31 December 2024**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)
Non-current assets	5,845,437	6,011,127	6,553,745
Current assets	2,005,094	1,846,446	2,075,584
Current liabilities	6,160,933	5,171,208	4,170,532
Net current liabilities	4,155,839	3,324,762	2,094,948
Non-current liabilities	876,387	2,367,447	972,552
Equity/(deficit) attributable to equity shareholders of the Company	13,105	(472,869)	1,971,799

Sources: the 2023 Annual Report and the 2024 Annual Report

(i) For the year ended 31 December 2023 (i.e. FY2023)

In FY2023, the revenue of the Group decreased by approximately 9.1% from approximately RMB3,794.0 million in FY2022 to approximately RMB3,449.2 million in FY2023. Such decrease in revenue was mainly attributable to combined effect of (i) the decrease in average coal selling price by approximately 20.6% from RMB838/ton in FY2022 to RMB665/ton in FY2023; and (ii) the increase in average monthly coal handling and trading volume by 14.6% from 377,000 tons in FY2022 to 432,000 tons in FY2023. The gross profit of the Group decreased by approximately 31.0% from approximately RMB1,273.3 million in FY2022 to approximately RMB878.0 million in FY2023. Such decrease in gross profit was mainly attributable to (i) the decrease in revenue mainly driven by the decrease in average coal selling price in FY2023; and (ii) the increase in cost of sales primarily driven by the increase in the coal handling and trading volume in FY2023. The gross profit margin of the Group decreased from approximately 33.6% in FY2022 to approximately 25.5% in FY2023. Such decrease in gross profit margin was mainly attributable to the decrease in average selling price of thermal coal.

In FY2023, the profit attributable to the equity shareholders of the Company decreased by approximately 56.1% from approximately RMB456.5 million in FY2022 to approximately RMB200.3 million in FY2023. Such decrease was mainly attributable to the net effect of (i) the decrease in the average coal selling price in FY2023 as compared with FY2022; (ii) the increase in the coal handling and trading volume in FY2023 as compared with FY2022; and (iii) impairment losses on property, plant and equipment and coal mining due to decrease in average coal selling price.

As at 31 December 2023, the Group's total assets and total liabilities amounted to approximately RMB7,857.6 million and approximately RMB5,692.2 million, respectively. Equity attributable to the equity shareholders of the Company decreased from approximately RMB13.1 million as at 31 December 2022 to approximately RMB472.9 million in deficit as at 31 December 2023. The decrease in equity attributable to the equity shareholders of the Company was mainly due to a litigation initiated by the non-controlling shareholders against the Group to claim for their entitled benefits in respect of acquiring 20% of coal production from the year 2013 to 2020 at production cost prices as the distributions entitled to them as non-controlling shareholder, resulting in the provision of dividends to non-controlling shareholders of approximately RMB672.9 million recognised in FY2023.

(ii) For the year ended 31 December 2024 (i.e. FY2024)

In FY2024, the revenue of the Group decreased by approximately 24.6% from approximately RMB3,449.2 million in FY2023 to approximately RMB2,600.9 million in FY2024. Such decrease in revenue was mainly attributable to (i) the decrease in average coal selling price by approximately 24.2% from RMB665/ton in FY2023 to RMB504/ton in FY2024; and (ii) the average monthly coal handling and trading volume remained at similar level from 432,000 tons in FY2023 to 430,000 tons in FY2024. The gross profit of the Group decreased by approximately 41.4% from approximately RMB878.0 million in FY2023 to approximately RMB514.5 million in FY2024. Such decrease in gross profit was mainly attributable to (i) the decrease in revenue, which was mainly driven by the decrease in average coal selling price; and (ii) the decrease in gross profit margin in FY2024. The gross profit margin of the Group decreased from approximately 25.5% in FY2023 to approximately 19.8% in FY2024. Such decrease in gross profit margin was mainly attributable to the decrease in average selling price of thermal coal.

In FY2024, the profit attributable to the equity shareholders of the Company increased by approximately 150.6% from approximately RMB200.3 million in FY2023 to approximately RMB501.9 million in FY2024. Such increase was mainly attributable to the net effect of (i) an increase in other income, gains and losses of approximately RMB545.2 million in FY2024, mainly attributable to the gain on substantial modification upon loan restructuring in FY2024 (due to the full settlement of the loan for the year); (ii) the decrease in the average coal selling price; and (iii) impairment losses on property, plant and equipment and coal mining rights due to decrease in average coal selling price.

As at 31 December 2024, the Group's total assets and total liabilities amounted to approximately RMB8,629.3 million and approximately RMB5,143.1 million, respectively. Equity attributable to equity shareholders of the Company increased from approximately 472.9 million in deficit as at 31 December 2023 to approximately RMB1,971.8 million as at 31 December 2024. The increase in equity attributable to equity shareholders of the Company was mainly attributable to (i) the gain on the partial disposal of a subsidiary, namely Lead Far Development Limited during the year 2024, and (ii) the profit for the year of approximately RMB501.9 million.

II. Information of the Disposal Group

As at the Latest Practicable Date, 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 the coal mines held by the Disposal Group:

	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
– Proved reserves	3.12	–	–	–	–	3.12
– Probable reserves	4.02	0.94	4.72	13.50	10.46	33.64
Operation status	Under operation	Under operation	Under operation	Under development (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. Details of which are set out in the Letter from the Board.

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 and obtain the Documents Required.

Set forth below is the financial information extracted from the unaudited combined financial statements of the Disposal Group as at each of the years ended 31 December 2022, 2023 and 2024:

	As at 31 December 2022 *RMB'000*	As at 31 December 2023 *RMB'000*	As at 31 December 2024 *RMB'000*
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
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 RMB85,677,000 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.

III. Background of, reasons for and benefits of the Disposal and the Corporate Guarantee

Disposal of Coal Business in PRC

As stated in the section headed Letter from the Board contained in the Circular, the Disposal Group is primarily engaged in coal business in the PRC.

As further set out in the Letter from the Board, in the past few years, the performance of the coal business in PRC was deteriorating, which was mainly attributable to the decrease in the average selling price in the PRC, which fell from RMB838/ton in 2022 to RMB504/ton in 2024.

In order to assess the industry performance in recent years, we have identified on best effort basis an exhaustive list of comparable companies (the "**Comparable Companies**") of the Group for our comparison analysis, based on the selection criteria that these companies (i) are primarily engaged in coal production in the PRC, (ii) had a market capitalisation ranged between HK$100 million to HK$10,000 million as at the date of the Announcement of which the Group's market capitalisation (i.e. HK$3,121 million) lies between HK$1,000 million to HK$10,000 million, but there would only be two comparable companies be observable in this range, whereas the extended range of market capitalisation from HK$100 million to HK$10,000 million could result in five comparable companies that is considered to be more representable for the purpose of our analysis, and (iii) the shares of which are listed on the Stock Exchange. The selection criteria have provided us with reasonably sufficient samples for comparison purpose.

Set out below are the revenue growth and profit growth for year 2023 and year 2024, and the respective compounded annual growth rate ("**CAGR**") over year 2022 to year 2024, of the Group, the Disposal Group, and the Comparable Companies, namely Kinetic Development Group Limited (stock code 1277, "**Kinetic**"), Perennial Energy Holdings Limited (stock code: 2798, "**Perennial**"), Nan Nan Resources Enterprise Limited (stock code: 1229, "**Nan Nan**"), Feishang Anthracite Resources Limited (stock code: 1738, "**Feishang**"), and Kaisun Holdings Limited (stock code: 8203, "**Kaisun**"):

	The Group	Disposal Group	Kinetic	Perennial	Nan Nan	Feishang	Kaisun
Revenue growth 2024	(24.6%)	(23.4%)	19.2%	(0.6%)	(51.6%)	(68.9%)	272.1%
Revenue growth 2023	(9.1%)	(21.2%)	(22.9%)	(3.8%)	(20.1%)	(38.2%)	12.1%
CAGR of revenue (2022-2024)	(17.2%)	(22.3%)	(4.2%)	(2.2%)	(37.8%)	(56.2%)	104.2%
Profit[(2)] growth 2024	150.5%[(4)]	N/A[(1)]	1.5%	(12.7%)	N/A[(1)]	N/A[(1)]	N/A[(1)]
Profit[(2)] growth 2023	(56.1%)	N/A[(1)]	(22.0%)	(32.2%)	N/A[(1)]	N/A[(1)]	N/A[(1)]
CAGR of profit[(2)] (2022-2024)	4.9%	N/A[(1)]	(11.0%)	(23.1%)	(21.9%)	N/A[(1)]	N/A[(1)]
Market capitalisation[(3)] (HK$ million)	3,121	N/A[(1)]	9,526	1,184	191	139	143
Percentage of revenue from coal production in the PRC in 2024	88.4%	100.0%	99.7%	100.0%	84.5%	100.0%	96.4%

Source: calculations were based on the figures disclosed in the annual reports of the Comparable Companies for the latest two years available from the website of the Stock Exchange; and the market capitalisations were calculated based on the market prices of the Comparable Companies as disclosed on the website of the Stock Exchange

Notes:

(1) "N/A" refers to not applicable;

(2) "Profit" refers to the profit attributable to owners/equity shareholders attributable to the company;

(3) "Market capitalisation" as at the date of the Announcement; and

(4) Such profit growth 2024 was primarily attributable to the net gain on substantial modification upon loan restructuring.

As set out in the above table, the Comparable Companies and the Group generally recorded negative CAGR of revenue from year 2022 to year 2024, except for Kaisun recorded CAGR of revenue of 104.2%, mainly attributable to its significant increase in revenue derived from its Xinjiang mine operation. Further, three out of five Comparable Companies recorded negative CAGR of profit from year 2022 to year 2024, whereas the remaining two could not calculate the growth rate due to (i) for Feishang, it recorded loss attributable to owners of the company for year 2023 and 2024, and (ii) for Kaisun, it recorded turnaround profit attributable to owners of the company in 2024 after two consecutive years of loss in year 2022 and year 2023. According to the relevant annual reports of the Comparable Companies, their financial performances were in general negatively affected by the macroeconomic factors including falling selling prices of the coal in the PRC and decreasing selling volume in the PRC which are consistent with the challenges faced by the Group.

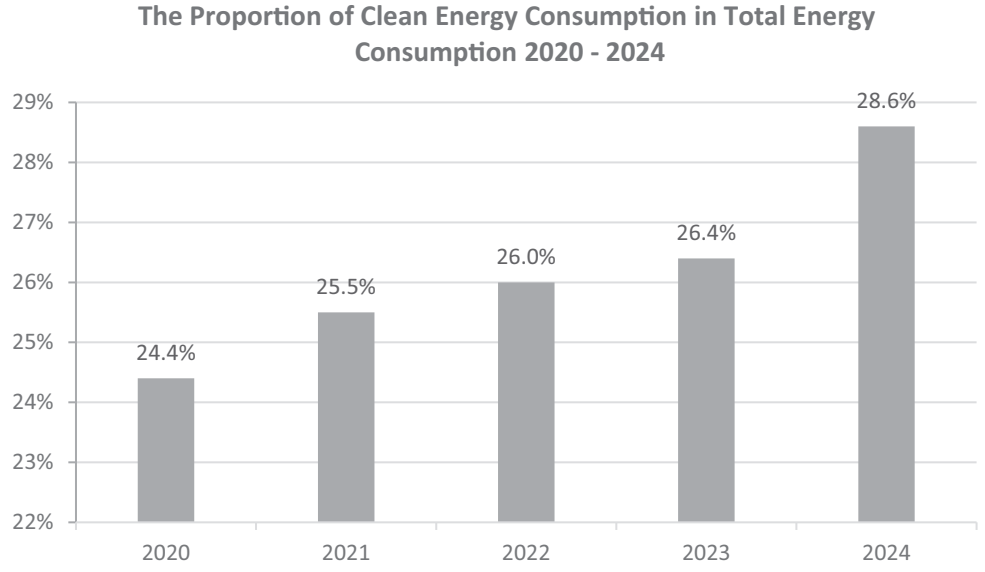
The recent tightening policies and regulations of the PRC government have further brought long-term negative impact to the coal mining industry in the PRC. On 23 May 2024, the State Council of the PRC issued "Action Plan for Energy Conservation and Carbon Reduction in 2024-2025" (2024-2025年節能降碳行動方案, the "**Action Plan**"). This policy is an indication of the government's commitment to accelerate the transition from traditional fossil fuels to cleaner and more sustainable energy sources, which implies certain insight in the develop of the coal industry in China. The Action Plan sets forth a series of ambitious goals and measures aimed at reducing carbon emissions and improving energy efficiency across various sectors of the economy. For the coal industry in the PRC, this means facing stricter environmental regulations, higher energy efficiency standards, and increased pressure to adopt cleaner technologies. The Action Plan stipulates a reduction in the proportion of coal to total energy consumption and promotes the development of renewable energy sources such as wind, solar, and hydroelectric power. This shift is expected to lead to a gradual decline in the demand for coal in the PRC, as more emphasis is placed on low-carbon and zero-carbon energy alternatives.

According to the China Statistical Yearbook 2024 published by the National Bureau of Statistics of China, the consumption of coal gradually declined from 56.9% in 2020 to 53.2% in 2024, representing compounded annual growth rate of negative 1.7%. Set out below is the proportion of consumption of coal in total energy consumption from 2020 to 2024:

	2020	**2021**	**2022**	**2023**	**2024**
The proportion of coal to total energy consumption	56.9%	55.9%	56.0%	55.3%	53.2%

Source: National Bureau of Statistics of China

According to the Statistical Communique of the People's Republic of China on the 2024 National Economic and Social Development (中華人民共和國2024年國民經濟和社會發展統計公報) issued by the National Bureau of Statistics of China on 28 February 2025, the proportion of consumption of clean energy, such as hydropower, wind power, nuclear power and natural gas, in total energy consumption increased from 24.4% in 2020 to 28.6% in 2024, representing a compound annual growth rate of approximately 4.1%. Set out below is the proportion of consumption of clan energy, from 2020 to 2024:



Source: Statistical Communiqué of the PRC on the 2024 National Economic and Social Development

With an increasing trend of clean energy consumption and government policies towards coal industry in the PRC, we are of the view that the business environment of coal industry in the PRC remains challenging.

As set out in the Letter from the Board, the Group is of the view that acquisition of new coal mines in China has becoming economically unworthy, and thus lacks economic justification. In addition, recent coal mine auction results in China demonstrated the substantial investment costs involved, further discouraging the Group from pursuing additional investment in coal business in the PRC. Therefore, without new mine to drive revenue growth and having considered the low reserves of the current mines, the Group expects the revenue of the Disposal Group will continue to decrease in the future.

Further, the Group's profitability has also been adversely impacted by substantial depreciation and amortisation expenses related to coal mining rights and assets in the PRC. These costs are calculated based on the book value of fixed assets and mining rights divided by the volume of coal reserves. As a result, the depreciation and amortisation expenses are relatively higher for the Group's coal mines in the PRC, as the acquisition cost was relatively high when the Group acquired the coal business in PRC in 2011. Consequently, depreciation and amortisation expenses of the Disposal Group are expected to remain high, thereby continuing to constrain the Group's overall profitability in the foreseeable future.

Moreover, since 2018, the Group has been engaged in ongoing legal disputes with the non-controlling shareholders of Huameiao Energy. Retaining these assets leads to a prolong exposure to legal uncertainties, potentially undermining operational stability and diverting attention of the Management and resources from the Group's core growth initiatives in Indonesia. A disposition of the Disposal Group would effectively transfer these risks to the buyer, and thus safeguard the interests of the Remaining Group from further legal and financial exposure.

However, despite attempts made in 2024, the Group was unable to successfully dispose the coal business in PRC to a third-party buyer.

In view of the above, we concur with the Director's view that it is reasonable to dispose the coal business in PRC (i.e. the Disposal Group) to the Purchaser.

According to an article titled "International coal price: higher-for-longer"[1] by Paolo Agnolucci (Senior Economist, Prospects Group, World Bank), Matias Guerra Urzua (Research Analyst, Prospects Group, World Bank) and Nikita Makarenko (Research Analyst, World Bank), published on the Data Blog of World Bank (a platform for the bank to share insights, research, and discussions) on 3 December 2024, global coal prices are projected to fall in 2025 and 2026, and this anticipated decline is due to robust supply, as reductions in global consumption weigh on the market. Thus, we do not anticipate the coal selling prices in the PRC or Indonesia to increase in the foreseeable future.

Having considered that the coal selling prices are expected to remain constrained, the profitability would highly depend on the cost of sales, where the lower cost implies the higher profitability. The following table summarise (i) the revenue, gross profit, profit before tax and profit after tax of the coal business in Indonesia for FY2024, as extracted from "Appendix IV - Management Discussion and Analysis of the Remaining Group"; and (ii) the revenue, gross profit, profit before tax and profit after tax of the Disposal Group (i.e. coal business in the PRC) as extracted from "Appendix II - Financial Information of the Disposal Group", adjusted by 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 RMB85,677,000 gain from the non-substantial modification upon loan restructuring (resulting from the revised repayment schedule with the relevant asset management company):

FY2024 *(RMB' million, unless otherwise specified)*	**Coal business in Indonesia**	**Coal business in the PRC**
Revenue	302.2	1,672.3
Gross profit	64.4	204.0
Gross profit margin	21.3%	12.2%
Profit/(loss) before taxation	7.8	(92.8)
Profit/(loss) after taxation	8.0	(89.8)

[1] URL: https://blogs.worldbank.org/en/opendata/international-coal-price--higher-for-longer

Based on the above historical performance of the Group, the coal business in Indonesia recorded a gross profit margin of 21.3%, which is higher than the gross profit margin of the coal business in the PRC of 12.2%. Further, the coal business in Indonesia recorded a profit before tax of RMB7.8 million and a profit after tax of RMB8.0 million for FY2024, while the coal business in the PRC incurred a loss before tax of RMB92.8 million and loss after tax of RMB89.8 million for FY2024 (excluding the abovementioned one-off gains).

Having considered that (i) the global coal prices are anticipated to remain constrained, and (ii) the coal business in Indonesia has a higher profitability than the coal business in the PRC, primarily attributable to its lower cost as demonstrated by its higher gross profit margin in FY2024, we are of the view that the coal business in Indonesia present a more favourable outlook compared to those in the PRC.

Corporate Guarantees

Prior to entering into the Disposal Agreement, certain members of the Remaining Group, as guarantors, have already entered into the Maximum Guarantee Agreements with certain banks in the PRC. Pursuant to which, the guarantors shall guarantee the repayment obligations of the Disposal Group under its Maximum Loan Facilities Agreements with these PRC banks.

Following the Disposal, the Disposal Group will become a connected person to the Remaining Group, such that the guarantee provided under the Maximum Guarantee Agreements will constitute a connected transaction requiring independent shareholder approval. To comply with the Listing Rules requirements in this regard, the parties entered into the Corporate Guarantee Agreement whereby the Remaining Group conditionally agrees to continue providing the corporate guarantees for the Existing Bank Loans of the Disposal Group, in accordance with the terms of the Maximum Guarantee Agreements entered into prior to the Disposal.

To safeguard the interest of the Remaining Group, the Disposal Group has undertaken to provide the Loan, which is interest-free and equivalent to the aggregated principal guarantee amount of RMB 417,000,000 under the Maximum Guarantee Agreements, to the Remaining Group as security upon Completion. The maturity date of the Loan will be the date fully releasing the corporate guarantees provided by the Company under the Maximum Guarantee Agreements. In the event of a default, the Remaining Group shall have the rights to use the Loan to fully indemnify the Company for all liabilities and obligations which may be borne by the Company under the Maximum Guarantee Agreements. In this connection, any portion of the Loan used to indemnify the Company and Qinfa Logistics will be deemed to have been repaid.

The availability of the Loan could provide the Company with immediate access to the aggregate principal amount of RMB417 million without incurring interest costs. This enhances liquidity and ensures the Company can meet any sudden obligations under the Corporate Guarantee Agreement without disrupting operations or seeking emergency financing. With the Loan in place, the Company can also allocate internal resources more strategically without being constrained by the guarantee exposure.

According to the Letter from the Board, it is expected that the 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 the Announcement, with the remaining RMB109 million to be funded by Mr. Xu.

On 20 June 2025, Mr. Xu has directed his wholly owned company to inject, and a member of the Disposal Group (namely 忻州秦發易盛貿易有限公司) has received, RMB109 million by way of bank transfer, of which such funding was originally provided by Mr. Xu in person, and the Disposal Group has undertaken that such funding will be solely applied as part of the Loan upon Completion.

The Terms of the Corporate Guarantee Agreement and the Maximum Guarantee Agreements

In assessing the reasons for the duration of the Corporate Guarantee Agreement and the Maximum Guarantee Agreements to be longer than three years, we have considered the following factors based on the information provided by the Management:

(i) the corporate guarantees are intended to serve as security for the banks against potential defaults in loan repayment. Therefore, to be effective, the guarantees should cover at least the full term of the underlying bank loans; and

(ii) given that the guarantee is expected to cover at least the full term of the underlying bank loan to be effective, it is reasonable for the term to exceed three years, provided that the corresponding term of bank loan is longer than three years.

In assessing whether it is a normal business practice for the agreement of similar nature to the Corporate Guarantee Agreement and the Maximum Guarantee Agreements to have a term of such duration, we have independently conducted research on the provision of corporate guarantee to commercial banks in PRC as disclosed by companies listed on the Stock Exchange within twelve months from the date of Announcement. The selection criteria for the identified transactions were as follows: (i) the relevant companies are listed on the Stock Exchange; (ii) the provision of financial guarantee was publicly disclosed through company's announcement; and (iii) the term of such financial guarantee exceeds a three-year period. The table below set out the exhaustive list of transactions (the "**Reviewed Transactions**") we have identified:

	Announcement Date	Company Name (Stock Code)	Terms of the Guarantee	Guarantee Fee
1.	30 May 2025	E-Commodities Holdings Limited (stock code: 1733)	Commence from the date of announcement and will expire by three years commencing from the date of performance/fulfilment of the obligations	Not mentioned

	Announcement Date	Company Name (Stock Code)	Terms of the Guarantee	Guarantee Fee
2.	15 May 2025	Beijing Beida Jade Bird Universal Sci-Tech Co Ltd (stock code: 8095)	Commence from the date of drawdown and will expire on the date which is three years after the due date for fulfilment of all obligations	Not mentioned
3.	22 Apr 2025	Beijing Beida Jade Bird Universal Sci-Tech Co Ltd (stock code: 8095)	Commence from the date of drawdown and will expire on the date which is three years after the due date for fulfilment of all obligations	Not mentioned
4.	11 Apr 2025	E-Commodities Holdings Limited (stock code: 1733)	Commence from the date of announcement and will expire by three years commencing from the date of performance/fulfilment of the obligations	Not mentioned
5.	17 Mar 2025	Multifield International Holdings Limited (stock code: 898)	Commence on its execution date and will continue until all outstanding liabilities or obligations have been repaid in full, whereby the term of the loan is five years	No
6.	17 Jan 2025	E-Commodities Holdings Limited (stock code: 1733)	Commence from the date of announcement and will expire by three years commencing from the date of performance/fulfilment of the obligations	Not mentioned

	Announcement Date	Company Name (Stock Code)	Terms of the Guarantee	Guarantee Fee
7.	23 Dec 2024	Zall Smart Commerce Group Limited (stock code: 2098)	Guarantees remained outstanding as at the announcement date: A: from 17 July 2015 to 12 June 2031; B: from 6 June 2014 to 12 September 2029; C: from 23 March 2024 to 22 March 2030; D: from 18 September 2023 to 17 September 2028; E: from 30 January 2024 to 29 January 2029; F: from 22 March 2023 to 21 March 2028; G: from 27 November 2016 to 31 December 2027; the above expiry dates have already reflected three years from the last date of repayment	2.0% per annum of the outstanding loans balances of the guarantees and mortgages until the repayment date of the respective outstanding loans
8.	4 Dec 2024	China Risun Group Limited (stock code: 1907)	Commence from the date of announcement to three years from the expiry date of the term of the debt performance/fulfilment under the loan agreement with a term of 10 years till November 2034	Not mentioned
9.	29 Jul 2024	Seacon Shipping Group Holdings Ltd (stock code: 2409)	Commence from the date of announcement to three years from the expiration date of the performance period of the last due debt or the last installment of the debt	Not mentioned

We note from the Reviewed Transactions that, despite the term of the bank loan may not be all available in the announcements of the Reviewed Transactions, it is uncommon for the corporate guarantee to commence upon drawdown and to expire three years after the loan term, indicating the whole term of guarantee exceeding three years.

Based on the above, we are of the view that the terms of the Corporate Guarantee Agreement and the Maximum Guarantee Agreements exceeding three years are normal business practices.

IV. Principal terms of the Sale and Purchase Agreement and the Corporate Guarantee Agreement

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

Date: 5 June 2025

Parties:

(i) the Vendor; and

(ii) the Purchaser

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 (ii) all rights attaching thereto, including all dividends and distributions declared, made or paid on or after the date of Completion.

As at the Latest Practicable Date, 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. The Disposal Company is not subject to any encumbrances as at the Latest Practicable Date.

Conditions precedent:

(a) the Disposal Company and the Company having entered into the Corporate Guarantee Agreement, such that the Maximum Guarantee Agreements will remain effective and valid after the Disposal;

(b) the approval of entering into the Sale and Purchase Agreement, the Corporate Guarantee Agreement and the transactions contemplated thereunder at the EGM; and

(c) the Disposal Company and the Company having entered into the Loan Agreement.

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 of, among others, (i) the total deficit attributable to equity shareholders of the Disposal Group implied that any purchaser of the Disposal Group shall assume the liabilities, (ii) the Valuation of the Disposal Group is minimal, given that the net liabilities of the Disposal Group amounting to approximately RMB2,975 million exceeds the market value of the coal mines amounting to approximately RMB2,505 million, and (iii) the difference between the Consideration of RMB30 million and the Unused Export Tax Refund of approximately RMB33 million is the operating cost (other than the transportation cost from China to Indonesia) incurred by the Export Company on purchasing the goods.

Please refer to the Letter from the Board for more details in relation to the Sale and Purchase Agreement.

The principal terms of the Corporate Guarantee Agreement are set out as follows:

Date:	5 June 2025
Parties:	(i) the Company, as corporate guarantor; and (ii) the Disposal Company
Guarantee amount:	RMB417,000,000
Undertaking:	The Disposal Company agreed to provide an interest-free loan of RMB417,000,000 to the Company as security upon Completion. The loan will expiry upon fully release of the Maximum Guarantee Agreements.
Guarantee fee:	None
Term of guarantee:	Commence on the date of Completion and shall expire on the date falling three years after the date of fulfillment of the last repayment obligation under each of the loan agreements under the Existing Bank Loans.

As referenced in the list of Reviewed Transactions above, we note that, save and except for Zall Smart Commerce Group Limited (stock code: 2098) ("**Zall Smart Commerce**"), none of the Reviewed Transactions involved the charging or even mentioning of a guarantee fee. We further observed that in those cases, the borrower(s) or guarantee provider(s) were associates of the respective listed groups.

The case of Zall Smart Commerce is similar to that of the Group. Since 2022, Zall Smart Commerce has provided corporate guarantees and mortgages to the disposal group even after divesting its subsidiaries to third parties. In return, it charged an annual guarantee fee of 2.0% on the outstanding loan balances until repayment.

Based on the precedent set by the Reviewed Transactions, it appears that the absence of a guarantee fee under the Corporate Guarantee Agreement is not in line with normal commercial practice, particularly as the Disposal Group will no longer be part of the Group. The provision of such a guarantee to non-affiliated companies should reasonably come with appropriate compensation.

We understand that the Corporate Guarantee Agreement and the Maximum Agreements are conditions precedent to the Disposal. From a commercial standpoint, it is also understandable that the Purchaser would not proceed with the Disposal if the continuation of the bank loans and related guarantees could not be secured, particularly as the banks only accept guarantors with at least the Group's credit standing, likely due to its listing status.

Taking into consideration: (a) the downside outlook of the Disposal Group, including (i) anticipated revenue decline; (ii) high expected depreciation and amortization impacting profitability; and (iii) ongoing legal disputes that pose financial and legal risks to the Group; (b) the strategic benefits of the Disposal, namely (i) an estimated gain of approximately RMB195.9 million; (ii) the strengthening of the Group's net asset position from approximately RMB1,971.8 million to RMB2,197.7 million upon completion; and (iii) reallocation of resources to the Coal Business in Indonesia, which has a stronger growth outlook; (c) the provision of an interest-free loan from the Disposal Group equivalent to the principal guarantee amount of RMB417 million, enhancing liquidity and enabling the Company to meet obligations under the Corporate Guarantee Agreement without external financing; and (d) the Group's ongoing efforts to dispose of the Disposal Group since July 2023; we are of the view that, although it may not be in normal commercial term for the Group to enter into the Corporate Guarantee Agreement without a guarantee fee, the overall of the Disposal outweigh the lack of such fee. Accordingly, the entering into of the Corporate Guarantee Agreement remains fair and reasonable and in the interest of the Company and its shareholders as a whole.

Please refer to the Letter from the Board for more details in relation to the Corporate Guarantee Agreement.

V. Assessment of the Consideration

As stated in the Letter from the Board, the Consideration was determined based on normal commercial terms and after arm's length negotiations between the Purchaser and the Vendor. One of the primarily factors considered was that the net liabilities of the Disposal Group exceeds the market value of the coal mines of the Disposal Group.

We have primarily made reference to the Valuation of the Disposal Group, which formed the primary basis of the Consideration.

Our work done on the Valuation Report

With a view to evaluate the basis of determination of the appraised value of the Disposal Group, we have reviewed and discussed the contents of the Valuation Report with the representatives of Valuer.

As part of our work performed, we have reviewed the key assumptions adopted by the Valuer as set out under the section headed "9 Valuation Assumptions" in the Valuation Report. We understand from the Valuer that these key assumptions are in line with other similar valuations conducted by the Valuer and are therefore considered to be reasonable.

We have discussed with representatives of the engagement team of the Valuer as to their expertise, valuation experience, their scope of work and valuation procedures conducted in relation to the valuation of the Disposal Group. We have reviewed and enquired into the qualifications and experience of the Valuer in relation to the preparation of Valuation Report, and noted that the Independent Valuer is a firm specialising in provision of valuation services for its clients engaging in different industries for various purposes.

In relation to the expertise of the Valuer, we noted that the signor of the Valuation Report, Dr. Tony C.H. Cheng has extensive experience in the professional valuation field. In assessing the Valuer's experiences, we have obtained information on the Valuer's track records on other valuations and noted that the Valuer had acted as the valuer for a wide range of public companies listed in Hong Kong. In addition, we have also obtained the information relevant to the qualifications and credentials of the team members involved in this valuation exercise. As such, we are of the view that the Valuer is qualified, experienced and competent in performing business valuation in respect of the valuation exercise of the Disposal Group.

In relation to the scope of work, we noted from the engagement letter entered into between the Company and the Valuer that the scope of work was appropriate for the Valuer to form the opinion required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Valuer in the Valuation Report. Having considered the above, we are of the view that the Valuer are qualified, experienced and competent in performing valuations of similar assets and providing a reliable opinion in respect of the Valuation of the Disposal Group.

We have also enquired with the Valuer as to its independence from the Company and the parties to the Disposal and were given to understand that the Valuer is an independent third party of the Company, the parties to the Disposal and their connected persons. The Valuer also confirmed to us that it was not aware of any relationship or interest between itself, the Company, any parties to this Disposal or any other parties that would reasonably be considered to affect its independence to act as an independent valuer for the Company. The Independent Valuer confirmed to us that apart from normal professional fees payable to it in connection with its engagement for the valuation, no arrangements exist whereby it will receive any fee or benefit from the Company, the parties to this Disposal and their associates. Given the above, we are of the view that the Independent Valuer is independent from the Company in respect of the valuation of the Disposal Group.

Valuation Methodology

In arriving at the appraised value of the Disposal Group, the Valuer has considered three generally accepted approaches, namely market approach, income approach and asset-based approach.

Based on our understanding from the Valuer, (i) the market approach was considered to be inappropriate as there was a lack of explicitly comparable companies or market transactions available as at the date of Valuation to derive an indicative value of the Disposal Group with sufficient level of accuracy; (ii) except for the five subsidiaries operate in mining that cash-flow forecast was provided by the Management and supported by the reserves and mine life estimated based on the Competent Person's Report, the income approach which requires significant level of unobservable and subjective assumptions may not accurately quantify or ascertain the market value of the Disposal Group, therefore the asset-based approach was considered to be most appropriate as each of the assets and liabilities is identifiable and the Valuer is able to conduct appropriate valuation for each item; and (iii) the income approach was considered to be most appropriate for the five subsidiaries operate in mining, as it takes the future growth potential and firm-specific issues into consideration, and thus the discounted cash flow method was adopted, given the cash-flow forecast was provided by the Management along with the reserves and mine life were supported by the Competent Person's Report.

Having considered the above, we concur with the Valuer that it is fair and reasonable to adopt (i) the asset-based approach in arriving at the market value of the Disposal Group except for the five subsidiaries operate in mining; and (ii) the discounted cash flow method under the income approach in arriving at the market value of the five subsidiaries operate in mining.

Valuation

To assess the fairness and reasonableness of the Consideration, we obtained the Valuation Report and note that the market value of the Disposal Group was nominal, primarily due to the market value of the net liabilities as at 31 December 2024 exceeded the aggregated market value of the five subsidiaries that operate in mining, details of which are set out in Appendix VI to this Circular.

Based on our review of the Valuation Report and discussion with the Valuer, we note that the market value of the Disposal Group except mining subsidiaries was mainly based on its book values that we considered justifiable.

In respect of the mining subsidiaries, we note from the Valuation Report that the financial projection of the five subsidiaries that operate in mining is, among others, mainly based on the following:

(i) the production schedule by referencing the reserves, mine life and planned annual production as outlined in the Competent Person's Report;

(ii) the forecast coal prices ranged from RMB471/ton to RMB696/ton determined based on the best estimation on the respective types of the coal that the Disposal Group produces;

(iii) forecast operating expenses of different types, including material and consumables, staff cost, utilities and overhead and others, were projected based on the production schedule of the respective mine; and

(iv) the projected capital expenditure on each of the mines until the end of the mine life.

As part of our due diligence, we have obtained the Competent Person's Report and note that such report is prepared in accordance to the JORC Code 2012 and is in complied with Chapter 18 of the Listing Rules. In respect of the background of the Competent Person, we have reviewed the independence, qualification and experience of SRK and consider that the responsible competent person meets the requirements of a Competent Person as defined by Chapter 18 of the Listing Rules and the relevant project team members are capable in preparing the Competent Person's Report. In respect of the forecast production level of each of the mines, we noted from the Competent Person's Report that SRK is in the opinion that the five mines are designed, equipped and operated to achieve the planned and forecast production levels, as supported by the historical production rate. In respect of the valuation of the mines, we noted from the Competent Person's Report that SRK is of the opinion that the appraised results derived from the Valuation Report were conducted in a professional way and is sufficient to demonstrate the economic viability.

In view of the above and having considered the abovementioned reports as referenced by the financial projection, we have no doubt on the aforesaid basis of the financial projection.

In applying the DCF method, we understand that it is necessary to determine an appropriate discount rate to calculate the net present value of the appraised asset. Therefore, we have reviewed the parameters adopted in the calculation of the discount rate (i.e. weighted average cost of capital) and performed the following works in assessing the fairness and reasonableness of the discount rate:

(i) in arriving the cost of equity, we note that the Valuer has adopted (a) the risk-free rate of 1.68%, which is determined with reference to the 10-year Central Government Bond yield of the PRC as at the date of valuation; (b) the beta coefficient, which is determined by the median of nine comparable companies selected by the Valuer, and (i) modified by the assumption that a security's beta moves toward the market average over time with the generally accepted formula of "Adjusted Beta = (1/3) + (2/3) * Raw Beta" (commonly known as "**Blume Formula**"), and (ii) adjusted by re-leveraging the beta, incorporating with corporate tax rates and debt-to-equity ratio (commonly known as "**Hamada Equation**"); (c) market risk premium, which is determined by the market risk premium of the United States plus the country risk premium of the PRC; (d) the size premium of 2.66%, which is consistent with the premium for small-cap of the "Kroll Cost of Capital Navigator", a global cost of capital tool and data delivery platform and is one of the most authoritative sources of equity risk premia, size premia and other critical data used in computing cost of capital; and (e) the company-specific risk premium of 2% for mines under operation and 4% for mines temporary suspended, which were determined by the Valuer with reference to the market practice to reflect the risk of uncertainty regarding the mining operations and financial projections.

As part of our due diligence, we have:

(a) independently researched the valuation reports published on the website of Stock Exchange and note that abovementioned source of reference is commonly referred to by the market as a benchmark for valuation metrics and methodologies;

(b) independently researched the 10-year Central Government Bond yield of the PRC as at the 31 December 2024 and noted that the yield is consistent with the risk-free rate of 1.68% adopted in the valuation model;

(c) Independently researched on the use of Blume Formula and Hamada Equation and noted that Blume Formula is original proposed by Mark Blume in his papers "Betas and their regression tendencies" published in 1975 and commonly adopted in the industry nowadays to report the adjusted beta of individual stock and such methodology to report adjusted beta is currently used by Bloomberg, which is a global reputable and renowned data provider in finance industry, and Hamada Equation, originally introduced by Robert Hamada is his papers titled "The Effect of the Firm's Capital Structure on the Systemic Risk of Common Stocks" published in the Journal of Finance, Vol. 27, No. 2, in May 1972, and is widely adopted in calculating the WACC to re-leverage the raw beta observed, of which the formula to re-leverage the beta is commonly adopted by renowned valuation experts nowadays, such as Professor Aswath Damodaran (Professor of Finance at the Stern School of Business at New York University) and the data of beta published on Damodaran Online, which is a commonly referred source of market risk data by valuation practitioners;

(d) independently researched the parameters used by the Valuer in arriving the market risk premium from Damodaran Online (a common source of market risk data referred by valuation practitioners, published and maintained by Professor Aswath Damodaran) and noted that the equity risk premium of U.S. is 6.26% and the country risk premium for China is 0.94%, such that the aggregated market risk premium is 7.2% and is consistent with the parameter adopted by the Valuer;

(e) independently researched the size premium and noted that the parameter of 2.66% adopted by the Valuer is consistent with the premium for small-cap of the "Kroll Cost of Capital Navigator", a global cost of capital tool and data delivery platform and is one of the most authoritative sources of equity risk premia, size premia and other critical data used in computing cost of capital; and

(f) discussed with the Valuer regarding the basis and assumptions of the major factors considered in deriving the discount rate, which is in line with industry practice.

(ii) In arriving the cost of debt, we note the Valuer has adopted 4.90% as the cost of debt, which is determined with reference to the expected lending rate of the Disposal Group. As the mine life varies between mines, we therefore consider the adoption of the expected lending rate of the Disposal Group itself is justifiable.

(iii) in arriving at the weight of equity and weight of debt, the Value has adopted the debt-to-equity ratio with reference to the median of the weight of equity and the median of the weight of debt of the comparable companies, and thus considered to be justifiable and in line with market practice.

In view of the above, we consider the discount rate adopted by the Valuer is fair and reasonable.

To assess the reasonableness of the valuation results, we considered the application of alternative valuation methodologies for cross-checking purposes.

With respect to the valuation of the coal mines, we determined that the asset-based approach is not appropriate. This is because the core value of coal mines is derived from their reserves, which are not reflected in the book values reported on their financial statements. Furthermore, due to the characteristics of the coal mines within the Disposal Group, including, but not limited to their geographic locations, reserve volumes, and operational status, there is a lack of sufficiently comparable recent market transactions available. As a result, the market approach is not applicable in this regard.

Given these considerations, the DCF method under the income approach, as adopted by the Valuer, is considered the only appropriate methodology for valuing the coal mines, and there is no alternative valuation method deemed suitable or available for cross-checking purpose.

For the remaining parts within the Disposal Group, which primarily consist of the assets and liabilities recorded in the Disposal Group, the asset-based approach is considered the only appropriate valuation methodology. Accordingly, there is no alternative valuation method deemed suitable for cross-checking purpose.

We noted that the sensitivity analysis on the key parameters (i.e. the discount rates and the coal price growth rate) adopted in the Valuation was conducted by the Valuer. Where the discount rates are changed by +/-1% and the coal price growth rate is changed by +/-0.5%, the market values of the Disposal Group (negative RMB470 million) will change as follows:

Market Value Change *(RMB' million)*	**Coal price growth rate**		
Discount rates	**+0.5%**	**No change**	**-0.5%**
+1%	-62	-126	-190
No change	+71	No change	-69
-1%	+218	+140	+70

According to the above sensitivity analysis, the highest positive change to the market value (increasing by RMB218 million from the negative RMB470 million to the negative RMB252 million) would still generate a minimal valuation of the Disposal Group.

In light of the above and having considered that (i) the valuer is qualified, experienced and competent in performing similar business valuation, (ii) the competent person meets the requirements of a Competent Person as defined by Chapter 18 of the Listing Rules, (iii) the appraised value of the Disposal Group is minimal, and (iv) the consideration reflects the results of the negotiation between the Company and the Purchaser with reference to the unused tax refund in a member of the Disposal Group, we are of the view that the Consideration is fair and reasonable as far as the Independent Shareholders are concerned.

VI. Financial effects of the Disposal

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

Based on our discussion with, and the representation from, the Management, we understand that the following factors have been taken into account when the Company considered the potential impact of the Disposal on the financial performance and position of the Group:

(i) Effect on net assets

Based on the unaudited pro forma consolidated statement of financial position of the Remaining Group as set out in Appendix III to the Circular, which is prepared as if the Disposal had completed on 31 December 2024 to illustrate the effect of the Disposal, it is expected that the total assets of the Group would decrease from approximately RMB8,629.3 million to approximately RMB4,877.2 million and the total liabilities of the Group would decrease from approximately RMB5,143.1 million to approximately HK$2,019.3 million. As a result, the net assets attributable to equity shareholders of the Company would increase from approximately RMB1,971.8 million to approximately RMB2,197.7 million.

(ii) Effect on liquidity

Based on the unaudited pro forma consolidated statement of cash flows of the Remaining Group as set out in Appendix III to the Circular, it is expected that the cash and cash equivalent of the Group will decrease from approximately RMB1,025.5 million to approximately RMB1,020.0 million. In addition, pursuant to the undertaking of the Disposal Group, an interest-free loan of RMB417 million will be provided by the Disposal Group to the Remaining Group upon Completion, of which approximately RMB308 million will be funded by the net balance of the intragroup amount due from the Remaining Group, and approximately RMB109 million will be funded by Mr. Xu. Therefore, the cash and cash equivalent is expected to increase by approximately RMB103.5 million upon Completion.

(iii) Effect on earnings

As set out in the Letter from the Board, it is expected that the Group will record a gain of approximately RMB196 million from the Disposal, primarily attributable to the net effect of (a) the disposition of the net liabilities of the Disposal Group of approximately RMB169.5 million; and (b) the receipt of the consideration of RMB30 million; partially offset with the estimated direct expenses in relation to the Disposal of approximately RMB3.6 million.

It should be noted that the analyses above are for illustrative purpose only and do not purport to represent how the financial performance and position of the Group will be after Completion of the Disposal.

OPINION

Having taken into account the above principal factors and reasons, we are of the view that notwithstanding that the entering into of the Sale and Purchase Agreement and the Corporate Guarantee Agreement are not in the ordinary and usual course of business of the Group, the terms of the Disposal and the Corporate Guarantees are on normal commercial terms and are fair and reasonable and the Disposal and the Corporate Guarantee is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the relevant resolution at the EGM to approve the Sale and Purchase Agreement, the Corporate Guarantee Agreement and the transactions contemplated thereunder.

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

Note:

Mr. Hidulf Kwan has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2006 and has participated in and completed various independent financial advisory transactions.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the three years ended 31 December 2024 are disclosed in the following documents which are published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www. qinfagroup.com.

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

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

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

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

- Annual report of the Company for the year ended 31 December 2024:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0429/2025042903033.pdf

2. INDEBTEDNESS STATEMENT

Indebtedness

As at the close of business on 30 April 2025, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, the Group had the following indebtedness:

	The Group				
	Secured		Unsecured		
	Guaranteed	Non-guaranteed	Guaranteed	Non-guaranteed	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings					
– current	364,110	–	388,000	–	752,110
– non-current	47,000	–	56,000	–	103,000
Other borrowings					
– current	–	–	42,565	–	42,565
– non-current	–	–	–	426,401	426,401
Lease liabilities					
– current	–	–	–	5,203	5,203
– non-current	–	–	–	8,357	8,357
Amount due to ultimate holding company	–	–	–	5,874	5,874
Amount due to directors of the Company	–	–	–	47	47
Amount due to associate	–	–	–	215,276	215,276
	411,110	–	486,565	661,158	1,558,833

Interest-bearing bank borrowings

The amount of interest-bearing bank borrowings of approximately RMB411 million is secured by certain bank deposits of the Group of RMB446 million. Secured bank borrowings bear interest at rates of 0.50% to 3.85% per annum.

The amount of interest-bearing bank borrowings of approximately RMB444 million are unsecured. Unsecured bank borrowings bear interest at rates ranging from 5.05% to 6.80% per annum.

The Group's total bank borrowings of approximately RMB855 million were guaranteed by the Company, certain subsidiaries of the Company, director of the Company (Mr. Xu Da) and his close family member, and the ultimate controlling shareholder (Mr. Xu Jihua) of the Company and his close family member.

Other borrowings

The amount of other borrowings of approximately RMB469 million are unsecured. Other borrowings bear interest at rates ranging from 5.00% to 7.31%.

The Group's other borrowings of approximately RMB43 million were guaranteed by the Company, certain subsidiaries of the Company, director of the Company (Mr. Xu Da) and the ultimate controlling shareholder (Mr. Xu Jihua).

Amounts due to ultimate holding company/directors of the Company/an associate

The amounts due to ultimate holding company of the Company, directors of the Company and an associate are unsecured, interest free and have no fixed term of repayment.

Contingent liabilities

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

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

Save as aforesaid, the Group did not have any outstanding loan capital, debt securities, bank overdrafts, loans, mortgages, charges or other similar indebtedness, or hire purchase of finance lease commitments, liabilities under acceptances or acceptance credits, guarantees or other material contingent liabilities as at the close of business on 30 April 2025.

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 30 April 2025.

3. MATERIAL ADVERSE CHANGE

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2024, being the date to which the latest published audited consolidated accounts of the Group were made up.

4. WORKING CAPITAL

As at 31 December 2024, the Group's current liabilities exceeded its current assets by approximately RMB2,094,948,000. 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 followings:

(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/lenders, no significant difficulties are expected in renewing the lender's borrowings and banks' short-term revolving borrowings upon their maturities;

(ii) in relation to amount due to an associate that has no fixed term of repayment and is included in the current liabilities, the Group is in the process of negotiating with the associate not to demand for repayment before 1 January 2026. The directors of the Company are of the view that based on past experience and the current communication with the associate, it is not probable that the associate will demand for repayment before 1 January 2026;

(iii) the Group will actively obtain additional new sources of financing (including but not limited to borrowings in respect of new coal mine projects development loans) as and when needed;

(iv) given the stability of demand in coal market and coal prices still within moderately favourable range, the Group will accelerate the coal production of those coal mines currently under production, together with applying cost control measures in cost of sales, administrative expenses and capital expenditures, and closely monitoring of the timing of settlements for the Group's trade and other payables, 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 internal lawyers to handle the outstanding litigations, and to mitigate the risk exposure from any legal claims, especially the litigation claims relating to dividends to non-controlling shareholders of Huameiao Energy. 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.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

Development of coal mine of SDE

Since the first quarter of 2025, the production volume of SDE Coal Mine has surpassed the Group's domestic coal mines, becoming an important pillar of the Group's coal business. The total coal reserves of the SDE coal mine amounted to 305,380,000 tonnes, significantly higher than the total reserves of domestic coal mines at 36,760,000 tonnes, indicating its substantial development potential. In the future, the Group will concentrate resources to further promote the development of coal mine of SDE and actively seek collaboration with more large-scale enterprises in the energy or coal industry, in order to enhance resource development efficiency and market competitiveness. In addition, the construction of SDE 2 Coal Mine is currently accelerated, and it is expected to commence official production in 2026. After the commissioning of SDE 2 Coal Mine, the production capacity is expected to be over double as compared with the current level, bringing more significant economic benefits to the Group.

Development of other coal mines of the Group

The Group will adopt the successful model of the coal mine of SDE for other coal mines in Indonesia, introduce strategic cooperation with Chinese large-scale energy enterprises and state-owned enterprises, and expedite the cooperative advancement of coal mine development and construction. Through close cooperation with national strength, the Group will fully leverage its resource advantages to achieve steady growth in its coal business.

Further acquisition of Indonesian coal mines

In the future, the Group will continue to pay attention to development opportunities in the Indonesian market and actively seek for high-quality coal mines and mining rights at reasonable acquisition prices to further expand resource reserves, so as to maintain the Group's rapid development over the next decade.

Future development direction of the Group

Looking forward, the Group will further focus on the Indonesian market and fully leverage the abundant coal resources and favourable investment environment in the region to promote the international development of its coal business. By continuously acquiring high-quality coal mines, introducing strategic partners, and accelerating coal mine construction, the Group will continuously enhance its production capacity and market share, create greater value for shareholders, and make positive contribution to the global energy supply.

REPORT ON REVIEW OF HISTORICAL FINANCIAL INFORMATION OF PERPETUAL GOODLUCK LIMITED AND ITS SUBSIDIARIES FOR THE YEARS ENDED 31 DECEMBER 2022, 31 DECEMBER 2023 AND 31 DECEMBER 2024

(incorporated in Hong Kong with limited liability)

To the Board of Directors of China Qinfa Group Limited

INTRODUCTION

We have reviewed the unaudited historical financial information set out on pages II-3 to II-12 which comprise the unaudited combined statements of financial position of Perpetual Goodluck Limited (the "**Disposal Company**") and its subsidiaries (together, the "**Disposal Group**") as at 31 December 2022, 2023 and 2024 and the unaudited combined statements of comprehensive income, the unaudited combined statements of changes in equity and the unaudited combined statements of cash flows for the year then ended 31 December 2022, 2023 and 2024 ("**Relevant Periods**") and explanatory notes (the "**Historical Financial Information**"). The Historical Financial Information has been prepared by the directors of the Company solely for the purpose of inclusion in the circular to be issued by China Qinfa Group Limited (the "**Company**") in connection with the disposal of the 100% equity interests in the Disposal Company in accordance with Rule 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rule**").

The directors of the Company are responsible for the preparation and presentation of the Historical Financial Information of the Disposal Group in accordance with the basis of preparation and presentation set out in note 3 to the Historical Financial Information and Rule 14.68(2)(a)(i) of the Listing Rule. The directors are also responsible for such internal control as management determines is necessary to enable the preparation and presentation of Historical Financial Information that is free from material misstatement, whether due to fraud or error. The Historical Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in International Accounting Standard 1 "Presentation of Financial Statements" or an interim financial report as defined in International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "**IASB**"). Our responsibility is to express a conclusion on the Historical Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and with reference to Practice Note 750, Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal issued by the HKICPA. A review of the Historical Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Historical Financial Information of the Disposal Group for the Relevant Period is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 3 to the Historical Financial Information.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

Without qualifying our conclusion, we draw attention to note 3 to the Historical Financial Information, which states that as at 31 December 2024, the Disposal Group has net current liabilities of RMB2,325,460,000. The directors of the Company are of the opinion that on the basis of the successful implementation of the measures as set forth in note 3 to the Historical Financial Information in the foreseeable future and after assessing the Group's current and forecasted cash positions, the Group will be able to meet in full the Group's financial obligations as they fall due for the twelve months from 31 December 2024.

These conditions, along with other matters as set forth in note 3 to the Historical Financial Information, indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

Moore CPA Limited
Certified Public Accountants

Leung Man Chung
Practising Certificate Number: P08074

Hong Kong, 25 June 2025

UNAUDITED COMBINED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022, 2023 and 2024

	2022 *RMB'000* (Unaudited)	2023 *RMB'000* (Unaudited)	2024 *RMB'000* (Unaudited)
Revenue	2,768,575	2,182,657	1,672,258
Cost of sales	(2,165,319)	(1,815,210)	(1,468,229)
Gross profit	603,256	367,447	204,029
Other income, gains and losses	8,857	(116,892)	589,428
Distribution expenses	(307)	(118)	(16)
Administrative expenses	(110,851)	(109,576)	(73,253)
Impairment losses on coal mining rights	–	(12,443)	(34,907)
Impairment losses on property, plant and equipment	–	(32,712)	(14,925)
(Impairment losses)/reversal of impairment losses on prepayments and other receivables, net	(1,932)	301	(344)
Other expenses	(27,271)	(11,466)	(23,371)
Operating profit	471,752	84,541	646,641
Finance income	37	98	84
Finance costs	(166,769)	(127,285)	(150,085)
Net finance costs	(166,732)	(127,187)	(150,001)
Profit/(loss) before taxation	305,020	(42,646)	496,640
Income tax (expense)/credit	(151,347)	(39,209)	3,024
Profit/(loss) after taxation	153,673	(81,855)	499,664
Other comprehensive loss			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations	(14,775)	(2,963)	(2,652)

	2022 *RMB'000* (Unaudited)	2023 *RMB'000* (Unaudited)	2024 *RMB'000* (Unaudited)
Other comprehensive loss for the year, net of tax	(14,775)	(2,963)	(2,652)
Total comprehensive income/(loss) for the year	138,898	(84,818)	497,012
Profit/(loss) for the year attributable to:			
Equity shareholders of the Company	120,179	(73,536)	437,288
Non-controlling interests	33,494	(8,319)	62,376
Profit/(loss) for the year	153,673	(81,855)	499,664
Total comprehensive income/(loss) for the year attributable to:			
Equity shareholders of the Company	105,404	(76,499)	434,636
Non-controlling interests	33,494	(8,319)	62,376
Total comprehensive income/(loss) for the year	138,898	(84,818)	497,012

UNAUDITED COMBINED STATEMENT OF FINANCIAL POSITION

31 December 2022, 2023 and 2024

	2022 *RMB'000* (Unaudited)	2023 *RMB'000* (Unaudited)	2024 *RMB'000* (Unaudited)
Non-current assets			
Coal mining rights	2,333,653	1,830,198	1,378,451
Property, plant and equipment	2,700,576	2,410,614	2,136,786
Right-of-use assets	4,234	4,094	3,954
	5,038,463	4,244,906	3,519,191
Current assets			
Inventories	160,053	39,238	33,319
Trade receivables	1,459,635	835,389	679,994
Prepayments and other receivables	1,565,777	3,764,471	6,240,187
Pledged and restricted deposits	3,023	46,295	30,663
Cash and cash equivalents	64,146	3,301	31,954
	3,252,634	4,688,694	7,016,117
Current liabilities			
Trade payables	(315,526)	(376,360)	(320,265)
Other payables and contract liabilities	(5,170,767)	(6,953,838)	(8,399,191)
Borrowings	(2,108,543)	(1,151,944)	(408,000)
Tax payable	(286,591)	(242,991)	(214,121)
	(7,881,427)	(8,725,133)	(9,341,577)
Net current liabilities	(4,628,793)	(4,036,439)	(2,325,460)
Total assets less current liabilities	409,670	208,467	1,193,731

	2022 *RMB'000* (Unaudited)	2023 *RMB'000* (Unaudited)	2024 *RMB'000* (Unaudited)
Non-current liabilities			
Accrued reclamation obligations	(154,483)	(113,596)	(102,658)
Borrowings	–	(698,956)	(11,000)
Deferred taxation	(600,610)	(499,012)	(395,405)
	(755,093)	(1,311,564)	(509,063)
Net (liabilities)/assets	(345,423)	(1,103,097)	684,668
Capital and reserves			
Share capital	1	1	1,600,001
Deficit	(1,145,527)	(1,894,882)	(1,769,493)
Total deficit attributable to equity shareholders of the Disposal Company	(1,145,526)	(1,894,881)	(169,492)
Non-controlling interests	800,103	791,784	854,160
Total (deficit)/equity	(345,423)	(1,103,097)	684,668

UNAUDITED COMBINED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022, 2023 and 2024

	Attributable to equity shareholders of the Disposal Company							
	Share capital *RMB'000* (Unaudited)	**Merger reserve** *RMB'000* (Unaudited)	**Reserves** *RMB'000* (Unaudited)	**Exchange reserve** *RMB'000* (Unaudited)	**Accumulated losses** *RMB'000* (Unaudited)	**Total** *RMB'000* (Unaudited)	**Non-controlling interests** *RMB'000* (Unaudited)	**Total deficit** *RMB'000* (Unaudited)
At 1 January 2022	1	18,606	387,909	(183)	(1,657,263)	(1,250,930)	766,609	(484,321)
Profit for the year	–	–	–	–	120,179	120,179	33,494	153,673
Other comprehensive loss								
Foreign currency translation differences for foreign operations	–	–	–	(14,775)	–	(14,775)	–	(14,775)
Appropriation to maintenance and production funds	–	–	167,508	–	(167,508)	–	–	–
Utilisation of maintenance and production funds	–	–	(139,215)	–	139,215	–	–	–
At 31 December 2022	1	18,606	416,202	(14,958)	(1,565,377)	(1,145,526)	800,103	(345,423)
Loss for the year	–	–	–	–	(73,536)	(73,536)	(8,319)	(81,855)
Other comprehensive loss								
Foreign currency translation differences for foreign operations	–	–	–	(2,963)	–	(2,963)	–	(2,963)
Appropriation to maintenance and production funds	–	–	167,943	–	(167,943)	–	–	–
Utilisation of maintenance and production funds	–	–	(80,104)	–	80,104	–	–	–
Provision for dividend to non-controlling interest	–	–	–	–	(672,856)	(672,856)	–	(672,856)
At 31 December 2023	1	18,606	504,041	(17,921)	(2,399,608)	(1,894,881)	791,784	(1,103,097)
Profit for the year	–	–	–	–	437,288	437,288	62,376	499,664
Other comprehensive loss								
Foreign currency translation differences for foreign operations	–	–	–	(2,652)	–	(2,652)	–	(2,652)
Others	–	–	–	–	(469,103)	(469,103)	–	(469,103)
Issued of ordinary shares	1,600,000	–	–	–	–	1,600,000	–	1,600,000
Appropriation to maintenance and production funds	–	–	148,497	–	(148,497)	–	–	–
Utilisation of maintenance and production funds	–	–	(102,663)	–	102,663	–	–	–
Reversal of provision for dividend to non-controlling interest	–	–	–	–	159,856	159,856	–	159,856
At 31 December 2024	1,600,001	18,606	549,875	(20,573)	(2,317,401)	(169,492)	854,160	684,668

UNAUDITED COMBINED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022, 2023 and 2024

	2022 *RMB'000* (Unaudited)	2023 *RMB'000* (Unaudited)	2024 *RMB'000* (Unaudited)
Cash flow from operating activities			
Cash generated from operations	728,589	1,308,664	994,111
Interest paid	(196,847)	(195,387)	(200,286)
PRC Corporate Income tax paid	(355,705)	(184,407)	(129,453)
Net cash generated from operating activities	176,037	928,870	664,372
Investing activities			
Interest received	37	98	84
Proceeds from disposal of property, plant and equipment	264	208	8,142
Payments for property, plant and equipment	(133,078)	(141,931)	(173,029)
(Placement)/withdrawal of pledged and restricted deposits	(3,023)	(43,272)	15,632
Net cash used in investing activities	(135,800)	(184,897)	(149,171)
Financing activities			
Proceeds from borrowings	564,990	485,000	434,000
Repayments of borrowings	(606,000)	(74,597)	(1,126,807)
Repayments of principal portion of lease liabilities	(4,178)	(4,178)	–
Advances from/(repayments to) related parties	80,195	(1,208,080)	208,911
Net cash from/(used in) financing activities	35,007	(801,855)	(483,896)
Net increase/(decrease) in cash and cash equivalents	75,244	(57,882)	31,305
Cash and cash equivalents at 1 January	3,677	64,146	3,301
Effect of foreign exchange rate changes	(14,775)	(2,963)	(2,652)
Cash and cash equivalents at 31 December	64,146	3,301	31,954

NOTES TO THE UNAUDITED HISTORICAL FINANCIAL INFORMATION

For the year ended 31 December 2022, 2023 and 2024

1. GENERAL

China Qinfa Group Limited (the "**Company**") was incorporated in the Cayman Islands on 4 March 2008 as an exempted company with limited liability under the Companies Law, Cap. 22 (2007 Revision) of the Cayman Islands. The directors of the Company consider the immediate and ultimate holding companies of the Group to be Fortune Pearl International Limited ("**Fortune Pearl**"), a company incorporated in the British Virgin Islands and the ultimate controlling shareholder to be Mr. Xu Jihua ("**Mr. Xu**"), the sole shareholder of Fortune Pearl. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 3 July 2009 (the "**Listing Date**"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is Unit Nos. 2201 to 2208, level 22, South Tower, Poly International Plaza, No. 1 Pazhou Avenue East, Haizhu District, Guangzhou City, the People's Republic of China (the "**PRC**").

The principal activities of the Company and its subsidiaries (together, the "**Group**") are coal mining, purchases and sales, filtering, storage, blending of coal in the PRC and Indonesia.

Perpetual Goodluck Limited (the "**Disposal Company**") is a private company incorporated in Hong Kong. The Disposal Company is an indirect wholly-owned subsidiary of the Company. The address of its registered office and principal place of business is Suite 5703, 57/F., Central Plaza 18 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Disposal Company and its subsidiaries (together, the "**Disposal Group**") are coal mining, purchases and sales, filtering, storage, blending of coal in PRC.

On 5 June 2025 (after trading hours), Hong Kong Qinfa International Trading Limited, an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability (the "**Vendor**") and Add Harmony Group Limited, a company established in the British Virgin Islands with limited liability (the "**Purchaser**") which is wholly-owned by Mr. Xu, the controlling shareholder of the Company, entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing 100% shareholding interest in the Disposal Company, at a cash consideration of RMB30,000,000. Upon the completion of the disposal of 100% equity interest of the Disposal Company (the "**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.

2. REORGANISATION

Pursuant to the reorganisation at 15 April 2025, the 100% equity of Baotou Danghui Materials Trading Co., Limited (包頭市黨惠物資貿易有限公司) ("**Baotou**") were transferred by Zhuhai Qinfa Logistics Co., Limited (珠海秦發物流有限公司), a subsidiary of the Company, to Xinzhou Qinfa Yisheng Trade Co., Limited (忻州秦發易盛貿易有限公司), a direct subsidiary of the Disposal Company, at a consideration of RMB9,393,854 ("**Reorganisation**").

After completing the Reorganisation at 15 April 2025, Baotou becomes indirectly wholly-owned subsidiary of the Disposal Company.

3. BASIS OF PREPARATION AND PRESENTATION

The historical financial information comprising the unaudited combined statements of financial position of Disposal Group as at 31 December 2022, 2023 and 2024 and the unaudited combined statements of comprehensive income, the unaudited combined statements of changes in equity and the unaudited combined statements of cash flows for the year then ended 31 December 2022, 2023 and 2024 ("**Relevant Periods**") and explanatory notes (the "**Historical Financial Information**") has been prepared in accordance with Rule 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rule**"), and solely for the purposes of inclusion in this circular.

The unaudited Historical Financial Information for each of the years ended 31 December 2022, 2023 and 2024 has been prepared by the directors of the Company in accordance with the same accounting policies as those adopted by the Group in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2024, which conforms with the IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**"), and the principle of the conventions applicable for group reorganisation. The unaudited Historical Financial Information does not contain sufficient information to constitute a complete set of financial statements as described in International Accounting Standard 1 "Presentation of Financial Statements" issued by the IASB and should be read in connection with the relevant published annual report of the Company.

The unaudited combined statements of comprehensive income, the unaudited combined statements of changes in equity and the unaudited combined statements of cash flows of the Disposal Group for the years ended 31 December 2022, 2023 and 2024 which include the financial performance, changes in equity and cash flows of the Disposal Group have been prepared as if the Reorganisation had been in existence throughout the Relevant Periods.

The unaudited combined statements of financial position of the Disposal Group as at 31 December 2022, 2023 and 2024 have been prepared to present the assets and liabilities of the Disposal Group as if the Reorganisation had been in existence as at the end of each of the reporting periods in the Relevant Periods.

As at 31 December 2022, 2023 and 2024, the Disposal Group had net current liabilities of approximately RMB4,628,793,000, RMB4,036,439,000 and RMB2,325,460,000 respectively. As at 31 December 2022, 2023 and 2024, there are a number of litigations against the Disposal Group mainly requesting the Disposal Group to settle long outstanding payables with interests. And the Disposal Group's bank deposits of approximately RMB23,000, RMB458,000, and RMB1,146,000 respectively were restricted for use in relation to the litigation proceeding.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Disposal Group's ability to continue as a going concern.

The unaudited Historical Financial Information has been prepared on the assumptions that the Disposal Group will continue to operate as a going concern notwithstanding the conditions prevailing as at 31 December 2024 and subsequently thereto up to the date when the unaudited Historical Financial Information are authorised for issue. In order to improve the Disposal Group's financial position, immediate liquidity and cash flows, and otherwise to sustain the Disposal Group as a going concern, the directors of the Disposal Company have adopted several measures together with other measures in progress at the date when the combined financial statements are authorised for issue, which include but not limited to, the followings:

(i) for borrowings which will be maturing before 31 December 2025, the Disposal 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 Disposal 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/lenders, no significant difficulties are expected in renewing the lender's borrowings and banks' short-term revolving borrowings upon their maturities;

(ii) given the stability of demand in coal market and coal prices still within moderately favourable range, the Disposal Group will accelerate the coal production of those coal mines currently under production, together with applying cost control measures in cost of sales, administrative expenses and capital expenditures, and closely monitoring of the timing of settlements for the Disposal Group's trade and other payables, to increase the Disposal Group's internally generated funds and operating cash inflows in coming years continuously; and

(iii) the Disposal Group has appointed external lawyers and/or assigned internal lawyers to handle the outstanding litigations, and to mitigate the risk exposure from any legal claims, especially the litigation claims relating to dividends to non-controlling shareholders of Shangxi Huameiao Energy Group Co., Ltd ("**Huameiao Energy**"). In respect of some of the litigations, the directors of the Company are of the opinion that the Disposal Group has valid grounds to defend against the claims.

On the basis of the successful implementation of the measures described above in the foreseeable future and after assessing the Disposal Group's current and forecasted cash positions, the directors of the Company are optimistic that the Disposal Group will be able to meet in full the Disposal Group's financial obligations as they fall due for the twelve months from 31 December 2024. Accordingly, the unaudited Historical Financial Information has been prepared on the going concern basis.

Should the Disposal Group be unable to continue in business as a going concern, adjustments would have to be made to write down the carrying amounts of the Disposal Group's assets to their recoverable amounts, to provide for any further liabilities and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the unaudited Historical Financial Information.

4. SHARE CAPITAL

On 30 December 2024 , the Group has issued additional share capital of RMB1,600,000,000 into the Disposal Company, and the Group has settled it by intra-group balance included in other payables and contract liabilities.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

Introduction to the unaudited pro forma financial information

The following is the unaudited pro forma financial information of China Qinfa Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") upon the completion of the disposal of 100% equity interest of Perpetual Goodluck Limited (the " **Disposal Company**") (the "**Disposal**") (the "**Remaining Group**"), comprising the unaudited pro forma consolidated statement of financial position as at 31 December 2024, the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2024 and related notes, which have been prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effects of the completed Disposal on the financial position of the Group as at 31 December 2024 as if the Disposal had been completed on 31 December 2024, and the Group's financial performance and cash flows for the year ended 31 December 2024 as if both the Disposal had been completed on 1 January 2024. Details of the Disposal are set out in the "**Letter from the Board**" contained in the circular dated 25 June 2025 (the "**Circular**") issued by the Company.

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

The unaudited pro forma financial information of the Remaining Group has been prepared based upon the consolidated statement of the financial position of the Group as at 31 December 2024, the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2024, which have been extracted from the published annual report of the Group dated 24 March 2025 for the year ended 31 December 2024 after making pro forma adjustments as summarised in the accompanying notes that are clearly shown and explained, directly attributable to the Disposal and no relating to future events or decisions, factually supportable and clearly identified as to those have a continuing effect on the Group and those have not.

Unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 December 2024

	The Group	Pro forma adjustments					The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	*Note 2(d)*	*Note 2(e)*	
ASSETS							
Non-current assets							
Coal mining rights	1,426,933	–	–	(1,378,451)	–	–	48,482
Property, plant and equipment	4,422,866	–	–	(2,136,786)	–	–	2,286,080
Right-of-use assets	21,091	–	–	(3,954)	–	–	17,137
Other deposit	129,045	–	–	–	–	–	129,045
Interest in an associate	9,810	–	–	–	–	–	9,810
Pledged and restricted deposits	544,000	–	–	–	–	–	544,000
Deferred taxation	–	–	–	353	–	–	353
	6,553,745	–	–	(3,518,838)	–	–	3,034,907
Current assets							
Inventories	435,422	–	–	(33,319)	–	–	402,103
Trade receivable	74,196	806,955	–	(679,994)	(149,468)	–	51,689
Prepayments and other receivables	388,758	12,249,946	9,394	(6,240,187)	(6,163,964)	–	243,947
Pledged and restricted deposits	151,663	–	–	(30,663)	–	–	121,000
Cash and cash equivalents	1,025,545	–	–	(1,954)	–	–	1,023,591
	2,075,584	13,056,901	9,394	(6,986,117)	(6,313,432)	–	1,842,330
Total assets	8,629,329	13,056,901	9,394	(10,504,955)	(6,313,432)	–	4,877,237

	The Group	Pro forma adjustments					The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2(a)*	*Note 2(b)*	*Note 2(c)*	*Note 2(d)*	*Note 2(e)*	
Current liabilities							
Trade payables	(325,425)	(806,955)	–	320,265	657,487	–	(154,628)
Other payables and contract liabilities	(2,865,228)	(12,249,946)	(9,394)	8,395,636	5,655,945	417,000	(655,987)
Lease liabilities	(6,587)	–	–	–	–	–	(6,587)
Borrowings	(737,990)	–	–	408,000	–	–	(329,990)
Tax payable	(232,802)	–	–	214,121	–	–	(18,681)
Deferred income	(2,500)	–	–	–	–	–	(2,500)
	(4,170,532)	(13,056,901)	(9,394)	9,338,022	6,313,432	417,000	(1,168,373)
Non-current liabilities							
Accrued reclamation obligations	(104,625)	–	–	102,658	–	–	(1,967)
Lease liabilities	(7,033)	–	–	–	–	–	(7,033)
Borrowings	(446,500)	–	–	11,000	–	(387,074)	(822,574)
Deferred taxation	(395,052)	–	–	395,052	–	–	–
Deferred income	(19,342)	–	–	–	–	–	(19,342)
	(972,552)	–	–	508,710	–	(387,074)	(850,916)
Net asset	3,486,245	–	–	(658,223)	–	29,926	2,857,948
EQUITY							
Share capital	215,202	–	–	–	–	–	215,202
Perpetual subordinated convertible securities	156,931	–	–	–	–	–	156,931
Deficit	1,599,666	–	–	195,937	–	29,926	1,825,529
	1,971,799	–	–	195,937	–	29,926	2,197,662
Non-controlling interests	1,514,446	–	–	(854,160)	–	–	660,286
Total equity	3,486,245	–	–	(658,223)	–	29,926	2,857,948

Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2024

	The Group	Pro forma adjustments			The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	
Revenue	2,600,933	1,676,855	(1,672,258)	–	2,605,530
Cost of sales	(2,086,390)	(1,672,821)	1,468,229	–	(2,290,982)
Gross profit	514,543	4,034	(204,029)	–	314,548
Other income, gains and losses	547,302	–	(589,428)	–	(42,126)
Distribution expenses	(3,617)	–	16	–	(3,601)
Administrative expenses	(239,224)	–	73,253	–	(165,971)
Impairment losses on coal mining rights	(34,907)	–	34,907	–	–
Impairment losses on property, plant and equipment	(14,925)	–	14,925	–	–
Impairment losses on other receivables, net	(1,273)	–	344	–	(929)
Reversal of impairment losses on investment in associate	9,810	–	–	–	9,810
Other expenses	(27,291)	–	23,371	–	(3,920)
Operating profit	750,418	4,034	(646,641)	–	107,811
Finance income	9,174	–	(84)	–	9,090
Finance expenses	(170,793)	–	150,085	(25,071)	(45,779)
Finance costs – net	(161,619)	–	150,001	(25,071)	(36,689)
Profit before income tax	588,799	4,034	(496,640)	(25,071)	71,122
Income tax expenses	(32,429)	4	(3,024)	–	(35,449)
Profit for the year	556,370	4,038	(499,664)	(25,071)	35,673
Other comprehensive income/(loss)					
Items that may be reclassified to profit or loss:					
– Exchange differences on translation of foreign operation	28,354	–	–	–	28,354
Item that will not be reclassified to profit or loss:					
– Remeasurements of net defined benefit obligations	(566)	–	–	–	(566)
Total comprehensive income for the year, net of tax	584,158	4,038	(499,664)	(25,071)	63,461

	The Group	Pro forma adjustments			The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(a)*	*Note 3(b)*	*Note 3(c)*	
Profit attributable to:					
– Ordinary shareholders of the Company	501,944	4,038	(437,288)	(25,071)	43,623
– Non-controlling interests	54,426	–	(62,376)	–	(7,950)
	556,370	4,038	(499,664)	(25,071)	35,673
Total comprehensive income attributable to:					
– Ordinary shareholders of the Company	529,732	4,038	(437,288)	(25,071)	71,411
– Non-controlling interests	54,426	–	(62,376)	–	(7,950)
	584,158	4,038	(499,664)	(25,071)	63,461

Unaudited pro forma consolidated statements of cash flows of the Remaining Group for the year ended 31 December 2024

	The Group	Pro forma adjustments			The Remaining Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 3(a)*	*Note 3(b)*	*Note 3(d)*	
Cash generated from operations	921,145	–	(994,111)	–	(72,966)
Income tax paid	(221,489)	–	200,286	–	(21,203)
Interest paid	(232,728)	–	129,453	–	(103,275)
Net cash generated from operating activities	466,928	–	(664,372)	–	(197,444)
Cash flows from investing activities					
Interest received	8,387	–	(84)	–	8,303
Proceeds from disposal of property, plant and equipment	8,279	–	(8,142)	–	137
Payments for property, plant and equipment	(851,455)	–	173,029	–	(678,426)
Repayments to related parties	–	(208,911)	–	–	(208,911)
Net proceeds from disposal of Disposal Group	–	–	–	23,144	23,144
Withdrawal of pledged and restricted deposits	222,632	–	(15,632)	–	207,000
Net cash used in investing activities	(612,157)	(208,911)	149,171	23,144	(648,753)
Cash flows from financing activities					
Proceeds from partial disposal of subsidiaries	2,924,885	–	–	–	2,924,885
Proceeds from borrowings	531,096	–	(434,000)	–	97,096
Repayments of borrowings	(2,641,337)	409,000	1,126,807	–	(1,105,530)
Repayments of principal portion of lease liabilities	(6,568)	–	–	–	(6,568)
Proceeds from exercise of share options	15,646	–	–	–	15,646
Repayments to related parties	–	(200,089)	(208,911)	–	(409,000)
Net cash from financing activities	823,722	208,911	483,896	–	1,516,529
Net increase in cash and cash equivalents	678,493	–	(31,305)	23,144	670,332
Cash and cash equivalents at beginning of the financial year	302,732	–	–	–	302,732
Effect of foreign exchange rate changes	44,320	–	2,652	–	46,972
Cash and cash equivalents at end of the financial year	1,025,545	–	(28,653)	23,144	1,020,036

Notes to Unaudited Pro Forma Financial Information of the Remaining Group

1. The Group's financial information is based upon the consolidated financial information of the Group for the year ended 31 December 2024, which has been derived from the Company's published annual report for the year then ended.

   In connection with the Disposal and to separate the business of the Remaining Group and the business of the Disposal Company and its subsidiaries (together the "**Disposal Group**"), the Disposal Group had gone through the following major restructuring steps during the period from 1 January 2025 to the execution of the equity transfer agreement.

   On 15 April 2025, the 100% equity of Baotou Danghui Materials Trading Co., Limited (包頭市黨惠物資貿易有限公司) ("**Baotou**") were transferred by Zhuhai Qinfa Logistics Co., Limited (珠海秦發物流有限公司), a subsidiary of the Remaining Group, to Xinzhou Qinfa Yisheng Trade Co., Limited (忻州秦發易盛貿易有限公司), a direct subsidiary of the Disposal Company, at a consideration of RMB9,394,000 (the "**Reorganisation**").

2. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of financial position, assuming the Disposal and the Reorganisation, had taken place on 31 December 2024:

   (a) The adjustment represents the intra-group balances between the Disposal Group and the Remaining Group which were eliminated on consolidation.

   (b) The adjustment represents to the consideration of Reorganisation which were recognised as the Remaining Group's amount due from the Disposal Group.

(c) The adjustments represent the de-recognition of assets and liabilities of the Disposal Group as at 31 December 2024. The assets and liabilities of the Disposal Group are extracted from the unaudited combined statement of financial position of the Disposal Group set out in Appendix II to this Circular. Furthermore, it assumes the total consideration payable by Add Harmony Group Limited (the "**Purchaser**") to the Remaining Group for the acquisition of the 100% equity interest in the Disposal Company (the "**Consideration**") will be satisfied in cash, as if the Disposal had been completed on 31 December 2024:

	Notes	***RMB'000***
Consideration		30,000
Less: Carrying amount of equity interest disposed of	*(i)*	169,492
Less: Estimated expenses directly attributable to the Disposal	*(ii)*	(3,555)
Estimated gain on the Disposal as equity transaction		195,937

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

note (i): The carrying amount of the equity interest disposed of is determined as 100% of the Disposal Group's total equity as if the reorganisation as disclosed in note 1 is completed. Therefore, for the purpose of the pro forma adjustment, the carrying amount of the equity interest disposed of is based on the 100% of the Disposal Group's total equity as at 31 December 2024 as set out in Appendix II.

note (ii): The estimated expenses directly attributable to the disposal amounting to RMB3,555,000 will be borne by the Remaining Group and are assumed to be settled in cash after the Disposal.

(d) Subsequent to the date of the sale and purchase agreement in connection with the Disposal, the Remaining Group entered into a legally binding agreement with the Disposal Group, under which the gross intra-group balances between the two groups would be mutually offset into one single net balance between the two groups for the purpose of the Disposal. The adjustment represents such offsetting arrangement.

(e) The Disposal Group has banking facilities obtained from three domestic banks in an aggregate amount of RMB417,000,000 (the "**Bank Loans**"), which remain guaranteed by the Remaining Group upon completion of the Disposal. In order to secure the continued provision of guarantees by the Remaining Group for the Disposal Group's Bank Loans following the Disposal, the Disposal Group as lender (the "**Lender**") and the Remaining Group as borrower (the "**Borrower**") entered into a legally binding agreement (the "**Agreement**") and the Lender agreed to make available to the Borrower the loan of RMB417,000,000 (the "**Loan**").

The Borrower and the Lender agree that the Loan provided by the Lender to the Borrower under this Agreement shall be interest-free. No interest shall accrue on the outstanding principal amount of the Loan at any time, and the Borrower shall have no obligation to pay any interest, fees, or other amounts in connection with the Loan.

The principal amount of the Loan advanced to the Borrower shall be repaid in full by the Borrower on the date on which the Remaining Group's guarantees for all the Bank Loans have been irrevocably released, discharged or terminated in full, as evidenced by written confirmation from the relevant banks. No early repayments of the Bank Loans by the Disposal Group shall be made without prior written consent of the Remaining Group.

The Remaining Group and the Disposal Company agreed to offset the Loan amount of RMB417,000,000 through the intra-group balance. The reconciliation of the amount of the borrowing is as follows:

	RMB'000
Original amount of the Loan	417,000
Less: adjustment for imputed interest *(note)*	(29,926)
Present value of the Loan	387,074

Note: This item represents the unwinding of discount on the Loan, calculated based on the interest rates applicable to the relevant Bank Loans as disclosed above.

3. The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2024, assuming the Disposal and the Reorganisation had taken place on 1 January 2024:

   (a) The adjustment represents intra-group transactions between the Disposal Group and the Remaining Group which are eliminated on consolidation.

   (b) The adjustments represent the exclusion of operating results/cash flows of the Disposal Group for the year ended 31 December 2024, assuming the Disposal had taken place on 1 January 2024. The operating results and cash flows of the Disposal Group are extracted from the unaudited combined statement of comprehensive income and unaudited combined statement of cash flows of the Disposal Group set out in Appendix II to this circular, respectively.

   (c) The adjustments represent the interest expense related to the Loan which is detailed in note 2(e), assuming the Disposal had taken place on 1 January 2024.

   (d) The adjustments represent the proceeds and payment for the Disposal assuming the Disposal had taken place on 1 January 2024 and is calculated as follows:

	RMB'000
Consideration	30,000
Less: Estimated expenses directly attributable to the Disposal *(note)*	(3,555)
Less: Cash and cash equivalent of the Disposal Group as at 1 January 2024	(3,301)
Estimated net cash inflow arising from the Disposal	23,144

   Note: The estimated expenses directly attributable to the Disposal represent costs and expenses directly incurred for the Disposal of RMB3,555,000 which will be borne by the Remaining Group and are assumed to be settled in cash.

4. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 1 January 2024 or 31 December 2024 for the purpose of preparation of The Unaudited Pro Forma Financial Information of the Remaining Group.

5. The pro forma adjustments 3(a), 3(b) and 3(d) are not expected to have a continuing effect on the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group.

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

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

To the Directors of China Qinfa Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Qinfa Group Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2024, the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2024 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out in Part A of Appendix III to the circular dated 25 June 2025 issued by the Company (the "**Circular**"). The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described in Part A of Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the very substantial disposal in relation to the disposal of 100% equity interest in Perpetual Goodluck Limited (the "**Disposal**") on the Group's financial position as at 31 December 2024 and the Group's financial performance and cash flows for the year ended 31 December 2024 as if the Disposal had taken place at 31 December 2024 and 1 January 2024, respectively. As part of this process, information about the Group's financial position as at 31 December 2024 and the Group's financial performance and cash flows for the year ended 31 December 2024 has been extracted by the directors of the Company from the consolidated financial statements of the Company for the year ended 31 December 2024, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Management

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

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

Reporting Accountants' Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 31 December 2024 or 1 January 2024 would have been as presented.

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

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

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

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

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

Opinion

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

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The auditor's report on the consolidated financial statements of the Company for the year ended 31 December 2024 contained an unqualified opinion with material uncertainties related to going concern, as more fully described in the published annual report of the Company for the year ended 31 December 2024 dated 24 March 2025. These facts and circumstances indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.

Moore CPA Limited
Certified Public Accountants

Leung Man Chung
Practising Certificate Number: P08074

Hong Kong, 25 June 2025

MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Set out below is the management discussion and analysis on the Remaining Group for the three years ended 31 December 2024.

For the year ended 31 December 2024 compared to the year ended 31 December 2023

Financial review

Revenue from the Remaining Group was mainly attributable to trading of coal produced by the mines in the PRC for the year ended 31 December 2023 ("**FY2023**") and the year ended 31 December 2024 ("**FY2024**"). The Remaining Group also commenced the sale of coal from mines in Indonesia in July 2024. Revenue of the Remaining Group decreased from RMB3,617.51 million for FY2023 to RMB2,605.53 million for FY2024, which was mainly due to the decrease in coal selling price. The average selling price of coal produced by the mines of the Group in the PRC was approximately RMB665/ton and RMB571/ton for FY2023 and FY2024 respectively.

For FY2024, the revenue contributed from the Coal Business in Indonesia for FY2024 was RMB302.24 million which only represented approximately 11.60% of the total revenue of the Remaining Group for the year ended 31 December 2024. The average selling price of coal produced by the mines in Indonesia was RMB359/ton for the year ended 31 December 2024. The coal sold from the port of SDE mainly consisted of industrial coal produced during the mine infrastructure construction period and a small amount of raw coal produced after the commencement of production. After the commencement of operation of the coal washing plant, the SDE port will be able to sell washed and selected coal, which is expected to have a significantly higher selling price than industrial coal and raw coal, thereby help enhance the Group's sales revenue and gross profit margin. The selling price of washed and selected coal had been over RMB400/ton. With the official commencement of operation of the coal washing plant, starting from December 2024, the Company believe that the coal sales structure at the SDE port will be gradually optimized, and the sales proportion of washed and selected coal will increase.

Gross profit, profit before taxation and profit after taxation of the Remaining Group decreased from RMB525.53 million, RMB359.08 million and RMB237.08 million respectively for FY2023 to RMB314.55 million, RMB75.45 million and RMB40.00 million respectively for FY2024. Such decrease was mainly due to the decrease in coal selling price.

The gross profit, profit before taxation and profit after taxation contributed from the Coal Business in Indonesia for FY2024 was approximately RMB64.38 million, RMB7.82 million and RMB8.02 million respectively, which included the exchange loss due to depreciation of Indonesian Rupiah vs RMB amounting to RMB22.40 million.

Liquidity, financial resources and capital structure

The Remaining Group adopts stringent financial management policies and strives to maintain a healthy financial condition. The Remaining Group funds its business operations and general working capital by internally generated financial resources and bank and other borrowings. As at 31 December 2024, the Remaining Group recorded net current assets of RMB673.96 million (2023: RMB140.67 million).

As of 31 December 2024, the Remaining Group's cash and cash equivalents were RMB1,023.59 million, of which RMB860.83 million in RMB, RMB115.12 million in United States dollars ("**USD**"), RMB18.59 million in Hong Kong dollars, RMB26.65 million in Indonesian Rupiah, RMB1.64 million in Euro, and RMB0.65 million in Singapore dollars.

As at 31 December 2024, the bank and other borrowings of the Remaining Group amounted to RMB1,086.17 million (2023: RMB1,715.14 million), RMB329.99 million of which (2023: RMB1,244.59 million) are classified as current liabilities. The bank and other borrowings carried interest at rates ranging from 0.5% to 7.31% (as at 31 December 2023: 1.87% to 7.31%) per annum. As at 31 December 2024, 95.35% (2023: 96.97%) of the Remaining Group's bank borrowings were at fixed interest rate. RMB46.31 million of bank and other borrowings were made in Indonesian Rupiah, RMB79.02 million were made in Euro, and the remaining bank borrowings were in RMB. The gearing ratio (calculated as total liabilities divided by total assets) of the Remaining Group as at 31 December 2024 was 40.16% (2023: 83.10%).

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

Pledge of assets

As at 31 December 2024, the Remaining Group's assets in an aggregate amount of RMB671 million (2023: RMB879 million) in forms of property, plant and equipment, coal mining and bank deposits were pledged to banks for credit facilities granted to the Remaining Group.

Exposure to fluctuations in exchange rates

The Remaining Group's cash and cash equivalents are held predominately in RMB, USD and Indonesian Rupiah. Operating outgoings incurred by the Remaining Group's subsidiaries in the PRC are mainly denominated in RMB while overseas purchases are usually denominated in USD and Indonesian Rupiah. The Remaining Group's subsidiaries usually receive revenue in RMB. Hence, the Directors do not consider that the Group faces significant exposure to foreign exchange fluctuation risk.

Significant investment held, material acquisition and disposal of subsidiaries and associates

On 25 June 2024, the Group entered into a sale and purchase agreement, pursuant to which the Group conditionally agreed to sell 40% shareholding interest in Lead Far Development Limited ("**Lead Far**"). Completion has taken place on 28 November 2024. Upon completion, Lead Far was owned as to 60% by Qinfa Investment Limited, a wholly-owned subsidiary of the Company, and 40% by Zhejiang Energy Asia Pacific Holding Limited. In 2024, the Company successfully acquired 70% equity interest in PT Suprema Marulabo Energi, PT Inisiasi Merdeka Jaya and PT Venerasi Sejahtera Energi.

Save for the above, during the year, the Remaining Group did not have any significant investments, material acquisitions or disposals of subsidiaries and associates.

Capital expenditure and commitments

For the year ended 31 December 2024, the Remaining Group incurred an aggregate capital expenditure of RMB737 million (2023: RMB1,036 million) mainly related to the purchase of plant and equipment. Capital commitments contracted for but not incurred by the Remaining Group as of 31 December 2024 amounted to RMB13 million (2023: RMB4 million), which were mainly related to the purchase of plant and equipment.

Future plans for material investments and capital assets

As at 31 December 2024, the Remaining Group did not have any future plans for material investments or capital assets.

Employees

As at 31 December 2024, the Remaining Group maintained an aggregate of 1,825 employees.

For FY2024, the staff costs (including directors' remuneration in the form of salaries and other allowances) were approximately RMB369 million (FY2023: RMB237 million). The salary and bonus policy of the Remaining Group is principally determined by the performance and working experience of the individual employee and with reference to prevailing market conditions.

The Remaining Group has adopted a performance-based reward system to motivate its staff and such system is reviewed on a regular basis. In addition to the basic salaries, year-end bonuses may be offered to staff members with outstanding performance. Moreover, the Company adopted a pre-IPO share option scheme and a post-IPO share option scheme to incentivise and retain staff members who have made contribution to the success of the Remaining Group. The Directors believe that the compensation packages offered by the Remaining Group to its staff are competitive in comparison with market standards and practices.

For the year ended 31 December 2023 compared to the year ended 31 December 2022

Financial review

Revenue from the Remaining Group was mainly due to trading of coal produced by the mines in the PRC for the year ended 31 December 2022 ("**FY2022**") and FY2023. Revenue of the Remaining Group decreased from RMB4,148.72 million for FY2022 to RMB3,617.51 million for FY2023, which was mainly due to the decrease in coal selling price. The average selling price of coal produced by the mines of the Group in the PRC was RMB838/ton and RMB665/ton for FY2022 and FY2023 respectively.

Gross profit, profit before taxation and profit after taxation of the Remaining Group decreased from RMB608.84 million, RMB400.33 million, and RMB298.37 million respectively for FY2022 to RMB525.53 million, RMB359.08 million and RMB237.08 million respectively for FY2023. Such decrease was mainly due to the decrease in coal selling price.

Liquidity, financial resources and capital structure

The Remaining Group adopts stringent financial management policies and strives to maintain a healthy financial condition. The Remaining Group funds its business operations and general working capital by internally generated financial resources and bank and other borrowings. As at 31 December 2023, the Remaining Group recorded net current assets of RMB140.67 million (2022: RMB465.76 million).

As of 31 December 2023, the Remaining Group's cash and cash equivalents were RMB299.43 million (2022: RMB791.85 million), of which RMB261.83 million in RMB, RMB12.78 million in USD, RMB0.83 million in Hong Kong dollars, RMB21.56 million in Indonesian Rupiah, RMB1.69 million in Euro, and RMB0.71 million in Singapore dollars.

As at 31 December 2023, the bank and other borrowings of the Remaining Group amounted to RMB1,715.14 million (2022: RMB1,412.22 million), RMB1,244.59 million of which (2022: RMB1,338.91 million) are classified as current liabilities. The bank and other borrowings carried interest at rates ranging from 1.87% to 7.31% (as at 31 December 2022: 2.50% to 7.31%) per annum. As at 31 December 2023, 96.97% (2022: 96.11%) of the Remaining Group's bank borrowings were at fixed interest rate. RMB84.09 million of bank borrowings were made in Euro (2022:RMB74.68 million), and the remaining bank borrowings were in RMB. The gearing ratio (calculated as total liabilities divided by total assets) of the Remaining Group as at 31 December 2023 was 83.10% (2022: 80.71%).

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

Pledge of assets

As at 31 December 2023, the Remaining Group's assets in an aggregate amount of RMB879 million (2022: RMB141 million) in forms of property, plant and equipment, coal mining and bank deposits were pledged to banks for credit facilities granted to the Remaining Group.

Exposure to fluctuations in exchange rates

The Remaining Group's cash and cash equivalents are held predominately in RMB, USD and Indonesian Rupiah. Operating outgoings incurred by the Remaining Group's subsidiaries in the PRC are mainly denominated in RMB while overseas purchases are usually denominated in USD and Indonesian Rupiah. The Remaining Group's subsidiaries usually receive revenue in RMB. Hence, the Directors do not consider that the Group faces significant exposure to foreign exchange fluctuation risk.

Significant investment held, material acquisition and disposal of subsidiaries and associates

For FY2023 and FY2022, the Group did not have any significant investments, material acquisitions or disposals of subsidiaries and associates.

Capital expenditure and commitments

For the year ended 31 December 2023, the Remaining Group incurred an aggregate capital expenditure of RMB1,036 million (2022: RMB608 million) mainly related to the purchase of plant and equipment. Capital commitments contracted for but not incurred by the Remaining Group as of 31 December 2023 amounted to RMB4 million (2022: RMB104 million), which were mainly related to the purchase of plant and equipment.

Employees

As at 31 December 2023, the Remaining Group maintained an aggregate of 1,509 employees (2022: 1,134).

For FY2023, the staff costs (including directors' remuneration in the form of salaries and other allowances) were approximately RMB237 million (FY2022: RMB136 million). The salary and bonus policy of the Remaining Group is principally determined by the performance and working experience of the individual employee and with reference to prevailing market conditions.

The Remaining Group has adopted a performance-based reward system to motivate its staff and such system is reviewed on a regular basis. In addition to the basic salaries, year-end bonuses may be offered to staff members with outstanding performance. Moreover, the Company adopted a pre-IPO share option scheme and a post-IPO share option scheme to incentivise and retain staff members who have made contribution to the success of the Remaining Group. The Directors believe that the compensation packages offered by the Remaining Group to its staff are competitive in comparison with market standards and practices.

COMPETENT PERSON'S REPORT FOR
Five Coal Mines of China Qinfa Group,
Shanxi Province, China

Shuozhou and Xinzhou City, Shanxi Province, China
Shanxi Huameiao Group

SRK Consulting China Ltd.

SCN914

15 May 2025

srk consulting

COMPETENT PERSON'S REPORT FOR Five Coal Mines of China Qinfa Group, Shanxi Province, China

Shuozhou and Xinzhou City, Shanxi Province, China

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SRK Consulting China Ltd. has prepared this document for Zhuhai Qinfa Logistics Co., Ltd, our client. Any use or decisions by which a third party makes of this document are the responsibility of such third parties. In no circumstance does SRK accept any consequential liability arising from commercial decisions or actions resulting from the use of this report by a third party.

The opinions expressed in this document have been based on the information available to SRK at the time of preparation. SRK has exercised all due care in reviewing information supplied by others for use on this project. While SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information, except to the extent that SRK was hired to verify the data.

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Appendix A, Boreholes and UG Sampling Points List

USEFUL DEFINITIONS

This list contains definitions of symbols, units, abbreviations, and terminology that may be unfamiliar to the reader.

Abbreviation	Meaning
ad	air-dried basis
AFC	armoured face conveyor
ar	as-received basis
ARD	apparent relative density; or acid rock drainage
ASL	above sea level
AusIMM	Australasian Institute of Mining and Metallurgy
BMI	BMI Appraisals Limited
B	Billion
Bcm	bank cubic metre
BD	bulk density
°C	degrees Celsius
CAPEX	capital expenditures
CBM	coal bed methane
CPP	coal preparation plant
CPR	Competent Person's Report
Daf	dry ash-free basis
db	dry basis
dB	decibel
deposit	earth material of any type, either consolidated or unconsolidated, that has accumulated by some natural process or agent
Dmmf	dry mineral matter-free basis
DMV	Dense Medium Vessel

Abbreviation	Meaning
DMC	Dense Medium Cyclone
E	East
EIA	Environmental Impact Assessment
EPMP	Environmental Protection and Management Plan
ERP	Emergency Response Plan
FC	fixed carbon
g	gram
gar	gross as-received
gm/cc	gram per cubic centimetre
gob or goaf	mined out caving area behind longwall
gr, ad	gross, air-dried
Ha	hectare
HKEx	Hong Kong Exchange and Clearing Limited
IFC	International Finance Corporation
IM	inherent moisture
IPO	Initial Public Offering
ITR	Independent Technical Review
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC), December 2012
kcal/kg	kilocalories per kilogram
Kg	kilogram
Km	kilometre
km^2	square kilometre
kN	kilonewton

Abbreviation	Meaning
kV	kilovolt
kW	kilowatt
kWh	kilowatt hours
L	litre
LOM	life of mine (lifetime of the mine)
LTCC or TCC	longwall top coal caving
M	metre
M	million
MJ	mega joule
MJ/kg	mega joule per kilogram
m/s	Metre per second
m^3	cubic metre
Mt	million tonnes
Mtpa	million tonnes per annum
MW	megawatt
N	North
net, ar	net-as-received basis
NPV	net present value
OHS	occupational health and safety
OPEX	operating expenditure
PMD	Preliminary Mine Design Study (Preliminary Feasibility Study)
PPE	personal protective equipment
PoO	Points of Observation
PRC	People's Republic of China

Abbreviation	Meaning
QA/QC	quality assurance/quality control
Qnet.ad	Net Calorific Value (air dry)
R2	Coefficient of determination
RMB	Renminbi (Chinese Currency)
ROM	run of mine
S	South
So	organic sulphur
Sp	pyritic sulphur
Ss	sulphate minerals
SRK	SRK Consulting China Limited
SXDB Energy	Shanxi Dibao Energy Co., Ltd.
T	tonne (1,000 kg)
Tpa	tonnes per annum
Tpd	tonnes per day
Tph	tonnes per hour
TS	total sulphur
TSF	tailings storage facility
UG	Underground
USD	United States dollars
VAT	value added tax
VM	volatile matter
VALMIN Code	Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, 2015 Edition
W	West
WRD	waste rock dump

Abbreviation	Meaning
WSCP	Water and Soil Conservation Plan
>	greater than
<	less than
o	Degree
%	percent

EXECUTIVE SUMMARY

Introduction

Zhuhai Qinfa Logistics Co., Ltd. ("**Qinfa**") commissioned SRK Consulting (China) Limited ("**SRK**") to conduct an independent technical review of the Xingtao, Fengxi, Chongsheng, Xionglong and Hongyuan coal mines located in Shanxi Province, China. The objective of this review is to prepare a Competent Person's Report ("**CPR**") in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves (the "**JORC Code**", 2012 Edition) to update the Coal Resources and Coal Reserves for the mine.

The Xingtao, Fengxi and Chongsheng coal mines are situated in the Pinglu district, north of the Shuozhou prefecture-level city in Shanxi Province. It is located approximately 20 km north of Shuozhou city and about 210 km north of the provincial capital, Taiyuan. The project area is easily accessible through various routes, with the most convenient being approximately 200 km of expressway from Taiyuan to Shuozhou city, followed by a short transfer over approximately 10 km of county road. The travel time by road from Taiyuan is approximately 4 hours. The local geography of the mine is dominated by the Loess Plateau, with an elevation ranging between 1,200m to 1,400m above sea level ("**ASL**").

The Xinglong and Hongyuan coal mine projects are located in Shenchi County, the north area of Xinzhou prefecture-level city of Shanxi Province. The projects area is situated approximately 125 km to the northwest of Xinzhou city and approximately 200 km to the north of the provincial capital, Taiyuan city.

Geology

Xingtao, Fengxi and Chongsheng Mines

The projects area is located in the Pingshuo coalfield, which is part of the north sector of the well-developed Ningwu Coal Deposit of the Shanxi province. Several Carboniferous-Permian and Jurassic coal seams are developed within the Ningwu Coal Deposit, although the north sector only has carboniferous-Permian coal seams presented.

The stratigraphy developed within the Pingshuo coal mining zone mainly consists of Ordovician, Late Carboniferous and Permian sedimentary rocks, and Neogene, Quaternary soils. The coal seams are presented within the Late Carboniferous and Permian rocks and the Ordovician limestone strata forms the basement of the coalfield.

The Xingtao, Fengxi, and Chongsheng mines all derive their primary coal resources from the Taiyuan Formation. Geologically, these areas feature gentle folds resulting in predominantly horizontal coal deposits.

In the Xingtao mine, strata dip gently west (less than 10 degrees), with coal seams outcropping in its eastern valley. Seven seams were identified, with five deemed mineable (4-1, 4-2, 9-1, 9-2, and 11) at depths from 0 to 300 meters. All Xingtao coal is classified as high volatile B to C bituminous (ASTM D388) and bituminous CY coal (Chinese Standard GB/T 5751-2009).

The connected Fengxi and Chongsheng mines have strata dipping 2-8 degrees – southeast in Fengxi, and variably in Chongsheng due to folds. Unlike Xingtao, their surfaces are covered by Quaternary Loess, with no coal outcrops. Four mineable seams (4, 9-1, 9-2, and 11) are found. Depths range from 80-270 meters in Fengxi and 100-200 meters in Chongsheng.

Coal in Fengxi and Chongsheng is also high volatile B to C bituminous (ASTM). Under Chinese standards, Fengxi seams are bituminous CY coal. In Chongsheng, seam 4 is bituminous CY, while seams 9-1, 9-2, and 11 are bituminous QM coal. This highlights a key classificational difference within the Chongsheng deposit compared to Fengxi and Xingtao.

Xinglong and Hongyuan Mines

The Xinglong and Hongyuan projects exhibit geological characteristics typical of the regional Ningwu Coal Deposit, with the Taiyuan Formation serving as the primary coal-bearing unit in the Xinglong area. Both projects feature mineable bituminous coal seams, primarily Seam 2 and Seam 5, found at relatively shallow depths, ranging from the surface to approximately 305 meters in Xinglong and 280 meters in Hongyuan.

Structurally, the stratigraphy in both project areas is predominantly influenced by monoclinal structures dipping eastward. The Xinglong project's strata dip at angles between 7° and 23°, with coal seams outcropping in the western part. The Hongyuan project, while also dipping east, is further characterized by an east-west axis anticline and syncline, resulting in gentler dip angles of 4° to 10°.

According to ASTM D388 classification, the coal in both projects is generally high volatile B to C bituminous. However, under the Chinese GB/T5751-2009 standard, Xinglong's coal is classified as bituminous CY, while Hongyuan's is bituminous QM.

Coal quality varies between the seams and projects. In Xinglong, Seam 2 has high ash, medium Sulphur, and medium calorific value. In contrast, Seam 5 shows low ash, medium to high Sulphur, and high calorific value. Both are suitable as thermal coal for power generation.

For the Hongyuan project, Seam 2 contains medium ash, low Sulphur, and low to medium calorific value. Seam 5 has medium to high ash, medium Sulphur, and also a low to medium calorific value. Historical data for Seam 6 in Hongyuan, though not targeted for mining, indicated medium to high ash, medium to high Sulphur, and low to medium calorific value.

Exploration

Several exploration/sampling programs were carried out within each project area and have been named as 1950s Exploration, 1960s Exploration, 2000s Exploration and 2010s Exploration.

SRK have not been able to determine if there were any quality assurance procedures for the exploration results prior to the 2000s drilling. The explorations of the five mines conducted between the 2000s and the 2010s were implemented according to the "Coal Geological Exploration Drilling Quality Standard" (MT/T1042-2007). All the boreholes drilled during the period are coring with downhole geophysical survey. Coal sampling was collected according to the Chinese Standard 1987-656 "Standard Practice for Collection of Coal Samples in Coal Resources Exploration". The coal core recovery for the explorations ranges from 80% to 100%. This combined with coal seam determination using downhole geophysical logging results in the acquired coal seam data meeting the minimum requirement for use in coal resource estimation.

Borehole Database and Modelling

The data acquired from the Company was subjected to several procedures to validate the coal seam data acquired from the various exploration programs. The first procedure was to consolidate all the available information into a borehole database within the Geovia Minex 6.1.3 modelling software.

Eventually, a total of 41 boreholes/sample points for the Xingtao mine, 16 boreholes/sample points for Fengxi mine and 12 boreholes for Chongsheng mine were incorporated into Geovia Minex 6.1.3 borehole database to develop a geological model.

For Xinglong and Hongyuan mine, a total of 14 boreholes for the Xinglong project and 15 boreholes for the Hongyuan project were incorporated into the modelling software's borehole database to develop a geological model.

Coal Resource

The major cut-off parameters used for the Coal Resource estimation are as follows:

- Minimum thickness of working section 0.8 m
- Maximum allowable intra-seam parting thickness 0.1 m
- Maximum raw working section ash (air-dried basis): 40%

A total of 108.59 Mt of Coal Resource was Reported by SRK in accordance with JORC Code 2012 for the five mines, of which 83.09 Mt is Measured and Indicated Coal Resource, and 25.50 Mt is Inferred Coal Resource. The estimated JORC Coal Resources of the five mines are summarized in Table Ex-1.

Table Ex-1: Summary of the Estimated JORC Coal Resource as of 31 December 2024

Project	**Measure Resource** *(Mt)*	**Indicated Resource** *(Mt)*	**Measured+ Indicated Resource** *(Mt)*	**Inferred Resource** *(Mt)*
Xingtao	8.62	7.82	16.44	2.67
Fengxi	–	1.20	1.20	1.40
Chongsheng	–	9.50	9.50	8.10
Xinglong	–	35.08	35.08	10.75
Hongyuan	–	20.87	20.87	2.58
Total	**8.62**	**74.47**	**83.09**	**25.50**

Notes:

1 All figures are rounded to reflect the relative accuracy of the estimate. All composites have been capped where appropriate.

2 The information in this Report which relates to the Coal Resource is based on information provided by China Qinfa Group, compiled by Kun Cao of SRK Consulting China and reviewed by Mr Yongchun (Roger) Hou, a Principal Geologist of SRK Consulting China Ltd. Mr Hou is member of AusIMM and have sufficient experience relevant to the kind of project, style of mineralisation, type of deposit under consideration, and the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", the JORC Code 2012. Mr Hou consents to the reporting of this information in the form and context in which it appears.

Coal Reserve

SRK used Geovia Minex V6.1.3 computer software to estimate the Coal Reserve. For each mineable coal seam, the mining plans (panel plans) provided by the Company were superimposed on the coal seam model (resource model) generated by SRK. Each reserve estimate was then limited according to the document of the mining license of the five mines. The "design losses" including pillars/barriers and general mining losses were excluded from the estimates. The Influence of coal dilution during the mining process was also considered.

For the classification of the Coal Reserve SRK has reviewed the "Modifying Factors" as stipulated in the JORC Code before assigning the Probable and Proved Coal Reserves.

The total Coal Reserves of the five mines Xingtao, Fengxi, Chongsheng, Xinglong and Hongyuan amount to 36.76 Mt, of which 3.12 Mt are Proved Reserves and 33.64 Mt are Probable Reserves.

The JORC Coal Reserve of each mine estimated by SRK is summarised in Table Ex-2.

Table Ex-2: Summary of the Estimated JORC Coal Reserve as of 31 December 2024

Coal Mine	Proved	Probable	Total	Ash Content	Total Sulphur	Calorific Value
	(Mt)	*(Mt)*	*(Mt)*	*(db, %)*	*(db, %)*	*(kCal/kg, net, ar)*
Xingtao	3.12	4.02	7.14	39.10	1.64	3,912
Fengxi	–	0.94	0.94	35.00	1.30	3,950
Chongsheng	–	4.72	4.72	37.00	1.00	3,860
Xinglong	–	13.50	13.50	21.45	1.52	4,838
Hongyuan	–	10.46	10.46	30.72	1.45	4,187
Total	**3.12**	**33.64**	**36.76**	**30.11**	**1.45**	**4,307**

Notes:

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

2 Number was rounded to the second significant digit to reflect the uncertainties in estimate.

3 Total may not add due to rounding discrepancies.

4 The Coal Reserves are included in the Coal Resources. They should not be added to the Coal Resources.

The Marketable Coal Reserve of each mine estimated by SRK is summarised in Table Ex-3. The marketable coal is the thermal coal blend after coal preparation/washing.

Table Ex-3: Summary of the Estimated Marketable Coal Reserve as of 31 December 2024

Coal Mine	CPP Yield	Marketable Reserve	Total Moisture	Ash Content	Total Sulphur	Calorific Value
	(%)	*(Mt)*	*(%)*	*(db, %)*	*(db, %)*	*(kCal/kg, net, ar)*
Xingtao	65	4.64	7-10	20-28	1.4-1.9	4,650-5,200
Fengxi	65	0.61	8-12	20-28	1.2-1.6	4,600-5,150
Chongsheng	65	3.07	8-12	20-28	1.6-2.5	4,600-5,150
Xinglong	–	13.50	8-12	30.72	1.45	4,187
Hongyuan	–	10.64	8-12	30.20	1.46	4,309

Notes:

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

2 Number was rounded to the second significant digit to reflect the uncertainties in estimate.

3 Total may not add due to rounding discrepancies

Mining Assessment

This mining assessment was carried out to provide sufficient information on the mining operations and the mining factors to support the Coal Reserve estimate in accordance with the JORC Code.

SRK reviewed the preliminary mine design reports ("**PMD**") of Xingtao, Fengxi, Chongsheng, Xinglong and Hongyuan mines and the actual mining plan updates as provided by the Company. Prior to the preparation of the PMDs a considerable amount of coal from the seam 4 had been extracted in all the five mines. The PMDs were aiming at extending the life of the mines ("**LOM**") by mining the lower, deeper coal seams as the coal seam 4 was being mined out. The PMDs were designed to ensure that mining technology was adapted to the actual conditions encountered.

After reviewing the PMD reports and actual updated mining plans, SRK is of the opinion that they were prepared with due care and by experienced professionals. SRK is confident that the mining studies for the Projects also meet the requirements that are expected by international reporting codes to support a Coal Reserve estimate. SRK also noticed that the mining conditions and the current mining status are in line with the design as per PMD reports.

All five mines have inclined shaft access, belt conveyor haulage of run-of-mine ("**ROM**") coal to the surface, and access for mine support and self-propelled vehicles with rubber tires.

The mining method applied in the five mines is longwall mining with a coal shearer, where the coal seam thickness allows top coal caving at the rear of the longwall. This improves production capacity and avoids the application of the more complicated and potentially less safe seam slicing methods to extract a thick coal seam.

As per design, all five mines operate a single longwall for coal production which is considered a safer approach to minimize the impact of possible mining incidents. The longwalls in the mines are fully mechanized and reach up to 200 m in width but can be shorter if required based on the panel design. The equipment used is widely used in the industry and can be procured from Chinese equipment suppliers. The capacity of the equipment appears to be suitable to reach the coal production as planned over the remaining life of the mines ("**LOM**").

The historical and the forecast ROM coal production of the five mines is summarized and shown in Table Ex-4 and Table Ex-5.

Table Ex-4: ROM Coal Production Schedule for the Xingtao, Fengxi and Chongsheng Mines

	Historical					Projection				
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Xingtao	3.30	2.84	1.84	2.88	2.39	3.00	2.00	1.14	1.00	EOM
Fengxi	2.84	3.79	2.26	2.89	3.04	0.94	EOM			
Chongsheng	2.65	2.89	2.87	1.74	1.29	1.31	2.30	0.74	0.37	EOM

Table Ex-5: Planned Annual ROM Coal Production Schedule for Xinglong and Hongyuan

	Projection (Mt)					
Project	**2025 permitting**	**2026 construction**	**2027**	**2028-2037**	**2038**	**2039-2041**
Xinglong	–	–	0.93	0.93	0.93	0.93
Hongyuan	–	–	0.93	0.93	0.58	–
Total	**–**	**–**	**1.86**	**1.86**	**1.51**	**0.93**

Coal Preparation Plants

Xingtao, Fengxi and Chongsheng Plants

The Company has constructed and operates coal processing plants ("**CPP**") at the three mines: Xingtao, Fengxi and Chongsheng. The CPPs are located at the surface, near the shaft entry at each mine.

The three CPPs employ a similar coal preparation system with a Dense Medium Vessel ("**DMV**"), Dense Medium Cyclone ("**DMC**") and Classifying Cyclone as the main separator unit.

The CPP at Xingtao mine commenced operation in 2004. After upgrading and reconstruction it currently has a total ROM coal processing capacity greater than 4 Mtpa at a maximum throughput of 500 tph in the main processing circuit (DMV). The Fengxi and Chongsheng CPP both were upgraded in 2011. Currently all the CPPs have a ROM coal processing capacity greater than 3.0 Mtpa. According to the historical production and operational records, the CPPs have achieved a 65% yield of mixed marketable coal with the total moisture ranging from 7 to 11%, ash content ranging from 20% to 28% and calorific value ranging from 4600 to 5200 kCal/kg. Since the estimated ash content of the ROM coal from the mines for the remaining LOM is expected to stay the same as the historical levels, SRK have made the assumption that the marketable coal yields from the CPPs would remaining at approximately 65%.

Xinglong and Hongyuan

No washing plants are planned and constructed for these two projects.

Project Infrastructure

The infrastructure on site is sufficient to support any coal mining projects and for the mines to operate efficiently.

The power supply in the area is good and stable and each of the five mines is connected to the national grid. Electrical power is provided from multiple 35-kV substations and the voltage is stepped down at the mines.

The water for each mine's operation is sourced from wells drilled at each site and the capacity is. sufficient to provide all the required water for domestic and industrial use. After basic treatment the mine water is used to supplement the well water for industrial purpose and for processing at the CPP. In addition, the mine water is also used for the water spray systems within the mines for dust suppression and fire prevention.

Telecommunication for the Project region is well covered and there is access to national and international telecommunication networks from each mine. Communication in these areas is reliable and if necessary additional connections to the mines could be easily established.

Construction materials and consumables typically used in coal mines and coal processing plants can mainly be sourced and purchased locally. Equipment and materials could be procured from suppliers in the region or from suppliers further afield and transported to the site.

Coal mining usually employs (sub-contracts) and requires specific services for development and operation of a mine. Typical such services are shaft sinking and roadway driving, change-over of entire longwall systems, plant and equipment hire, mechanical and electrical service, and surface plant operation and management (i.e. CPP). Shanxi Province has a long-standing coal mining industry with established service providers available. Non-mining service providers and suppliers including medical services are available from nearby townships and cities which have a well-developed commercial infrastructure with shops, accommodation, and medical facilities.

Environmental, Permits, Social and Community Impact

The Company obtained all the EIA reports and approvals of the Xingtao, Fengxi and Chongsheng mines. The sources of inherent environmental and social risk are project activities that may result in potential environmental and social impacts. Some of the main environmental and social risks for the Project are:

- Impacts to the local ecological system due to significant land disturbance and subsidence;
- Impact to the ground and surface water;
- Poor dust management; and
- Heavy metal pollution from the waste rock dumps.

The above risks are categorised as moderate/tolerable risks (i.e., requiring risk management measures). It is SRK's opinion that these risks for the project can be generally managed if the Company put efforts to solve the issues.

Coal Market Aspects

Each coal mine produces a medium quality thermal coal. The primary market and buyers are nearby power plant(s) which can take up to about 60-70% of the mines production, with the remaining coal being sold to the local market or to coal trading companies for "export" to other Chinese provinces or the Bohai Rim terminals. It is understood that the 60-70% of the coal production sold to the power plants is under a secure long-term sales agreements. Some fix price accord between the power plant and mine most likely exists and this could limit any increase in the price obtained. For the remainder of the coal production, sales tonnage and price need to be negotiated either in a long term or on the spot market. SRK has sighted coal sales records for this sales segment at the mine.

Coal from the mine must be delivered/transported by truck to nearby railway loading facilities for both transport to power station and for "export" sales.

Coal prices are at mine-mouth prices as normally coal trade agents/customers oversee the coal transportation. As all the ROM coal is processed through CPPs only a washed coal is marketable. According to the historical coal sales records, the clean coal (net-as-received calorific value 4800 kCal/kg, ash 24%, Sulphur 1.0) mine-mouth price for the three mines over the last five years ranges from between 296 RMB/t to 415 RMB/t, averaging 380 RMB/t. SRK considers that the coal prices would maintain an average level of 380 RMB/t for the remainder of the LOM.

Preliminary Economic Analysis

The Client commissioned BMI Appraisals Limited ("**BMI**") to conduct a valuation for the mine assets. SRK is of the opinion that the valuated results derived from BMI's valuation were conducted in a professional way and is sufficient to demonstrate the economic viability of the project to support the JORC reserve conversion in this Report. The quoted value in use as of 31 December 2024 is positive, and sufficient to support the economic viability of Coal Reserve in accordance with JORC Code.

Risk Assessment

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

1 INTRODUCTION AND SCOPE OF REPORT

SRK Consulting China Ltd ("**SRK**") was commissioned by Zhuhai Qinfa Logistics Co., Ltd ("**Zhuhai Qinfa**"), a subsidiary company of China Qinfa Group ("**Qinfa**" or the "**Company**") to undertake an independent assessment of all relevant technical aspects of the Xingtao, Fengxi, Chongsheng, Xinglong and Hongyuan coal mines located in Shanxi Province, China. The purpose of the assessment is to prepare a Competent Person's Report ("**CPR**") in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "**JORC Code**", 2012 Edition) to update the Coal Resources and the Coal Reserves for the five mines.

It is SRK's understanding that the independent technical assessment on the Project is required to be included in a Competent Person's Report ("**CPR**", the "**Report**" or this "**Report**") suitable for inclusion in a circular prepared to support the proposed asset trading on the Main Board of the Stock Exchange of Hong Kong Ltd. (the "**Stock Exchange**"), a wholly owned subsidiary of Hong Kong Exchanges and Clearing Ltd ("**HKEx**").

The Report has therefore been prepared following the requirements of the 2012 edition of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves* (the "**JORC Code**") and in accordance with the rules governing the listing of securities on the Stock Exchange including the Chapter 18 requirements and other relevant regulations of the Stock Exchange and HKEx.

The Xingtao, Fengxi, and Chongsheng mines (Collectively the "**Shuozhou Projects**"), under the control of China Qinfa Group and situated in the Pinglu district, northern Shuozhou prefecture-level city, Shanxi Province, have been operational for an extended period. The Xinglong and Hongyuan mines (Collectively the "**Shenchi Projects**") within the same group and region are currently in a suspended state of construction.

2 PROGRAM OBJECTIVES AND WORK PROGRAM

2.1 Purpose of the Report

The purpose of this Report is to provide an independent technical assessment for inclusion in a circular to be issued by China Qinfa Group to support the proposed asset trading on the Stock Exchange and the HKEx. The SRK's report is proposed to provide an unbiased technical assessment of the risk and opportunities associated with the reviewed project.

2.2 Reporting Standard

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

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

In this Report, identified Coal Resources and Coal Reserves are quoted using categorisation in accordance with the JORC Code. However, it should not be assumed that these Mineral Resource and Ore Reserve Estimates have necessarily been carried out in accordance with the guidelines and recommendations laid out in the JORC Code, at least until further documentation can be obtained on the estimates and they have been formally endorsed by a "Competent Person" in accordance with the JORC Code.

2.3 Limitations Statement

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

2.4 Effective Date

The effective date for this CPR is deemed to be 15 May 2025 (the "**Effective Date**"). The Coal Resource and Coal Reserve statements set out in this CPR are reported as of 31 December 2024 and represent the Mineral Resources and Ore Reserves at the Effective Date as audited by SRK.

2.5 Work Program

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

- Stage I: Initial review and processing the data and information provided by the Client.
- Stage II: Carry out the resource estimation based on the reviewed data and information.
- Stage III: A site visit to the mines conducted between the 22th April 2025 and 25th April 2025 by Mr Yongchun Hou, Mr Zhuanjian Liu and Mr Kun Cao. This site visit consisted of discussions with management and staff of the five mines, reviewing and confirming the projects data and information up to 31st December 2024.
- Stage IV: JORC Coal Resource Reporting and JORC Coal Reserve conversion. Preparation of a CPR for public reporting including Coal Resources and Coal Reserves, assessment of mining and costs, and review of environmental, social, and license and permit compliance.

2.6 SRK Experience

The SRK Consulting Group ("**SRK Consulting**") is an independent, international consulting practice that provides focused advice and solutions to clients, mainly from earth and water resource industries. For mining projects, SRK Consulting offers services from exploration through feasibility, mine planning, and production to mine closure.

Among the company's more than 1,500 clients are most of the world's major and medium-sized metal and industrial mineral mining houses, exploration companies, banks, petroleum exploration.

Formed in 1974 in Johannesburg, South Africa, SRK Consulting now employs more than 1,800 professionals internationally in 42 permanent offices across 20 countries on six continents. A broad range of internationally recognised associate consultants complements the core staff.

SRK Consulting employs leading specialists in each field of science and engineering. Its seamless integration of services, along with its global base, has made the company a world leader in due diligence, feasibility studies, and confidential internal reviews.

SRK Consulting's independence is ensured by the fact that it holds no equity in any project and that its ownership rests solely with its staff. This enables the company to provide its clients with objective, conflict-free recommendations on crucial judgement issues.

SRK China was established in 2005 and has three offices located in Beijing, Nanchang and Kunming. Either independently or together with other SRK Consulting offices, SRK has been providing independent technical services for the Chinese mining companies. SRK has considerable experience in providing Independent Expert Reports to mining companies for successfully listing on the stock exchanges in Hong Kong, Australia, United Kingdom, Canada, South Africa and the United States.

SRK has provided dozens of independent technical reports for the Chinese mining companies who have completed successfully listed and/or acquired on the Stock Exchange of Hong Kong Ltd., as shown in Table 2-1.

Table 2-1: SRK's Reports for Listing on the HKEx

Company	Year	Nature of Transaction
Yanzhou Coal Limited (listed in HKEx)	2000	Sale of Jining III coal mine to the listed operating company
Chalco (Aluminium Corporation of China)	2001	Listing on the HKEx and New York Stock Exchange
Fujian Zijin Gold Mining Group	2004	IPO Listing on the HKEx
Lingbao Gold Limited	2005	IPO Listing on the HKEx
Yue Da Holdings Limited (listed in HKEx)	2006	Acquisition of shareholding in mining projects in Yunnan, China
China Coal Energy Company Ltd (China Coal)	2006	IPO Listing on the HKEx
Sino Gold Mining Limited	2007	Dual Listing on the HKEx
Xinjiang Xinxin Mining Industry Co., Ltd	2007	IPO Listing on the HKEx
Kiu Hung International Holding Limited	2008	Acquisition of shareholding in coal projects in Inner Mongolia, China
Hao Tian Resource Group Limited	2009	Very Substantial Acquisition of two coal mines in Inner Mongolia, China
Green Global Resources Holdings Ltd	2009	Very Substantial Acquisition of shareholding in one iron project in Mongolia
Ming Fung Jewellery Group Holdings Ltd	2009	Acquisition of shareholding in gold project in Inner Mongolia, China
Continental Holdings Limited	2009	Acquisition of a gold project in Henan, China
North Mining Shares Company Limited	2009	Acquisition of a molybdenum mining project in Shaanxi, China
CNNC International Ltd	2010	Acquisition of a uranium mine in Africa

Company	Year	Nature of Transaction
Sino Prosper Mineral Products Ltd	2010	Acquisition of shareholdings in one gold project in Inner Mongolia, China
New Times Energy Corporation Ltd	2010	Acquisition of shareholding in gold projects in Hebei, China
United Company RUSAL Limited	2010	IPO Listing on the HKEx
Citic Dameng Holdings Limited	2010	IPO Listing on the HKEx
China Hanking Holdings Limited	2011	IPO Listing on the HKEx
China Daye Non-Ferrous Metal Mining Limited	2012	Very Substantial Acquisition on the HKEx
China Nonferrous Mining Corporation Limited	2012	IPO Listing on the HKEx
Hengshi Mining Investments Limited	2013	IPO Listing on the HKEx
Future Bright Mining Holdings Limited	2014	IPO Listing on the HKEx
King Stone Energy Group Limited	2014	Acquisition of Shareholding in silver mines in Fujian, China
Agritrade International Pte LTD	2015	Acquisition of Shareholding in one coal mine in Indonesia
China Unienergy Group Limited	2016	IPO Listing on the HKEx
Pizu Investment Co. Ltd	2020	Acquisition of Shareholding in a polymetallic project in China
China Qinfa Group Limited	2021	Annual disclosure of coal mines in Shanxi, China
China Graphite Group Limited	2022	IPO Listing on the HKEx
Kinetic Development Group	2022	Major transaction of equity interest in Ningxia Sunshine

Company	Year	Nature of Transaction
Persistence Resources Group Ltd	2023	IPO Listing on HKEx
Chifeng Jilong Gold Mining Co., Ltd	2025	IPO Listing on HKEx

2.7 Project Team

The SRK project team and responsibilities are shown in Table 2-2.

Table 2-2: SRK Project Team

Consultant	Title, Discipline and Task
Yongchun (Roger) Hou	Principal Consultant, Resource and Reserve Review, Report Compiling, Competent Person
Zhuanjian (Leo) Liu	Principal Consultant, Geology Review, Reserve Estimation, Competent Person
Kun Cao	Consultant, Data Processing and Resource Estimation
Dr. Yuanhai (Andy) Li	Principal Consultant, Environmental, Social and Permits
Dr. Yonglian Sun	Corporate Consultant, Peer Review

Yongchun (Roger) Hou, ***MSc, MAusIMM***, is a Principal Consultant (Coal Geology) at SRK China. He graduated from the China University of Mining and Technology and has twelve years' experience in exploration management, resource estimation and reporting, GIS and coal processing. He worked as a coal geologist in Kalimantan, Indonesia and Mozambique under JORC Code practice and is proficient with Minex and Vulcan modelling software. At SRK, he has been involved in many independent technical review projects for reputable international companies such as Peabody (USA), SABIC (Saudi Arabia) and Salim Group (Indonesia). In recent years, he has taken an active role in coal resource estimation for several projects in compliance with the JORC Code including China Unienergy and Indonesia Agritrade. Both of them have been listed/transacted successfully on the Hong Kong Stock Exchange. **Yongchun Hou is mainly responsible for the Report compiling, Resource and Reserve review. He is qualified as a Competent Person with regard to the type of deposit and the activity undertaken.**

Zhuanjian (Leo) Liu, *BEng, MAusIMM,* is a Senior Consultant (Geology) with SRK China. Since graduated from the China University of Mining and Technology, He has been engaged in geological survey, due diligence and technical consulting in China, Indonesia and Mongolia for over 10 years. After joining SRK, he has provided consulting services for Peabody Energy (USA), SABIC (Saudi Arabia), Salim Group (Indonesia) and other large corporations. He participated in several successful cases of independent technical report/due diligence work in recent years, including China Unienergy IPO Listing on HKEx and Agritrade Resource acquisition of Shareholding in Indonesia. **He is qualified as a Competent Person with regard to the type of deposit and the activity undertaken.**

Kun Cao, *BEng*, is a Consultant (Geology) with SRK China. He is graduated from the North China Institute of Science and Technology, and has over four years of experience in the mining industry, specializing in the coal field. He has participated in numerous coal projects, demonstrating his expertise in coal exploration, resource and reserve estimation. Mr Cao is responsible for the data processing, Resource and Reserve estimation. **Kun Cao is responsible for the data processing, Resource and Reserve estimation.**

Yuanhai (Andy) Li, *PhD, MAusIMM,* is a Principal Environmental Consultant with SRK Consulting China Limited, graduated with a doctoral degree in Environmental Engineering from the Florida State University. He has over 20 years' experience in the environmental engineering field and has worked on various environmental projects in the USA, China, Mongolia, as well as South Asian Countries. He has particular expertise in environmental due diligence reviews, environmental compliance and impact assessments for mining, mineral processing, refining, and smelting; contaminated site assessments and remedial design; wetland and landfill rehabilitation; and environmental risk assessment. He also has extensive experience in water/wastewater treatment design, water distribution systems, and storm water management system design. **Dr. Li reviewed and is responsible for the license/permits, environmental, and social aspects.**

Yonglian Sun, *B.Eng. PhD, FAusIMM, FIEAust, CPEng,* is a Practice Leader and Corporate Consultant of SRK China. Dr Sun has over 30 years experience in geotechnical engineering and mining engineering in five countries across four continents. He also has extensive international experience in mining project evaluation for project financing and overseas stock market listings. Over the last decade, Dr Sun has led and coordinated dozens of due diligence projects for many mining companies and most of them have been successfully financed or listed on the Hong Kong Stock Exchange. **Dr Sun provided internal peer review to ensure the quality of the report meets the required standard.**

2.8 Warranties

Qinfa has warranted to SRK that full disclosure has been made of all material information and that, to the best of their knowledge and understanding, such information is complete, accurate and true. SRK has no reason to doubt these warranties.

2.9 Indemnities

As recommended by the JORC Code, Qinfa has provided SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- Which results from SRK's reliance on information provided by Qinfa or to Qinfa not providing material information; or

- Which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

2.10 Compliance Statement

The information in this Report that relates to Coal Resources and Coal Reserves is based on information compiled by Yongchun (Roger) Hou and Zhuanjian (Leo) Liu. Both of them are Competent Persons, Members of The Australasian Institute of Mining and Metallurgy and are fulltime employees of SRK China and close associates.

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

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

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

Peer review and quality control of the Report were conducted by Dr Yonglian Sun, *FAusIMM*, a Corporate Consultant (Mining).

2.11 Independence Statement

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

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

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

2.12 Consent

SRK consents to this Report being included, in full, in the China Qinfa Group's Circular, in the form and context in which the technical assessment is provided, and not for any other purpose.

SRK provides this consent on the basis that the technical assessments expressed in the Executive Summary and in the individual sections of this Report are considered with, and not independently of, the information set out in the complete Report and the Cover Letter.

2.13 Forward Looking Statement

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

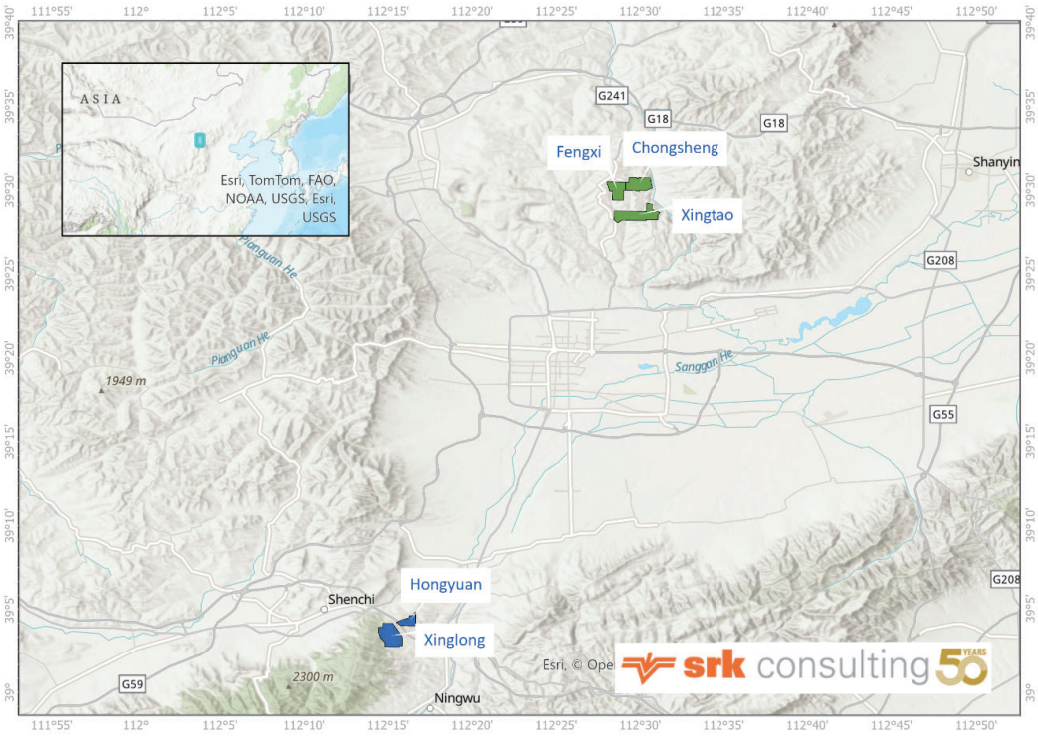
The possible sources of error in the forward-looking statements are addressed in more detail in the appropriate sections of this report. Also provided in the report are comments on the areas of concern inherent in the different areas of the mining and processing operations.

3 PROJECT DESCRIPTION

3.1 Property Location

The Xingtao, Fengxi, and Chongsheng mines are situated in the Pinglu district of northern Shuozhou prefecture-level city, Shanxi Province, approximately 20 km from Shuozhou city and 210 km north of Taiyuan city, the provincial capital, with convenient access via a roughly 200 km expressway from Taiyuan to Shuozhou followed by a short 10 km county road transfer, resulting in an estimated four-hour road journey from Taiyuan; meanwhile, the Xinglong and Hongyuan coal mine projects are located in Shenchi County, northern Xinzhou prefecture-level city, Shanxi Province, about 125 km northwest of Xinzhou city and 200 km north of Taiyuan city, readily accessible via a roughly 195 km expressway from Taiyuan to Shenchi County and a brief 6 km county road transfer, with an estimated travel time of approximately three hours from Taiyuan. A location map of the project area is presented in Figure 3-1.

Figure 3-1: Regional Location of the Five Coal Mines in Shanxi Province



3.2 Accessibility

Coal transportation from Shenchi County and Shuozhou in Shanxi Province primarily utilizes the Shuozhou–Huanghua Railway and the Shenmu–Shuozhou Railway. The Shuozhou–Huanghua Railway, a double-track electrified line spanning approximately 588 kilometers, connects Shenchi County to Huanghua Harbour in Hebei Province, serving as a major conduit for west-to-east coal transport in China. The Shenmu–Shuozhou ("**Shenshuo**") Railway links Shenmu County in Shaanxi Province to Shuozhou in Shanxi Province, facilitating the export of coal from the Shenfu-Dongsheng coalfield. Additionally, the Zhunchi Railway extends from Waiwusu in Inner Mongolia to Shenchi South Station, further enhancing coal export capabilities from western Inner Mongolia.

According to the coal marketing records of the Company, coal products extracted from the Xingtao, Fengxi and Chongsheng mines are transported to the markets mainly via Shenshuo coal transportation railway to Huanghua Harbour (terminal) at the Bohai Sea. The railway loading station nearest to the mines is located approximately 6 km to the south of the Xingtao mine.

For Xinglong and Hongyuan coal mines, several railway lines located east of the projects area and can be used for coal transportation, especially the well-known Shuohuang Coal Transportation Railway. There are two major coal loading stations located in the vicinity of the projects area. The nearest one, Yangfangkou loading station of the North Tongpu Railway, is approximate 8 km to the northeast, while the Ningwu coal loading station is located 11 km southeast of the projects area.

3.3 Local Resources and Infrastructure

The local economy surrounding the five coal mines is supported by coal mining and associated power generation, agriculture and field working, plantation and forestry. One of the biggest open pit coal mines in China also occurs in this region.

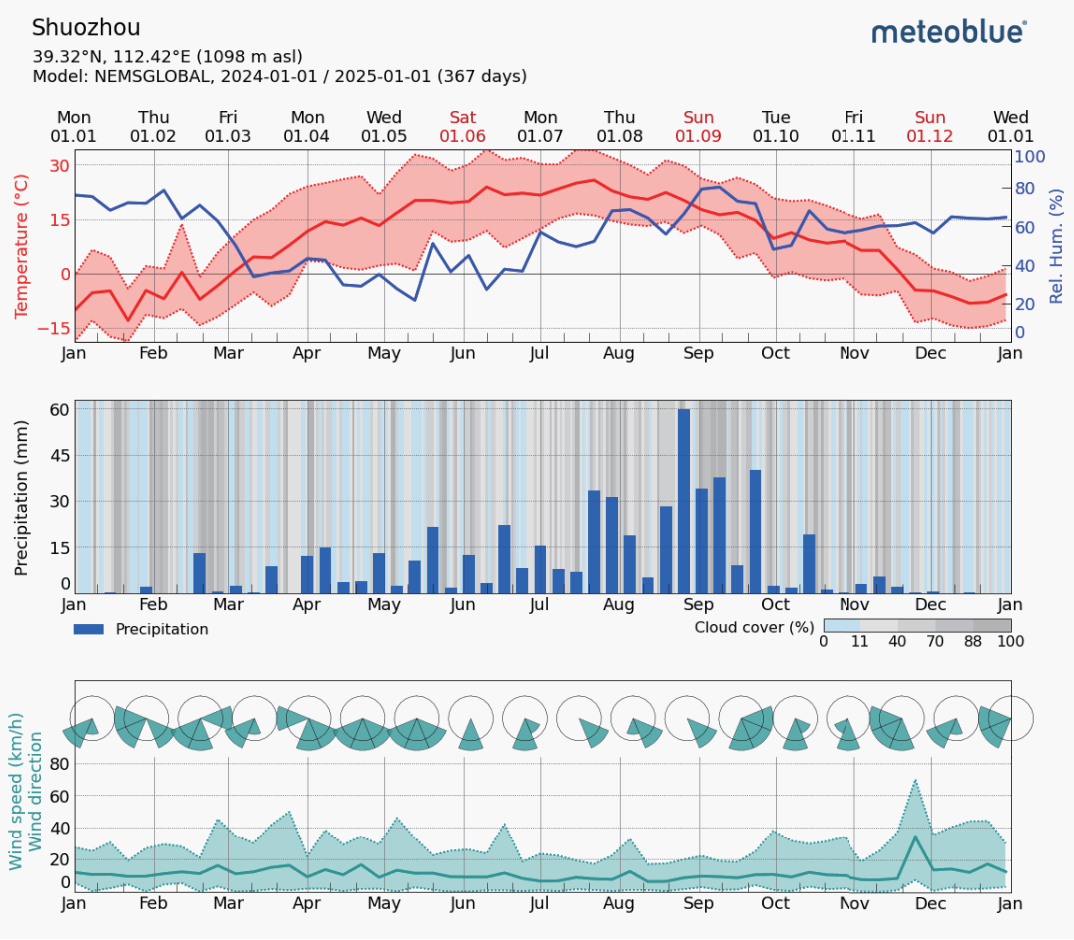
The region industrial sector is primarily based on coal, electricity, metallurgy, building materials, and chemicals. Coal mining represents the cornerstone of mine area, with prominent large-scale coal enterprises operating in the region, including Pingshuo Coal Mine and Datong Coal Mine Group. In addition, the region has been actively pursuing the development of clean energy industries, resulting in the establishment of several wind power projects nearby.

3.4 Physiography and Climate

The projects area located in northern Shanxi Province, exhibits a complex physiography characterized by a series of mountain ranges, plateaus, and basins. The region is predominantly part of the Loess Plateau, with elevations ranging from approximately 1,000 to 1,800 meters above sea level. Key mountain ranges include the Wutai Mountains in the region, and the Taihang Mountains along the eastern border. The area also features several basins, such as the Shuozhou Basin, which contribute to the diverse topography. This varied landscape influences local climate patterns, hydrology, and human settlement distribution.

With regard to the climate, this area is of a continental monsoon-influenced semi-arid climate. Winters are long, cold, and very dry, with January average temperatures around -9.8°C (14°F). Summers are warm and slightly humid, with July averages near 21.9°C (71°F). Annual precipitation is approximately 399mm (15.7 inches), predominantly occurring between June and September. The region enjoys abundant sunshine, especially in winter, contributing to significant temperature variations between day and night.

Figure 3-2: Climate Conditions of the Projects Area



Source: https://www.meteoblue.com/

3.5 Mining License and Safety Production License

SRK relies on the information provided by Qinfa, and SRK did not conduct a legal due diligence review of the Projects since such work is outside the scope of SRK's technical review.

All five coal mines possess valid Mining Licenses and Safety Production Licenses, each with varying validity periods. Detailed information regarding the Mining Licenses and Safety Production Licenses for the five coal mines is presented in Table 3-1 and Table 3-2, respectively.

Table 3-1: Mining License for the Five Coal Mines

Project/ Company	Mining License	Issued To	Issued By	Issue Date	Renewal Date	Area (km^2)	Mining Method	Prod. Rate (*Mtpa*)
Xingtao	C14000020091012200038680	Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Co., Ltd	DoNR	14 Sep 2022	14 Sep 2034	4.2515	UG Mining	1.5
Fengxi	C14000020091012200038812	Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Co., Ltd	DoNR	24 Jan 2014	24 Jan 2034	2.4281	UG Mining	0.9
Chongsheng	C14000020091012200038704	Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Co., Ltd	DoNR	9 Dec 2022	14 Dec 2039	2.8809	UG Mining	0.9
Xinglong	C14000020091112200045955	Shanxi Xinzhou Shenchi County Xinglong Coal Co., Ltd	DoNR	30 Nov 2019	14 Jun 2034	4.0128	UG Mining	0.9
Hongyuan	C14000020130312201029035	Shanxi Xinzhou Shenchi County Hongyuan Coal Co., Ltd	DoNR	28 Dec 2020	13 Jul 2030	1.3235	UG Mining	0.9

Note: DoNR, Shanxi: Department of Natural Resources of Shanxi Province

Following Table 3-2 presents the Safety Production Licenses of the five coal mines.

Table 3-2: Safety Production License for the Five Coal Mines

Project/ Company	Safety Production Permit No.	Issued To	Issued By	Licensed Activity	Issue Date	Renewal Date
Xingtao	(Jin) MK (2023) FPLJ044DB2	Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Co., Ltd	DoEM, Shanxi	Coal Mining	29 Sept 2022	28 Sept 2025
Fengxi	(Jin) MK (2023) FPLJ035DY1	Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Co., Ltd	DoEM, Shanxi	Coal Mining	17 Aug 2023	16 Aug 2026
Chongsheng	(Jin) MK (2024) FPLJ031DB2	Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Co., Ltd	DoEM, Shanxi	Coal Mining	13 Jan 2023	12 Jan 2026
Xinglong	n/a	Shanxi Xinzhou Shenchi County Xinglong Coal Co., Ltd	DoEM, Shanxi	n/a	n/a	n/a
Hongyuan	n/a	Shanxi Xinzhou Shenchi County Hongyuan Coal Co., Ltd	DoEM, Shanxi	n/a	n/a	n/a

Note: DoEM, Shanxi: Department of Emergency Management of Shanxi Province

The vertical depth of the mining permits is at elevation from +1270 m ASL to +1000 m ASL for Xingtao, from +1270 m ASL to +1000 m ASL for Fengxi, and from +1240 m ASL to +1090 m ASL for Chongsheng, from +1680 m ASL to +1200 m ASL for Xinglong and from +1270 m ASL to +1000 m ASL for Hongyuan, respectively. These depths/elevations cover the permitted and designed mineable coal seams. The corner points indicated on each mining license are presented from Table 3-3 to Table 3-7.

Table 3-3: Corner Points Coordinates of the Xingtao Mining License

Inflection Points	X	Y	Inflection Points	X	Y
1	37,626,844.90	4,372,759.12	8	3,7630,594.95	4,371,859.09
2	37,629,594.93	4,372,759.10	9	3,7629,594.93	4,371,859.09
3	37,629,594.94	4,373,659.11	10	3,7629,594.93	4,371,759.09
4	37,630,079.95	4,373,559.11	11	3,7627,544.91	4,371,759.10
5	37,630,079.95	4,372,984.10	12	3,7627,169.93	4,371,459.10
6	37,630,769.96	4,372,659.10	13	3,7626,844.93	4,371,759.11
7	37,630,584.95	4,372,344.09			

Notes: Coordinate system: CGCS2000, 3-degree zone

Table 3-4: Corner Points Coordinates s of the Fengxi Mining License

Inflection Points	X	Y
1	37,626,029.29	4,375,953.02
2	37,627,649.31	4,375,953.01
3	37,627,649.31	4,375,053.00
4	37,627,479.31	4,375,053.00
5	37,627,479.31	4,373,952.99
6	37,626,529.29	4,373,952.99
7	37,626,529.30	4,374,953.00
8	37,626,279.29	4,374,953.01

Notes: Coordinate system: Xi'an1980, 3-degree zone

Table 3-5: Corner Points Coordinates of the Chongsheng Mining License

Inflection Points	X	Y	Inflection Points	X	Y
1	37,627,764.96	4,375,959.16	9	37,630,044.96	4,375,359.14
2	37,628,044.93	4,375,959.15	10	37,629,844.96	4,375,259.14
3	37,628,044.93	4,376,459.16	11	37,629,544.94	4,375,059.14
4	37,628,700.94	4,376,459.16	12	37,628,924.94	4,375,059.14
5	37,628,700.94	4,376,385.16	13	37,628,924.94	4,374,959.14
6	37,628,824.94	4,376,385.16	14	37,628,644.93	4,374,959.14
7	37,628,824.94	4,376,459.16	15	37,628,644.93	4,375,059.14
8	37,629,844.95	4,376,459.15	16	37,627,764.96	4,375,059.16

Notes: Coordinate system: CGCS2000, 3-degree zone

Table 3-6: Corner Points Coordinates of the Xinglong Mining License

Inflexion Points	Easting	Northing	Inflexion Points	Easting	Northing
1	37,607,729.22	4,326,952.53	7	37,607,929.22	4,324,352.52
2	37,608,566.23	4,326,952.53	8	37,607,929.22	4,324,832.53
3	37,609,429.23	4,325,452.53	9	37,607,510.22	4,325,378.53
4	37,609,429.23	4,324,452.52	10	37,607,379.22	4,325,952.53
5	37,609,179.23	4,324,452.52	11	37,607,379.22	4,326,502.53
6	37,609,179.22	4,324,352.52	12	37,607,729.22	4,326,502.53

Note: Coordinate system, Xi'an 80, 3 degree zone

Table 3-7: Corner Points Coordinates of the Hongyuan Mining License

Inflexion Points	Easting	Northing	Inflexion Points	Easting	Northing
1	37,610,544.739	4,328,218.757	8	37,609,956.221	4,327,601.192
2	37,610,414.939	4,328,147.938	9	37,609,804.253	4,327,532.820
3	37,610,434.270	4,327,853.028	10	37,609,730.459	4,327,439.962
4	37,610,038.085	4,327,827.060	11	37,609,682.526	4,327,478.057
5	37,609,955.658	4,327,723.341	12	37,609,153.511	4,327,240.053
6	37,609,973.105	4,327,609.997	13	37,608,874.796	4,327,033.672
7	37,609,953.163	4,327,607.989	14	37,609,274.742	4,326,708.528
			15	37,610,544.742	4,326,708.529

Note: Coordinate system, CGCS2000, 3 degree zone

4 GEOLOGICAL SETTING AND MINERALISATION

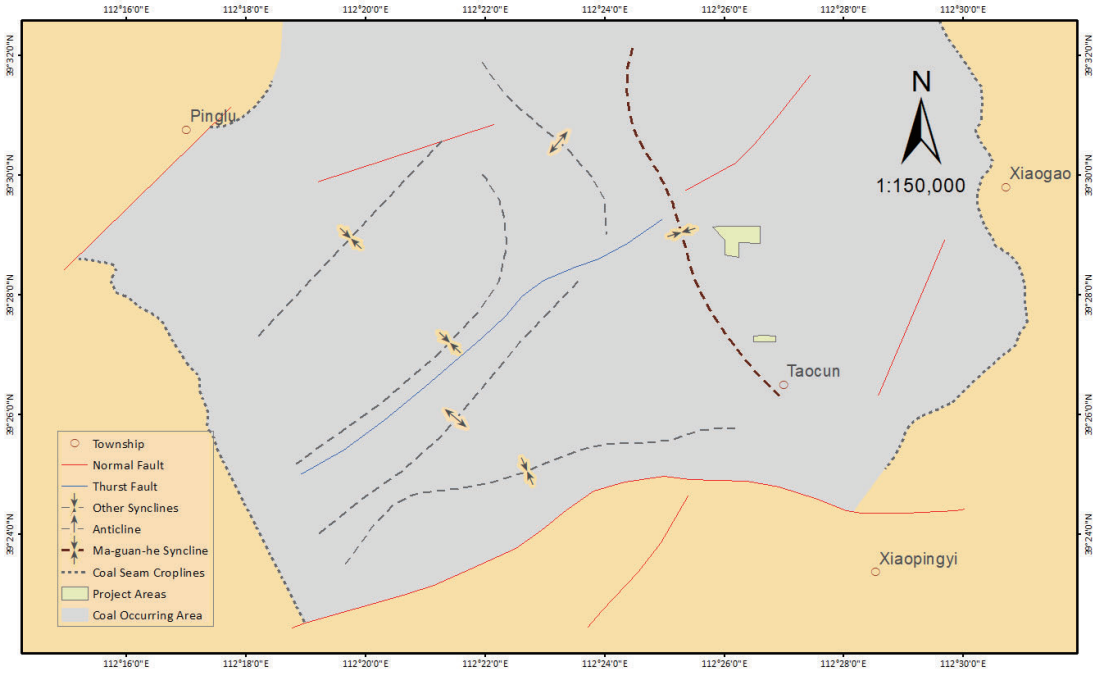
4.1 Regional Geology

The Shuozhou Projects

The Xingtao, Fengxi and Chongsheng mine area is situated within the Pingshuo Coalfield, which constitutes the northern sector of the Ningwu Coal Deposit in Shanxi Province. The Ningwu Coal Deposit contains coal seams within both the Carboniferous-Permian and Jurassic systems; however, the northern sector, encompassing the Pingshuo Coalfield, hosts only Carboniferous-Permian coal seams.

The stratigraphic sequence within the Pingshuo coal mining zone is primarily composed of Ordovician, Late Carboniferous, and Permian sedimentary rocks, overlain by Neogene and Quaternary superficial deposits. Coal seams of economic significance are hosted within the Late Carboniferous and Permian strata. The Ordovician limestone strata constitute the geological basement of the coalfield. The structural framework of the coalfield's sedimentary strata is predominantly defined by the Ma-guan-he Syncline, a broad, gently plunging regional syncline extending approximately 20 km along a northwest-southeast (NW-SE) trend. Across the coalfield, the dip angles on the flanks of the syncline are generally less than 10 degrees. A series of minor folds and faults with northeast-southwest (NE-SW) axial trends are predominantly developed on the western limb of the syncline. The three mining operations are situated on the eastern limb of the Ma-guan-he Syncline. Figure 4-1 illustrates the principal structural elements of the Pingshuo Coalfield and the location of the project area.

Figure 4-1: Tectonic and Geological Setting of the Xingtao, Fengxi and Chongsheng Mine Area



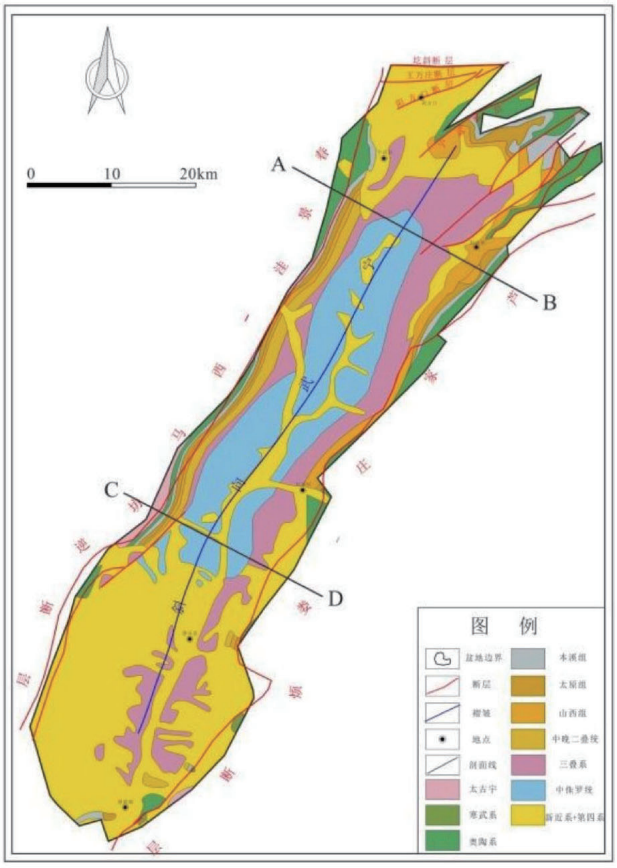
The Shenchi Projects

The Xinglong and Hongyuan projects area is geologically situated in the north-central portion of the Ningwu Coal Deposit, Shanxi Province. The Ningwu Coal Deposit contains multiple developed coal seams within the Carboniferous-Permian and Jurassic systems; however, the northern sector is characterized by the presence of only Carboniferous-Permian coal seams.

The stratigraphic sequence within this area of the Ningwu Coal Deposit primarily comprises Ordovician, Late Carboniferous, and Permian sedimentary rocks, overlain by Neogene and Quaternary superficial deposits. Economically significant coal seams are hosted within the Late Carboniferous and Permian strata. The Ordovician limestone strata constitute the geological basement of the coal deposit.

The structural framework of the coal deposit's sedimentary strata is predominantly defined by the Ningwu Syncline, a broad, gently plunging regional syncline extending for over 100 km along a northeast-southwest (NE-SW) trend throughout the deposit. The Hongyuan and Xinglong mines are both situated on the western limb of the Ningwu Syncline, with the Xinglong mine located in the southwestern proximity of the Hongyuan mine. Figure 4-2 presents a map illustrating the principal structural features within the northern sector of the Ningwu Coal Deposit.

Figure 4-2: Tectonic and Geological Setting of the Xinglong and Hongyuan Mine Area



4.2 Project Geology

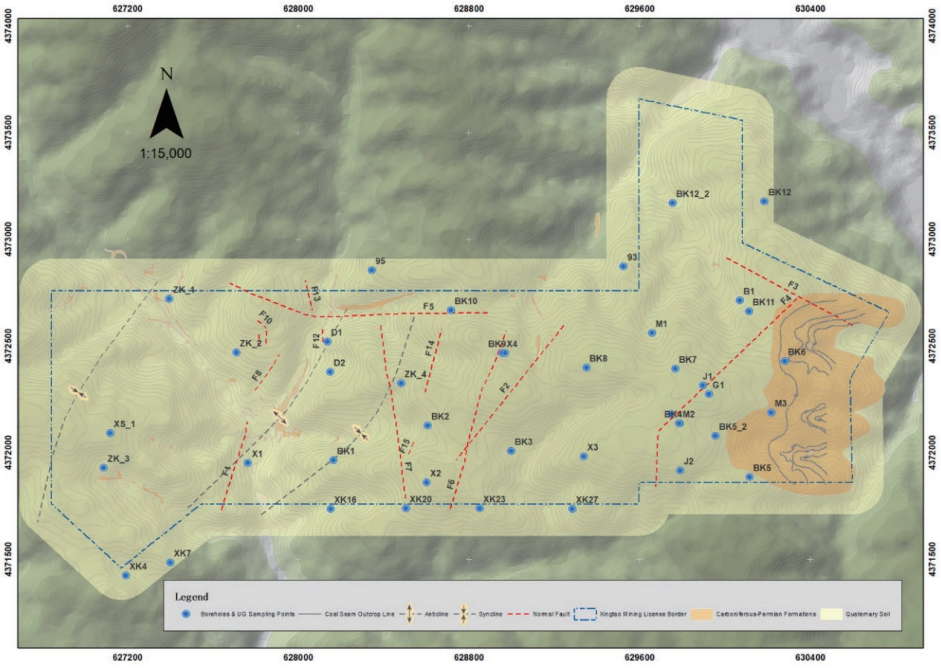
4.2.1 Stratigraphy and Geological Structure

The Shuozhou Projects

The three coal mines of the Shuozhou Projects are situated within a contiguous geological unit. The sedimentary sequence encountered across these three mines is consistent with the regional stratigraphy of the Pingshuo Coalfield, as detailed in Section 5.1. This sequence comprises the following formations: the Ordovician Shangmajiagou Formation (O_1s), the Carboniferous Benxi Formation (C_2b), the Taiyuan Formation (C_3t), the Permian Shanxi Formation (P_1s), and the Permian Shihezi Formation (P_1x), overlain by Quaternary soils. The Taiyuan Formation is identified as the primary coal-bearing unit, with coal seams exhibiting mineable potential. Based on the geological map provided by the Client, the surface geology across the three mining areas is characterized by Quaternary Loess deposits.

The stratigraphy of the Xingtao Mine is generally influenced by gentle folding, resulting in a predominantly sub-horizontal disposition of the strata. Within the mine area, the dip angle of the strata is typically less than 10 degrees, with a general westerly dip direction. Based on the geological map provided by the Client, coal seams outcrop in the eastern valley area within the mining license boundary. 15 faults have been identified throughout the underground mining operation in the mine. All of these faults are normal and have a vertical displacement ranging from 0.6 m to 30 m.

Figure 4-3: Surface Geological Map of the Xingtao Mine

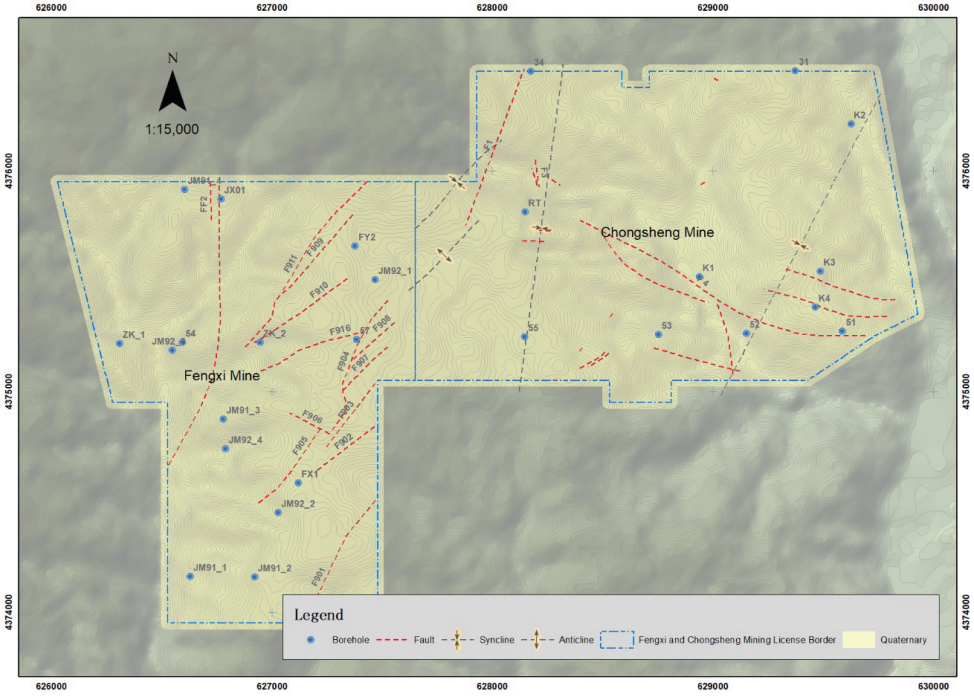


Source: adjusted from the geological map of the 2017 Production Geological Report of Xingtao Mine

Given the shared common boundary between the Fengxi and Chongsheng mines, the two mining areas can be considered as a single geological domain for the purpose of describing the overall stratigraphy and geological structure. The stratigraphy within this domain is generally characterized by gentle folding, resulting in a predominantly sub-horizontal attitude of the strata. In the Fengxi mine, the dip angle of the strata typically ranges between 2 and 8 degrees, with a general dip towards the southeast. Conversely, the structural dip within the Chongsheng mine is influenced by several gentle folds, which control the local dip directions.

Historical underground mining operations have delineated a total of 63 faults within the Fengxi mine and 49 faults within the Chongsheng mine. The majority of these faults exhibit vertical displacements ranging from 0 m to 3 m and are considered to have negligible impact on mining operations. Eighteen faults have been identified with a displacement exceeding 3 m.

Figure 4-4: Simplified Surface Geological Map of the Fengxi and Chongsheng Mine



Source: adjusted from the geological map of the 2017 Production Geological Report of Fengxi and Chongsheng Mine

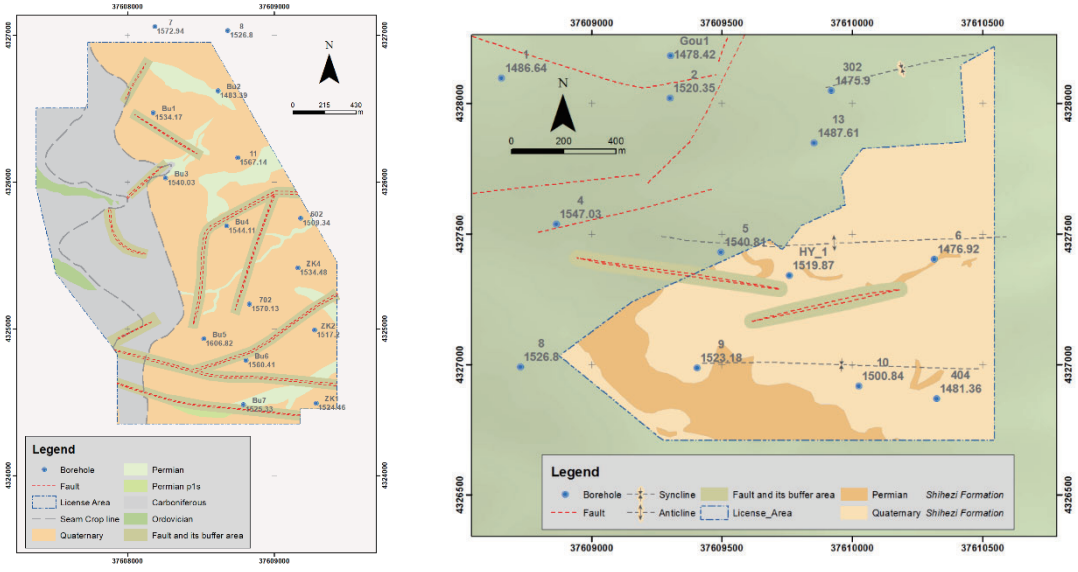
The Shenchi Projects

The sedimentary formations occurring within the Xinglong and Hongyuan deposit consist of Ordovician Shangmajiagou Formation (O_1s), Carboniferous Benxi Formation (C_2b) and Taiyuan Formation (C_3t), Permian Shanxi Formation (P_1s), Xiashihezi Formation (P_1x) and Shangshihezi Formation (P_1s), sedimentary rocks, and Quaternary soils. The Taiyuan is the major coal-bearing formation and contains coal seams that have been identified as having mineable potential.

The ground surface within the Xinglong Project area is predominantly covered by Quaternary Loess, with coal seams outcropping in the western portion of the project area. The stratigraphy of the project area is primarily controlled by a monoclinal structure, with strata dipping gently to the east at angles ranging from 7° to 23°. Ten faults have been identified and interpreted within the Xinglong Project area. These are considered to be normal faults with vertical displacements ranging from 5 m to 100 m.

Within the Hongyuan Mine area, no coal seams or bedrock exposures have been observed at the surface. The regional stratigraphy is primarily influenced by a monocline dipping to the east. Within the project area, the strata are further affected by an anticline and a syncline with east-west axial trends. The dip angle of the strata within the permit area ranges from 4° to 10°. Historical underground mining and exploration activities have identified four faults within the Hongyuan Project area, all of which are interpreted as normal faults. Two of these faults exhibit vertical displacements exceeding 10 m.

Figure 4-5: Simplified Surface Geological Map of the Xinglong and Hongyuan Mine



4.2.2 Coal Seam Characteristics

Coal Seam Thickness and Structure

Historical exploration drilling within the Xingtao mine has intersected and correlated a total of seven coal seams. These coal seams are encountered at depths ranging from approximately 0 m to 300 m below the surface within the mining license area. The characteristics of each coal seam are detailed in Table 4-1. It should be noted that Seams 4-1 and 4-2 represent the upper seams, which have been previously extracted and are included herein for comparative purposes only. Five coal seams have been identified as possessing mineable potential: Seams 4-1, 4-2, 9-1, 9-2, and 11. Of these, Seams 4-1, 4-2, 9-1, 9-2, and 11 are consistently well-developed throughout the mine area.

Four Seams have been intersected and correlated within Fengxi and Chongsheng mines with mineable potential: Seam 4, Seam 9-1, Seam 9-2, and Seam 11. These coal seams are encountered at approximate depths ranging from 80 m to 270 m below the surface within the Fengxi mining license area, and from 100 m to 200 m below the surface within the Chongsheng mine area. The characteristics of each coal seam for these two mines are detailed in Table 4-1 as follows.

Table 4-1: Coal Seam Structure Profile of Xingtao, Fengxi and Chongsheng Mines

Coal Mine	Seam ID	Thickness Range (avg.) *(m)*	Parting Numbers	Avg. Parting Thickness *(m)*	Avg. Interburden *(m)*	Roof/Floor Lithology
Xingtao	4-1	2.2-13.0 (8.0)	0-9	0.5	n/a	Mudstone
	4-2	2.7-6.1 (5.0)	0-3	0.3	4.5	Mudstone, Siltstone
	8	0.7-2.3 (1.2)	0	0	11.9	Mudstone, Siltstone
	9-1	1.2-16.2 (8.1)	1-6	0.4	2.9	Mudstone, Siltstone
	9-2	0.0-9.5 (4.2)	2-3	0.5	8.6	Mudstone, Siltstone
	10	0.3-5.6(9.96)	0-3	0.2	6.3	Siltstone
	11	0.5-5.5 (3.4)	0-5	0.3	4.4	Mudstone
Fengxi	4	11.3-15.9(13.3)	3-16	0.6	na	Siltstone
	9-1	5.0-8.5 (6.8)	2-6	0.5	32.3	Sandstone/siltstone
	9-2	5.5-6.5 (5.8)	3-6	0.5	8.8	Sandstone/siltstone
	11	1.9-5.2 (4.2)	1-5	0.4	4.8	Mudstone/sandstone
Chongsheng	4	13.7-19.8(16.2)	4-16	0.6	na	Siltstone/mudstone
	9-1	6.7-9.5 (7.9)	0-5	0.4	20.0	Sandstone/siltstone
	9-2	4.1-6.14 (5.2)	2-9	0.5	6.2	Sandstone/mudstone
	11	0.5-5.9 (2.0)	0-2	0.3	8.4	Mudstone

Historical exploration within the Xinglong Project area has identified and correlated two coal seams with mineable potential: Seam 2 and Seam 5. Both of these coal seams exhibit consistent development throughout the project area and are encountered at approximate depths ranging from 0 m to 305 m below the surface. For the Hongyuan mine, historical exploration within the Hongyuan deposit has intersected and correlated a total of three coal seams with mineable potential: Seams 2, 5, and 6. Seams 2 and 5 are well-developed throughout the mine area, while Seam 6 exhibits a gradual increase in thickness from the periphery towards the central portion of the mine area. These coal seams occur at approximate depths ranging from 0 m to 280 m below the surface.

Table 4-2: Coal Seam Structure Profile of Xinglong and Chongsheng Mines

Coal Mine	Seam ID	Seam Thickness Range (average) *(m)*	Parting Numbers	Average Parting Thickness *(m)*	Average Interburden *(m)*	Roof/Floor Lithology
Xinglong	2	0.8-4.8 (3.1)	0-3	0.2	n/a	Mudstone
	5	4.4-15.6 (10.5)	0-4	0.5	57.2	Mudstone, Sandstone, Siltstone
Hongyuan	2	1.0-6.7 (3.9)	0-1	0.03	n/a	Sandstone, Mudstone
	5	4.4-14.0 (9.6)	0-1	0.12	64.5	Mudstone, Siltstone
	6	0-3.2 (1.4)	0	0	4.5	Mudstone, Siltstone

Coal Quality and Properties

All coal seams encountered within all the five mines are generally classified as high volatile B to C bituminous coal according to ASTM D388 (Standard Classification of Coals by Rank). The coal occurred in the three mines of Shuozhou Project, according to the Chinese standard GB/T 5751-2009 (Classification of Coals), all seams are generally categorized as bituminous CY coal. The two mines of Shenchi is classified as QM according to Chinese standard.

The quality analyses of coal core samples from the three mines indicate low inherent moisture, medium to high ash content, low concentrations of deleterious elements, non-caking properties, high volatile matter, and medium to high calorific value. Total sulfur content varies between seams, with Seam 4-1 exhibiting low sulfur content, Seam 4-2 exhibiting medium sulfur content, and the remaining seams generally exhibiting medium to high sulfur content. The composite quality of individual coal interval samples, presented on a seam-by-seam basis, is detailed in Table 9. The coal extracted from each seam is suitable for use as thermal coal, primarily for power generation.

The analytical results of coal samples collected from historical explorations at Xinglong Mine indicate the following characteristics: Seam 2 exhibits high ash content, medium sulfur content, and medium calorific value; Seam 5 exhibits low ash content, medium to high sulfur content, and high calorific value. For the Hongyuan Mine, the analytical results of coal samples from historical explorations show the following: Coal Seam 2 presents high ash content and low to medium calorific value; Coal Seam 5 and Coal Seam 6 both exhibit high ash content and low to medium calorific value.

Table 4-3: Typical Coal Quality as per Seam – Five Mines (composited coal interval)

Coal Mine	Coal Seam	Inherent Moisture *(ad, %)*	Ash Content *(ad, %)*	Volatile Matter *(ad, %)*	Fixed Carbon *(ad, %)*	Total Sulphur *(ad, %)*	Calorific Value *(gr, ad, kCal/kg)*
Xingtao	4-1	3.5	24.6	28.6	43.3	0.59	5,572
	4-2	2.2	31.2	27.8	38.8	1.15	4,918
	8	2.2	24.0	31.2	42.6	2.95	5,679
	9-1	2.3	27.6	29.3	40.8	1.56	5,327
	9-2	2.1	25.4	30.7	41.8	2.03	5,456
	10	2.4	31.5	28.1	32.0	1.75	5,012
	11	2.2	31.6	27.4	38.8	1.70	4,927
Fengxi	4	2.8	34.5	25.1	37.6	0.45	4,650
	9-1	2.8	23.7	31.5	42.0	1.58	5,702
	9-2	2.6	24.7	30.5	42.2	1.64	5,580
	11	2.4	30.6	26.7	40.3	1.68	5,050
Chongsheng	4	2.2	25.5	30.6	41.7	0.45	5,542
	9-1	1.9	28.5	31.1	38.5	2.26	5,219
	9-2	1.9	24.2	32.6	41.3	2.87	5,647
	11	2.6	30.7	30.9	35.8	2.73	5,084
Xinglong	2	0.5	30.6	40.5	28.4	1.42	5,160
	5	1.2	13.3	34.2	51.3	1.83	6,510
Hongyuan	2	3.5	28.7	40.8	27.0	0.7	5,180
	5	1.9	31.9	37.7	28.5	1.5	4,920
	6	1.1	38.7	39.5	20.7	2.6	4,960

5 EXPLORATION

SRK was not involved in any of the historical exploration activities at the five mines. The information presented in this Section is derived from previous exploration results and relevant geological reports, supplemented by discussions with China Qinfa Group Limited's (Qinfa's) technical team during a site visit conducted by SRK from April 22 to April 25, 2025. The exploration-related information described herein is based on the following documents:

- Remaining Reserve Verification Report of Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Co., Ltd prepared by Shanxi Dibao Energy Co., Ltd. ("**SXDB Energy**") in October 2020;
- Remaining Reserve Verification Report of Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Co., Ltd prepared by Shanxi Dibao Energy Co., Ltd. in October 2020;
- Remaining Reserve Verification Report of Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Co., Ltd prepared by Shanxi Dibao Energy Co., Ltd. in October 2020;
- Production Geological Report of Xingtao Mine, prepared by Shanxi Dibao Energy Co., Ltd. in January 2017;
- Supplementary Exploration Report of Xingtao Mine, prepared by Shanxi Dibao Energy Co., Ltd. in August 2020;
- Production Geological Report of Fengxi Mine, prepared by Shanxi Dibao Energy Co., Ltd. in October 2019; and
- Production Geological Report of Chongsheng Mine, prepared by Shanxi Dibao Energy Co., Ltd. in April 2017.
- Geological Report on Coal Mine Merge and Restructure of Shanxi Xinzhou Shenchi Xinglong Coal Co., Ltd., prepared by Shanxi Keruitong Industrial Co., Ltd in June 2012
- Remaining Reserve Verification Report of Shanxi Xinzhou Shenchi Xinglong Coal Co., Ltd.; prepared by Shanxi Keruitong Industrial Co., Ltd in September 2012, and
- Geological Report of Shanxi Xinzhou Shenchi Hongyuan Coal Co., Ltd, prepared by Shanxi Dibao Energy Co., Ltd in December 2018.

Historical exploration and sampling programs were conducted across the projects, including those undertaken in the 1950s, 1960s, 2000s, and 2010s. The subsequent discussion of previous exploration work has been compiled based on the aforementioned historical geological reports for each project.

5.1 Exploration History

Xingtao Mine

In 1954, the geological team of the North China Coal Geological Exploration Bureau conducted 1:50,000 scale geological mapping in the southern Datong coalfield, completing nine exploration boreholes with a total depth of 745 m. This work culminated in the submission of the "General Geological Report on the Southern Coalfield of Datong" in the same year. Also in 1954, the sampling team of the Datong Mining Bureau collected coal seam samples from operating mines in Pinglu County for laboratory analysis. This work provided an initial understanding of coal type distribution in the region, laying the groundwork for future geological explorations. It is noted that all boreholes associated with this program were located outside the current license area.

Between 1965 and 1966, Brigade No. 115 of the Shanxi Coal Geological Bureau undertook a geological exploration program in the area. This resulted in the "Geological Report on the General Exploration Area of Maguan River East in Pinglu Shuo County Mining Area of Daning Coalfield," which was subsequently reviewed and approved by the Shanxi Coal Industry Administration in August 1969. This general exploration covered an area of 136 km^2, involving the completion of 29 boreholes with a total drilled depth of 6,868.05 m. Borehole spacing ranged from 1,000 m to 1,500 m. A topographic and geological map at a scale of 1:25,000 was also produced. The report did not utilize data from the boreholes drilled during this exploration.

Two boreholes (ID 93 and 95), totaling 498.09 m, were drilled in the northern vicinity of the Xingtao Coal license area. These were cored boreholes with downhole geophysical surveys conducted.

In August 2004, Brigade No. 115 of the Shanxi Coal Geological Bureau conducted a drilling program within the mine area, completing four fully cored boreholes (X1, X2, X3, and X4) with a total depth of 1,897.41 m. This program included the drilling of one hydrological borehole (X1) to a depth of 501.8 m, which intersected 265.56 m of Ordovician limestone. Pumping tests were conducted within both the coal-bearing formation and the Ordovician limestone formation. A "Geological Report on the Exploration of Xingtao Coal Mine in Shuozhou City, Ningwu Coalfield, Shanxi Province" was subsequently prepared, submitted, reviewed, and recorded by relevant authorities.

In August 2010, the First Hydrogeological Team of the China Coal Geology Administration completed one hydrogeological drilling hole (XT1) to a depth of 231.00 m. Single-layer water injection testing was performed in the Shanxi Formation (P_1s), and pumping tests were conducted in both the Shanxi and Taiyuan Formations (P_1s+C_3t). The borehole underwent downhole geophysical surveying, and 27 samples were collected. The data from this borehole was not used in this Report due to data unavailability.

From May 2013 to August 2013, the Shanxi Coal Geological and Hydrological Survey Research Institute conducted a supplementary hydrogeological survey of the Xingtao Coal Mine, covering a total area of 20 km^2. This included the completion of one hydrogeological drilling hole (XS-1) to a depth of 627.10 m, and the collection and analysis of seven water samples.

In December 2013, the Daheng Coal Mine, located south of the Xingtao Mine, commissioned Shandong Taishan Geological Exploration Company No. 4 Engineering Division to conduct supplementary exploration targeting the lower coal group (Seams 9-1, 9-2, and 11). This program involved the drilling of 25 boreholes (XK1-XK23, XK26, XK27), with six of these (XK4, XK7, XK16, XK20, XK23, XK27) located near the Xingtao Mine boundary.

From October 11, 2016, to January 2, 2017, the Xingtao Coal Mine commissioned Shanxi Dibao Energy Co., Ltd. to drill four boreholes (ZK-1, ZK-2, ZK-3, ZK-4) within the license area. Borehole ZK-4 was drilled underground from a roadway in the 4-2 coal seam. A total of 813.64 m was drilled, and all boreholes underwent geological surveying. A total of 800.55 m of core was recovered, representing a core recovery rate of 98.39%. All drill holes were accepted and graded according to the "Coal Geological Exploration Drilling Quality Standard" (MT/T1042-2007), with all four boreholes achieving a Class B grade. The "Coal Mine Production Geology Report of Huameiao Xingtao Coal Mine in Pinglu District, Shuozhou, Shanxi" was compiled and submitted in January 2017.

From August 30, 2019, to June 28, 2020, the Client commissioned Shanxi Dibao Energy Co., Ltd. to drill 15 boreholes (BK1-BK9, K10, BK11, BK12, BK4-2, BK5-2, BK12-2) within the mine area, resulting in a total of 3,824.74 m drilled. Borehole BK4 was not surveyed due to drilling issues, and BK12-2 was not surveyed due to land use constraints. The remaining 13 boreholes underwent downhole geophysical surveying, totaling 3,165.90 m. All boreholes were accepted and graded according to the Industry Standard "MT/T1042-2007", with one Class A hole, 12 Class B holes, and two Class C holes. The "Supplementary Exploration Geological Report of Huameiao Xingtao Coal Mine in Pinglu District, Shuozhou, Shanxi" was prepared in August 2020.

Fengxi Mine

Between 1965 and 1966, Brigade No. 115 of the Geological Exploration Bureau of the Shanxi Coal Industry Administration conducted a general exploration program across a 136 km area that included the Fengxi mine. The resulting "Geological Report on the General Exploration Area of Maguan River East in the Pinglu-Shuo County Mining Area of Daning Coalfield, Shanxi Province" was submitted in December 1966. This program involved the completion of 29 boreholes with a total drilled depth of 6,868.05 m, of which two boreholes (No. 54 and 57) were located within the current mining license. According to the Industry Standard "MT/T1042-2007", the drilling and logging quality of both boreholes was classified as Class A, and their overall quality was also Class A. Borehole 54 was interpreted to have intersected five coal seams with mineable potential, while Borehole 57 intersected seven such seams.

In August 2009, Brigade No. 185 of the Shaanxi Coal Geological Bureau completed borehole ZK-1 within the mine area to a depth of 198.00 m, achieving a core recovery of 95.5% with 189.10 m of core retrieved.

Between January 2013 and April 2014, Taiyuan Wenfeng Technology Development Co. Ltd. drilled five boreholes (FX1, FY2, JX01, ZK-2, BK3) within the license area. This program included one underground borehole and one hydrological borehole, with a total drilling depth of 1,163.55 m and a total core recovery of 1,139.15 m, representing a core recovery rate of 97.9%.

Chongsheng Mine

Between 1965 and 1966, Brigade No. 115 of the Shanxi Coal Geological Bureau conducted geological exploration work in the area, resulting in the submission of the "Geological Report on the General Exploration Area of Maguan River East in Pinglu Shuo County Mining Area of Daning Coalfield." A total of seven boreholes (ID 51, 52, 53, 55, 57, 31, and 34) were drilled both within and surrounding the Chongsheng Coal Mine, totaling 1,395.20 m. Due to the age of this exploration program, information regarding borehole cementing is not available.

From May 2009 to August 25, 2009, Brigade No. 185 of the Shanxi Coal Geological Bureau, commissioned by Beijing Luneng Coal Co., Ltd., conducted verification exploration on the former Shi'ergou coal mining area. This program involved the drilling of four boreholes (ID K1, K2, K3, and K4), totaling 439.4 m. All boreholes were cored, and both geological and geophysical logs were acquired. Additionally, data from a shaft checking borehole was utilized in the geological modelling of the Chongsheng Mine.

In addition to the boreholes drilled for each mine, underground sampling points were also utilized in the reporting. Specifically, nine underground samples were collected for the Xingtao Mine, and eight underground samples were collected for the Fengxi Mine.

Xinglong and Hongyuan

From 1958 to 1959, the No. 143 Brigade of the Shanxi Coal Geological Bureau conducted a general exploration of the Ningwu-Yangfangkou coalfield, culminating in the "Report on the General Survey of the Yangfangkou Coal Field in Ningwu County, Shanxi Province." This program included the drilling of seven boreholes, with three located within the current Hongyuan Project area and two within the Xinglong Project area. Coal quality analytical results are available for these boreholes.

Between 1969 and 1970, the Shanxi Provincial Coal Geological Exploration Team (later integrated into No. 115 Brigade) carried out geological exploration in the Dugou prospecting area. This exploration program involved the drilling of 15 boreholes with a total depth of 3,429.63 m, resulting in the "Geological Report of the Dugou deposit in Shenchi County, Xin County Special Zone." These 15 boreholes were distributed across the Hongyuan and Xinglong Project areas.

From March 2012 to October 2012, in response to government requirements for coal mine merging and restructuring, seven infill boreholes were drilled within the Xinglong Project area. This exploration program achieved a total drilled depth of 1,221.37 m and 1,141.60 m of downhole geophysical logging.

In April 2012, Shanxi Keruitong Industrial Co., Ltd. drilled one borehole (HY-1) within the Hongyuan Project area. Downhole geophysical logging and coal core sampling were conducted on this borehole. A geological report on coal mine integration was subsequently submitted to the local government in June of the same year.

Further geological and mining-related information is available, including structural data from local village small coal mines, coal quality data, and records of gas and water inflow into the mines. This information, along with geological reports, review comments, and resource record certificates, was prepared by the relevant geological exploration institution for the coal mines in 2006.

5.2 Sampling, Sample Preparation and Analyses

5.2.1 Coal Handling, Sampling, and Analysis

SRK has not been involved in any work relating to the sample preparation, security, or analysis of samples for the five projects. However, the sampling procedures for each drilling program after the 1980s should follow the Chinese Standard, 1987-656, "Standard Practice for Collection of Coal Samples in Coal Resources Exploration." The collection of coal samples from retrieved cores was handled according to the following conditions:

- Sampling was carried out based on the thickness of the intersected coal seam;
- Intra-seam partings less than 10 cm were included in the coal samples;
- Intra-seam partings greater than 10 cm were excluded from the coal sample; and
- The maximum coal sample interval was 3 m for the thick coal seams.

The analytical items and standards applied for the five coal mines are shown in Table 5-1.

Table 5-1: Major Analytical Items and Standards

Analytical Items		Basis	Standard
	Total Sulphur	Air-dried basis	GB/T 214-2007
	Gross Calorific Value	Air-dried basis	GB/T 213-2008
	True Relative Density	Air-dried basis	GB/T 217-1996
	Apparent Relative Density	None	GT/T 6949-1998
	Ash Fusion Temperatures	Air-dried basis	GB/T 219-2008
Proximate Analysis	Inherent Moisture	Air-dried basis	GB/T 212-2008
	Volatile Matter	Air-dried basis	GB/T 212-2008
	Ash Content	Air-dried basis	GB/T 212-2008
	Fixed Carbon	Air-dried basis	GB/T 212-2008
Coal Seam Gas	Gas Content	None	GB/T 23249-2009
	Initial Velocity Index of Diffusion	None	AQ 1080-2009
	Gas Pressure Test	None	AQ 1047-2007
	High-pressure Adsorption Isothermal Test	None	GB/T19560-2004

In general, SRK considers that the data acquired from the explorations are sufficient to conduct JORC Coal Resource estimation and reporting.

5.2.2 Quality Assurance and Quality Control

SRK has not been involved in quality assurance protocols for exploration activities conducted prior to the 2000s, and therefore cannot comment on their implementation. Exploration programs undertaken at the five mines between 2000 and 2019 were reportedly implemented in accordance with the "Coal Geological Exploration Drilling Quality Standard" (MT/T1042-2007). Boreholes drilled during this period were typically cored and included downhole geophysical surveys. Coal samples were reportedly collected following the principles outlined in Chinese Standard regarding the collection of coal samples for resource exploration. Coal core recovery rates for these explorations generally ranged from 80% to 100%, which, in conjunction with downhole geophysical surveys, facilitated coal seam determination. The acquired coal seam data is considered to meet the minimum requirements for coal resource estimation. Boreholes drilled from the 2000s onwards had their collar coordinates surveyed using either total station or static GPS surveying equipment, adopting the Beijing 1954 and Xi'an 1980 datums. These collar coordinates were subsequently transformed to the coordinate system specified on each mining license for the five mines. The accuracy of the surveying procedures is reported to meet the requirements of relevant Chinese standards.

6 BOREHOLE DATABASE AND MODELLING

6.1 Resource Database

This section outlines the data verification procedures undertaken by SRK to validate the coal seam data provided by the Client from historical exploration activities.

The initial step involved the consolidation of all available exploration data into a comprehensive borehole database utilizing Geovia Minex 6.1.3 modelling software. Subsequently, the coal seam data underwent a systematic verification process, which included borehole filtration as deemed necessary. The following data checks were performed:

- Collar Data Verification: Collar coordinates were verified against topographical data to identify and rectify any anomalous elevation values. Particular attention was paid to ensuring the consistency of coordinate systems across different exploration programs. In general, the collar data was found to be consistent with the topographic information. Where discrepancies in coordinate systems were identified, borehole coordinates were transformed to align with the system utilized in the corresponding mining permits.

- Seam Interval Verification: Seam intervals (seam picks) provided by the Client were cross-referenced with downhole geophysical profiles and geological core logs. Any inconsistencies identified were adjusted to conform to the downhole geophysical interpretations. This verification process demonstrated a high degree of consistency between the Client-provided seam intervals and the geophysical/geological core logs.

- Seam Correlation Review: A review of seam correlations, based on interpretations presented in historical geological reports, was conducted. Any anomalous correlations were subject to further scrutiny and correction as required.

- Coal Quality Data Integration: Coal quality analytical results were imported into the modelling software and checked for any mismatches between seam intervals and coal quality sample intervals.

For the Xingtao, Fengxi, and Chongsheng mines, the seam structure modeling, which formed the basis of volume estimation, utilized data from a verification process. This process approved 32 boreholes and nine underground (UG) sampling points for Xingtao mine, eight boreholes and eight UG sampling points for Fengxi mine, and 12 boreholes for Chongsheng mine. Subsequently, coal quality models were created in Minex software using analytical results from 129 coal core samples for Xingtao Mine, 98 for Fengxi Mine, and 39 for Chongsheng Mine. A verification within Minex confirmed a high consistency between sample intervals and corresponding seam intervals.

Similarly, for the Xinglong and Hongyuan mines, the verification process deemed 15 boreholes for the Xinglong project and 14 boreholes for the Hongyuan project suitable for seam structure modeling and volume estimation. All sample data from these mines were imported into Minex software to develop the quality model. A check of sample intervals against seam intervals in Minex also demonstrated a high level of consistency.

6.2 Modelling Method

This update reflects the geological model developed in January 2025. This model for the Chongsheng Mine was constructed using a borehole database comprising twelve boreholes, integrated within Geovia Minex 6.1.3 software. The methodology employed for dataset preparation and geological model creation is detailed below:

Dataset Preparation and Validation: Imported coal seam intervals (picks) were subjected to visual review in a borehole-column-profile view to ensure accurate correlation of coal seams across the dataset. Imported sample intervals were cross-validated against their corresponding seam intervals, and any identified discrepancies were rectified to ensure data integrity.

Data Compositing: Coal quality variables, with the exception of relative density, were composited using a mass-weighted averaging technique. This method utilized the corresponding thickness and density values for each sample interval. Relative density was composited using a volume-weighted averaging technique.

Interpolation and Extrapolation of Seam Geometry: The Minex "set-missing-seams" tool was utilized to estimate the spatial positions of seam floors where direct data was absent. For instances where seams were interpreted to be absent below the borehole collar or above the end-of-hole depth, a thickness of zero was assigned. This tool was also employed to interpolate the thickness and position of coal seams in areas extending beyond the drilled depths or above the collar elevations.

Grid Model Generation: The "Multi-Seam Multi-Variable Gridding" tool within the Minex software package was used to generate a series of grid models. These grids represent key geological parameters, including seam floor elevations, seam thicknesses, interburden thicknesses between seams, and the spatial distribution of coal quality variables.

7 COAL RESOURCE ESTIMATES

7.1 Introduction

The Coal Resource Statement presented herein represents Coal Resource estimation prepared for the five coal mines in accordance with the JORC Code 2012.

The effective date of the Coal Resource statement is 31 December 2024.

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

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

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

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

The process of estimating and reporting coal resources typically involves the following stages:

Geological Data Processing and Modelling

- Process coal seam structure and quality data.
- Correlate coal seams and interpret geological structures.
- Generate a coal seam model for resource estimation.

Resource Classification

- Classify estimated resources as Measured, Indicated, or Inferred based on geological confidence levels.
- Confidence levels are determined by factors such as coal seam consistency, geological complexity, and potential impacts on economic extraction.

Area Deductions and Identification

- Deduct mined-out or sterilized areas (not economically viable).
- Identify areas with thin coal seams or poor quality.
- Apply minimum thickness and quality limits ("**cut-offs**") to the resource model for estimation.

Reporting (JORC Code Compliant)

- Report estimated resources in accordance with the JORC Code.
- Include both quantity (tonnage) and key coal quality variables in the report.

7.2 Material Assumptions

The resource estimates for the five coal mines were prepared based on data provided by the Company. The estimations were spatially constrained both horizontally and vertically, adhering to the boundaries defined by the mining licenses for these five projects. Coal seams occurring at depths of less than 50 meters from the surface were excluded from the resource estimates due to potential risks associated with surface water ingress and subsidence. Additionally, depleted coal within previously mined-out (gob) areas was excluded from the reported resource figures.

Apparent relative density ("**ARD**") was adopted by SRK in the estimation for these two mines due to lack of true relative density data. The adoption of ARD is also in line with the resource estimation according to Chinese standard.

The minimum cut-off thickness for the resource estimates of each mine is set to be 0.8 m as in some of the existing underground mines the installed equipment allows for coal seams within a thickness range of between 0.7 m and 0.8 m to be extracted, and this minimum thickness setting is also in line with Chinese standard for the resource estimate.

These estimates pertain exclusively to coals identified as having potential for underground longwall mining within each specified coal mine. Coals with extraction potential are detailed as follows:

Xingtao Mine:

Mining plans for 2025 include two short longwall panels in seam 9-2, after which operations will transition to seam 11. Consequently, the resource estimation primarily focused on the remaining portion of seam 9-2 and seam 11.

Fengxi Mine:

As mining activity continues in the final recoverable seam (seam 11), the resources in seams 9-1 and 9-2, previously reported in the 2021 CPR, have been either mined out or sterilized. The sterilized portion no longer meets the "reasonable prospects for eventual economic extraction" criteria as defined by the JORC Code. Therefore, this sterilized coal was excluded from the current estimate.

Chongsheng Mine:

Ongoing mining operations over several years have led to a gradual decrease in the remaining quantity of economically extractable coal within the current permit area. To potentially extend the mine's operational life, coal resources located beneath the existing mine office building, which were previously considered uneconomic or inaccessible, are now being assessed as having extraction potential due to a planned relocation of the mine office building. Furthermore, this resource estimation also includes coals situated beneath the southern village.

Xinglong and Hongyuan Coal mines:

Prior to the acquisition of these two projects by the Client, the former owners had been extracting coal seams for a number of years within these two mines' project areas. The original state-owned coal mine, located within the Hongyuan project area, commenced with small scale mining from 1980 to 2009. The mining operation concentrated on the seams 2 and 5 and has resulted in a number of mined-out areas which are mainly located in the north and west of the current permit area. For the Xinglong mine project, historical mining resulted in a number of mined-out areas both in seam 2 and seam 5. The mined-out areas to which SRK relied for adjusting the resource estimates on both projects were provided by the client through the mine plan layouts.

The structural disturbed areas were adopted in terms of the "2012 Geological Report of Merging & Restructuring of Xinglong Coal Mine" and the "2018 Hongyuan Geological Report". A zone of 30m on either side of the faults was downgraded to the Inferred category for the Resource estimates as the faults occurring in the permits area are inferred from boreholes and historical underground operations.

SRK noted that based on the interpolation of the available analytical quality data, the total Sulphur in the Xinglong mine project ranges from approximately 0.9% to 3.0%, and for Hongyuan mine project it ranges from 0.2% to 2.7%. The coal with total Sulphur being greater than 3% is normally not included in Chinese resource estimation according to the "Specifications for Coal and Peat Exploration, DZ/T0215-2002". As the Sulphur of the coal within the projects area is less than 3.0%, the constraint of high Sulphur content is not applied to the Resource Estimation.

The major constraint parameters for the Coal Resource estimation of the five mines are as follows:

- Minimum coal seam thickness 0.8 m
- Maximum allowable intra-seam parting thickness 0.1 m
- Maximum raw working section ash (air-dried basis): 40%
- Maximum sulphur content (air-dried basis) 3%

7.3 Resource Classification

For the five mines, historical exploration drillings have resulted in a borehole spacing of approximately 500 m – 1,000 m on the two projects, and the historical mining in conjunction with SRK's seam modelling have delineated the geological structural complexity of these two projects are of moderate. In addition to the geological structure, SRK's coal seam model has shown that the coal seam thickness and quality are of good consistency. Based on the above considerations, the resource classification of these two projects was determined in terms of the following principle:

- Measured Resource: the areas within 500 m spacing of the Points of Observation ("**PoOs**");
- Indicated Resource: the areas between 500 m and 1,000 m spacing of the PoOs;
- Inferred Resource: the area greater than 1,000 m and less than 2,000 m spacing of the PoOs.

The PoOs not only refers to the intersected coal points of boreholes but also includes the underground sampling points. The coal resource located beneath the southern village has been classified as inferred due to the uncertain economic viability of its extraction.

Figure 7-1: Typical Resource Classification for Xingtao Mine

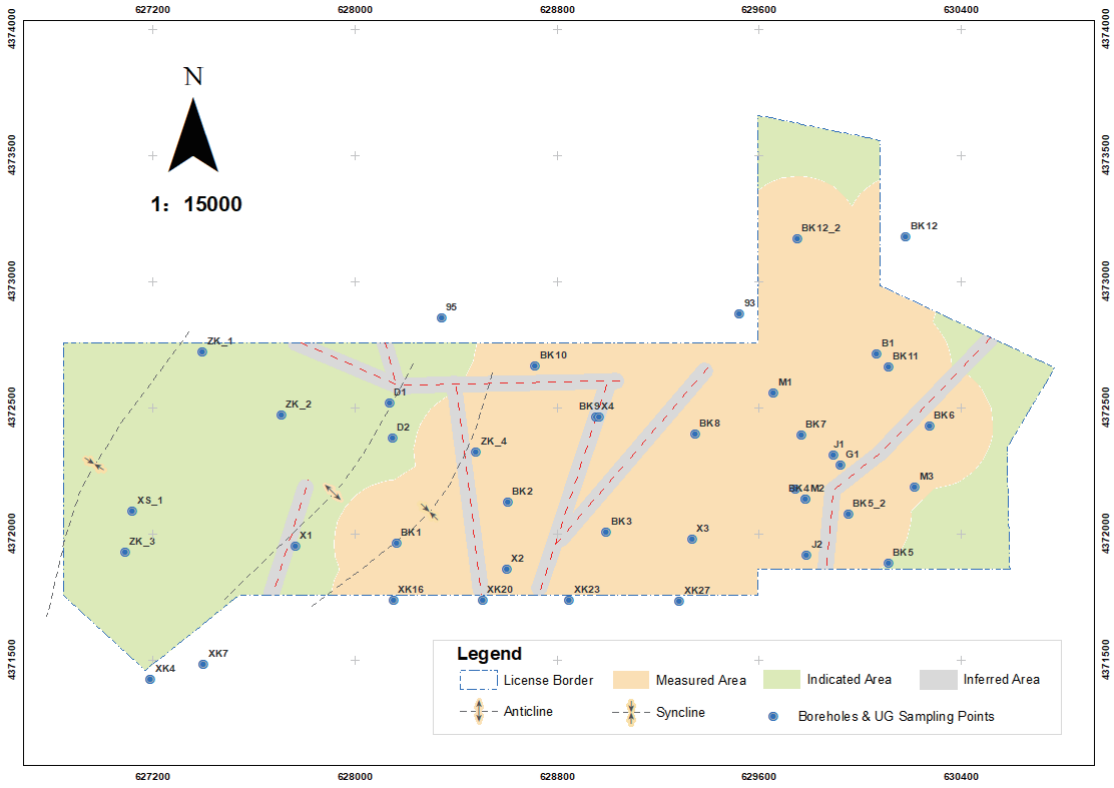


Figure 7-2: Typical Resource Classification for Fengxi Mine

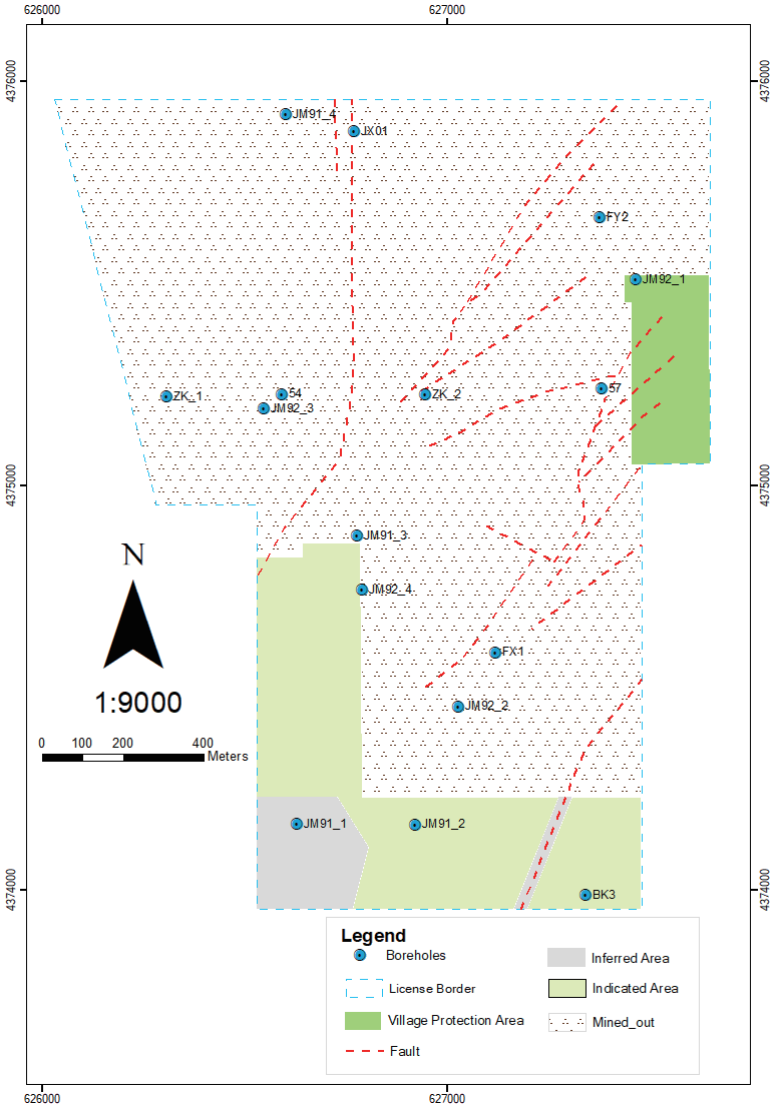


Figure 7-3: Typical Resource Classification for Chongsheng Mine, Seam 11

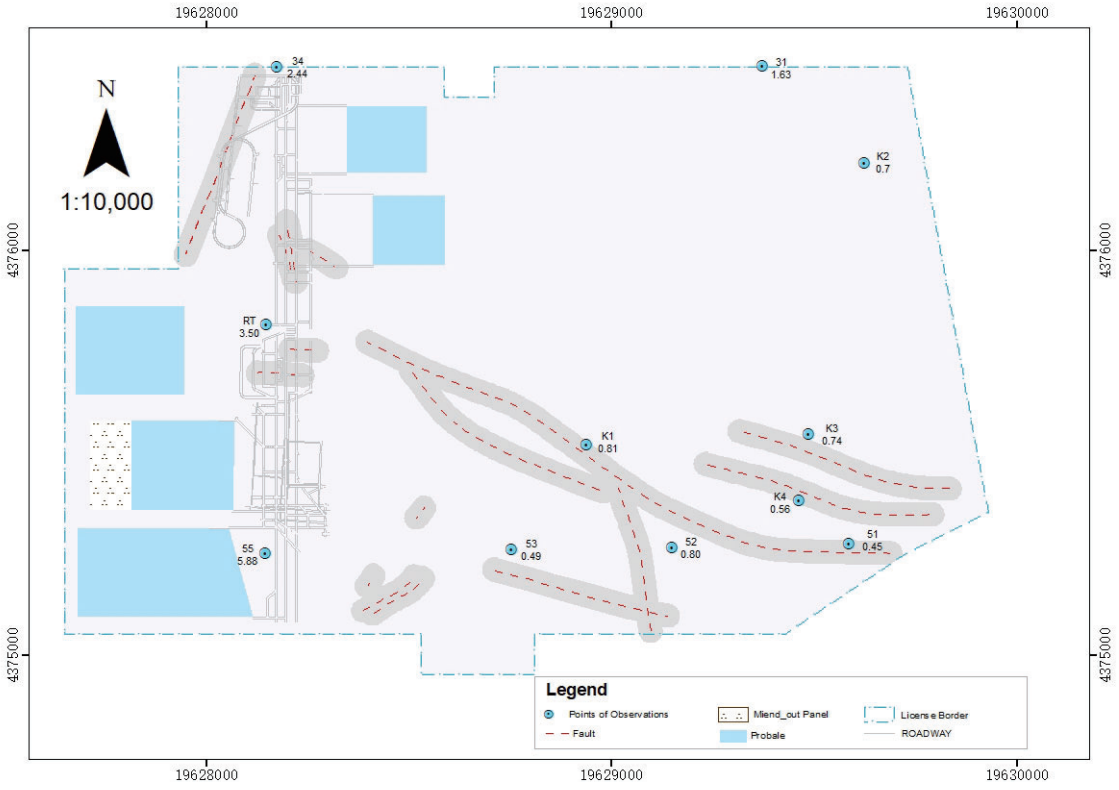


Figure 7-4: Resource Classification for Seam 2 and 5 of Xinglong Mine

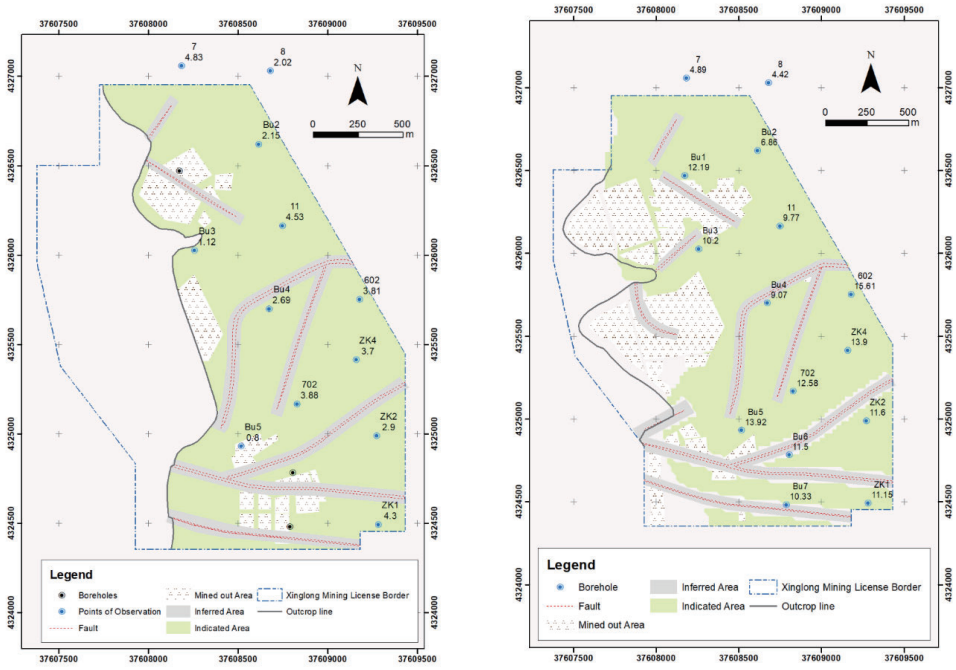
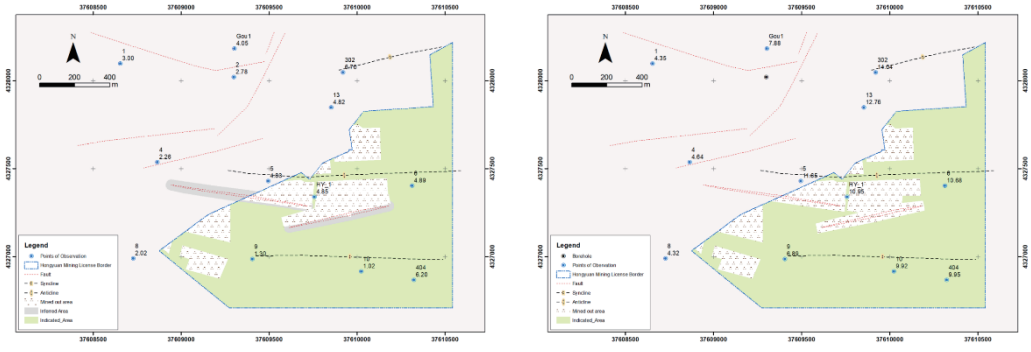


Figure 7-5: Resource Classification for Seam 2 and 5 of Hongyuan Mine



7.4 Coal Resource Statement

A total of 108.59 Mt of Coal Resource was Reported by SRK in accordance with JORC Code 2012 for the five mines, of which 83.09 Mt is Measured and Indicated Coal Resource, and 25.50 Mt is Inferred Coal Resource. The gob areas (historical mined-out area) and the sterilized area within the mine have been excluded from the estimates. It should be noted that the estimated Coal Resources are of the "clean coal" as the partings greater than 10 cm were excluded from the Resource estimate, these partings were considered as dilution in the Reserve estimation. The results of the Coal Resource estimates are presented in Table 7-1.

Table 7-1: Coal Resource Statement[1], Five Coal Mine Project, SRK Consulting China Limited, 31 December 2024[2]

	Coal Seam	Resource Category	Resource	Thickness	Ash Content	Total Sulphur	Calorific Value
			(Mt)	*(m)*	*(ad, %)*	*(ad, %)*	*(gr, ad, kCal/kg)*
Xingtao	9-2	Measured	0.60	4.37	34.00	1.48	4,110
		Indicated	–	–	–	–	–
		Inferred	1.36	4.09	26.56	1.64	5,426
	11	Measured	8.02	2.92	34.18	1.72	4,684
		Indicated	7.82	3.65	31.6	1.99	5,006
		Inferred	1.31	2.90	32.44	1.81	4,819
		Sub-total	***19.11***	**–**	***32.46***	***1.82***	***4,860***
Fengxi	11	Measured	–	–	–	–	–
		Indicated	1.20	3.7	25.84	1.56	5,420
		Inferred	1.40	4.0	26.60	1.70	5,341
		Sub-total	***2.60***	**–**	***26.25***	***1.64***	***5,377***
Chongsheng	4	Measured	–	–	–	–	–
		Indicated	3.14	17.70	27.14	0.50	5,200
		Inferred	3.99	17.25	26.93	0.47	5,250
	9-1	Measured	–	–	–	–	–
		Indicated	1.15	6.91	27.74	1.69	5,200
		Inferred	1.36	6.84	28.46	2.55	5,180
	9-2	Measured	–	–	–	–	–
		Indicated	0.9	5.18	20.66	2.68	5,700
		Inferred	1.1	4.87	24.28	3.14	5,450
	11	Measured	–	–	–	–	–
		Indicated	4.31	2.68	31.59	2.65	4,950
		Inferred	1.65	2.39	28.6	2.94	5,160
		Sub-total	***17.6***	**–**	***27.95***	***1.76***	***5,186***

	Coal Seam	Resource Category	Resource	Thickness	Ash Content	Total Sulphur	Calorific Value
			(Mt)	*(m)*	*(ad, %)*	*(ad, %)*	*(gr, ad, kCal/kg)*
Xinglong	2	Measured	–	–	–	–	–
		Indicated	7.55	3.26	29.16	1.50	5,290
		Inferred	1.26	3.04	29.77	1.49	5,220
	5	Measured	–	–	–	–	–
		Indicated	27.53	10.78	14.19	1.75	6,380
		Inferred	9.49	11.33	13.46	1.98	6,460
		Sub-total	***45.83***	**–**	***16.93***	***1.75***	***6,185***
Hongyuan	2	Measured	–	–	–	–	–
		Indicated	5.88	3.66	24.32	0.70	5,569
		Inferred	–	–	–	–	–
	5	Measured	–	–	–	–	–
		Indicated	14.99	10.00	30.14	1.31	5,054
		Inferred	–	–	–	–	–
	6	Measured	–	–	–	–	–
		Indicated	–	–	–	–	–
		Inferred	2.58	1.87	36.86	2.51	4,462
		Sub-total	***23.45***	**–**	***29.42***	***1.29***	***5,118***
		Grad-total	**108.59**	**–**	**23.74**	**2.25**	**5,411**

Notes:

1 All figures are rounded to reflect the relative accuracy of the estimate. All composites have been capped where appropriate.

2 The information in this Report which relates to the Coal Resource is based on information provided by China Qinfa Group, compiled by Kun Cao of SRK Consulting China and reviewed by Mr Yongchun (Roger) Hou, a Principal Geologist of SRK Consulting China Ltd. Mr Hou is member of AusIMM and have sufficient experience relevant to the kind of project, style of mineralisation, type of deposit under consideration, and the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", the JORC Code 2012. Mr Hou consents to the reporting of this information in the form and context in which it appears.

8 COAL RESERVE

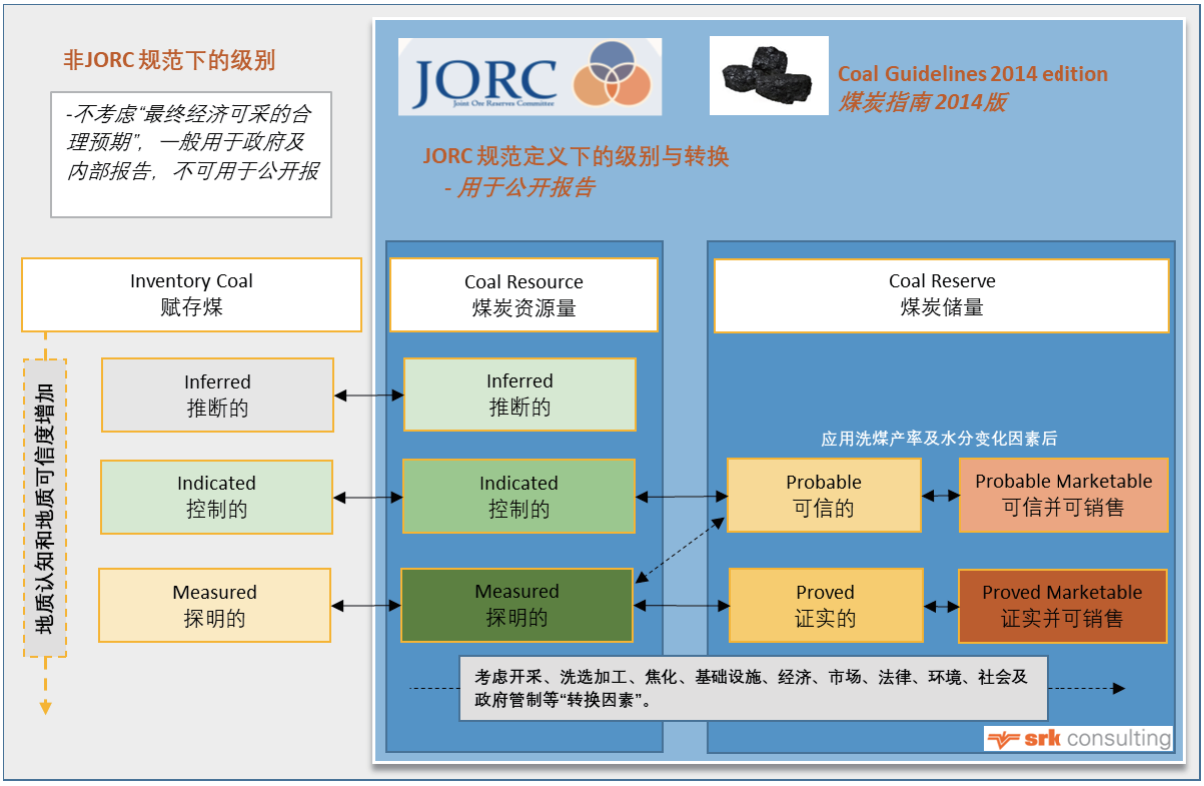
8.1 Introduction

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

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

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

Figure 8-1: Relationship between Coal Resource and Coal Reserve



SRK has estimated the Coal Reserve in accordance with the JORC Code. In the exploration reports and mining studies for this Project prepared by Chinese institutes, coal resources and coal reserves were reported according to "Chinese Standard" (i.e., the Code for Coal Industry Mine Design, GB50399-2006). Differences of tonnage and category between coal reserves reported in accordance with the JORC Code and coal reserves reported in line with Chinese Standard could occur. An explanation of the differences between the categorization of mineral (coal) resources and ore (coal) reserves by Chinese Standard and the JORC Code is provided in Appendix 2 of this Report.

For the terms "Coal Resource" and "Coal Reserve," the JORC Code and this Report uses upper case if such resources or reserves are estimated and reported in accordance with the JORC Code.

8.2 Coal Reserve Estimate

8.2.1 Modifying Factors

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

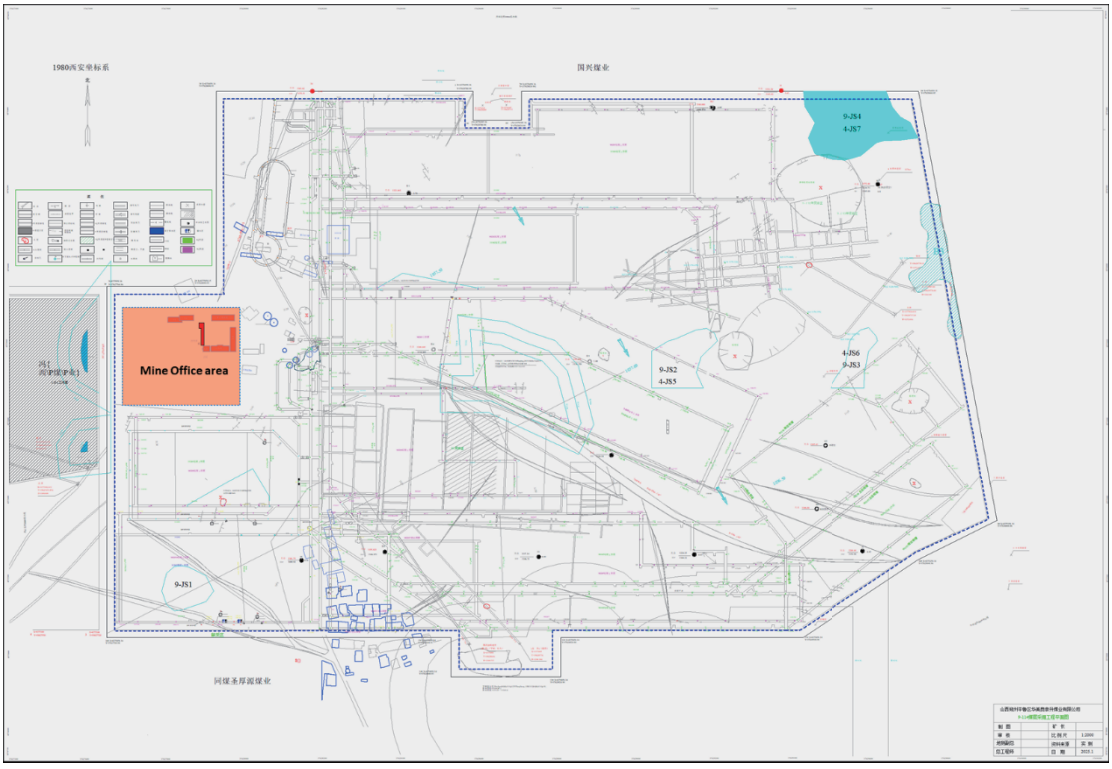
Two short longwall panels in seam 9-2 left for 2025 mining in **Xingtao**, then turn into the seam 11. For **Fengxi** only one last longwall panel in seam 11 remaining for the future's operation.

Chongsheng

For this 2025 Chongsheng estimate, modifying factors have been re-evaluated due to the client's decision to relocate the mine office outside the permit area. This decision has made longwall mining operations beneath the former office area feasible.

In consideration of the limited surface structures present within the mine office area, and given the physical separation of this area from the mine's primary production systems, it is determined that undertaking underground mining operations within this designated area, subject to the reservation of protective coal pillars, will not pose any discernible impact on either the underground or surface production systems. The Client has undertaken a detail mine planning process for this specific area. Based on this planning, it is deemed feasible to extract three coal seams located beneath the designated area. Three longwall panels have been planned to extract the coal seam 4, 9-1 and 11, respectively. The Figure 8-2 illustrates the location of the mine office area.

Figure 8-2: Mine Layout Showing the Mine office Area of Chongsheng



8.2.2 Estimation Principles and Cut-offs

SRK utilized Geovia Minex V6.1.3 software to estimate the coal reserves. For each minable coal seam, the company-provided mining plans (panel plans) were overlaid onto the coal seam model (resource model) developed by SRK. The reserve tonnage was subsequently estimated using the grid seam method within Geovia Minex. SRK considers this software particularly well-suited for modeling stratified deposits such as coal. The cut-off date of the Reserve estimation for each mine was 31 December 2024.

The reserve estimate incorporates design losses, including pillars and barriers, as well as mining losses. Additionally, an average dilution tonnage of 20% was applied to the Xingtao, Fengxi and Chongsheng estimates, and 5% of dilution tonnage was applied to Hongyuan and Xinglong estimates. This dilution material is assumed to originate from in-seam bands/partings (greater than 10 cm), roof rock caving due to the mining method (top coal caving), and potential losses from unforeseen minor geological disturbances within the panels. The "coal quality" of the added dilution material in the ROM coal used for the reserve estimates is as follows:

Table 8-1: Dilution Quality used in Reserve Estimates

Item	Relative Density	Ash Content	Total Sulphur	Calorific Value
	(m^3/t)	*(adb, %)*	*(adb, %)*	*(kCal/kg, net, ar)*
Dilution	2.0	70	0.5	800

The reserve estimate is currently limited to coal seams 9-2 and seam 11 for Xingtao, and seam 11 for Fengxi.

For Chongsheng, the reserve estimate is currently limited to the seams 4, 9-1, and 11 beneath the mine office area, and Seam 11 in both the southern and northernmost portions of the license area. Due to the relatively thin interburden between seam 9-2 and 9-1 in the mine office area, there is a risk of instability if seam 9-2 was mined shortly after seam 9-1. Therefore, the mineable potential of Seam 9-2 in this area is uncertain, and no reserve estimate or report has been prepared for this seam.

The following limits and parameters (cut-offs) for panel extraction were applied by SRK in the Reserve estimate for Xingtao, Fengxi and Chongsheng mines are summarised below.

The coal seams 4 and 9-1 are amenable to using top-coal caving mining method, the mining limits and parameters are as follows:

- Minimum and maximum cutting height at 2.0 m and 4.0 m in line with the minimum/maximum cutting height of the selected coal shearer machine in the PMDs.

- Given the maximum caving height ratio is allowed to operate at 3 (shear-cutting/caving) according to the Chinese Coal Mine Safety Regulation for the top-coal caving mining method, the maximum caving height is 10.5 m. As such, the maximum mining (extraction) height is allowed to operate at 14 m.

- An 90% average panel recovery was set and derived from the historical mining production records.

The coal seam 11 is amenable to single slice longwall mining method. The limits and parameters (cut-offs) are as follows:

- Minimum working thickness is operated at 2.0 m in line with the minimum cutting height of the selected coal shearer machine in the PMD.
- An average of 95% panel recovery for the designed panels is applied.
- The estimation of the Coal Reserve is further limited to the panel areas within the mining license area and the required border pillars.

Xinglong and Hongyuan

According to the coal seams allowed for mining as indicated in the previous mining licenses, PMDs and the latest panel plans provided by the Client, the Coal Reserve estimations were limited to coal seams 2 and 5 for both projects (see Figure 9-6 to Figure 9-9).

The coal seam 2 is amenable to use a standard fully mechanized longwall mining method, the limits and parameters (cut-offs) are as follows:

- Minimum coal seam working thickness is set at 1.2 m in line with the minimum cutting height of the selected shear machine in PMDs
- An average of 95% panel recovery is applied

The coal seams 5 in both projects are amenable to use a fully mechanized longwall mining method with top-coal caving. The following limits and parameters (cut-offs) on a panel basis were applied by SRK in the Reserve estimate:

- Minimum and maximum cutting height is set at 2.2 m and 3.5 m in line with the minimum/maximum cutting height of the selected shear machine in the PMDs;
- Given the maximum caving height ratio is allowed to operate at 3 (shear-cutting/caving) according to the Chinese Coal Mine Safety Regulation for the top-coal caving mining method, the maximum caving height is 10.5 m. As such, the maximum mining (extraction) height is allowed to operate at 14 m;
- A 90% average panel recovery was set which is derived from the historical mining production records.

The estimation of the coal reserve of both projects was further constrained to the area and vertical limits of the proposed mining license. The Coal Reserves of both projects are estimated with a cut-off date as of 31st December 2024.

8.2.3 Coal Reserve Statement

The Coal Reserve of the mine estimated by SRK in accordance with the JORC Code is summarised in Table 8.2.

Table 8.2: Coal Reserve Statement[1], Five Coal Mine Project, SRK Consulting China Limited, 31 December 2024[2]

Mine	Seam ID	Reserve Category	Reserve (Mt)	Ash Content (db, %)	Total Sulphur (db, %)	Calorific Value (net, ar, kCal/kg)
Xingtao	9-2	Proved	0.6	34.00	1.48	4,110
	9-2	Probable	–	–	–	–
	11	Proved	2.52	32.67	1.61	4,389
		Probable	4.02	46.20	1.70	3,421
		Xingtao-total	**7.14**	**40.39**	**1.65**	**3,821**
Fengxi	11	Proved	–	–	–	–
		Probable	0.94	35.00	1.30	3,950
		Fengxi-total	**0.94**	**35.00**	**1.30**	**3,950**
Chongsheng	4	Proved	–	–	–	–
		Probable	2.21	36.00	0.50	3,900
		Sub-total	*2.21*	*36.00*	*0.50*	*3,900*
	9-1	Proved	–	–	–	–
		Probable	0.74	36.00	1.70	3,900
		Sub-total	*0.74*	*36.00*	*1.70*	*3,900*
	11	Proved	–	–	–	–
		Probable	1.77	38.00	2.61	3,800
		Sub-total	*1.77*	*38.00*	*2.61*	*3,800*
		Chongsheng-total	**4.72**	**37.00**	**1.00**	**3,860**
Xinglong	2	Proved	–	–	–	–
		Probable	3.49	31.31	1.47	4,264
		Sub-total	*3.49*	*31.31*	*1.47*	*4,264*
	5	Proved	–	–	–	–
		Probable	10.01	18.03	1.54	5,041
		Sub-total	*10.01*	*18.03*	*1.54*	*5,041*
		Xionglong-total	**13.50**	**21.45**	**1.52**	**4,838**
Hongyuan	2	Proved	–	–	–	–
		Probable	2.94	26.73	1.50	4,485
		Sub-total	*2.94*	*26.73*	*1.50*	*4,485*
	5	Proved	–	–	–	–
		Probable	7.52	32.28	1.43	4,071
		Sub-total	*7.52*	*32.28*	*1.43*	*4,071*
		Hongyuan-total	**10.46**	**32.72**	**1.45**	**4,187**
		Total	**36.76**	**30.11**	**1.45**	**4,307**

Notes:

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

2 Number was rounded to the second significant digit to reflect the uncertainties in estimate.

3 Total may not add due to rounding discrepancies.

4 The Coal Reserves are included in the Coal Resources. They should not be added to the Coal Resources.

The Marketable Coal Reserve of each mine estimated by SRK is summarised in Table Ex-3. The marketable coal is the thermal coal blend after coal preparation/washing.

Table Ex-3: Summary of the Estimated Marketable Coal Reserve as of 31 December 2024

Coal Mine	CPP Yield	Marketable Reserve	Total Moisture	Ash Content	Total Sulphur	Calorific Value
	(%)	*(Mt)*	*(%)*	*(db, %)*	*(db, %)*	*(kCal/kg, net, ar)*
Xingtao	65	4.64	7-10	20-28	1.4-1.9	4,650-5,200
Fengxi	65	0.61	8-12	20-28	1.2-1.6	4,600-5,150
Chongsheng	65	3.07	8-12	20-28	1.6-2.5	4,600-5,150
Xinglong	–	13.50	8-12	30.72	1.45	4,187
Hongyuan	–	10.64	8-12	30.20	1.46	4,309

Notes:

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

2 Number was rounded to the second significant digit to reflect the uncertainties in estimate.

3 Total may not add due to rounding discrepancies.

8.2.4 Coal Reserve Reconciliation

Xingtao

No reserve reconciliation for Xingtao needed.

Fengxi

According to the SRK 2021 Competent Person's Report (CPR), the reported Coal Reserve stood at 8.86 million tonnes (Mt) as of December 31, 2020. However, over the four-year period from 2021 to 2024, a total of 11.98 million tonnes of Run-of-Mine (ROM) coal was extracted from seams 9-2 and 11. This total production consisted of two components: 7.92 Mt of ROM coal was extracted from SRK's 2021 Planned mining area, while the remaining 4.06 Mt of ROM coal was sourced from areas classified as Inferred Resources. Notably, these Inferred Resource areas were those SRK had previously considered unmineable due to the perceived geological uncertainty associated with them.

As of 31 December 2024, there's only one last panels in operation, the estimation Coal Reserve is 0.94 Mt.

Chongsheng

This 2025 report details a revised estimate of the Coal Reserve, reflecting an increase from 2.69 Mt, as reported in the 2024 CPR, to 4.72 Mt. This variance is primarily attributed to the following factors:

- 2024 Mining Depletion: Mining operations conducted in 2024 resulted in the depletion of 1.29 Mt of ROM coal. This comprises 0.85 Mt ROM coal from seam 9-2, specifically from mining panels 90203 and 902010, and 0.44 Mt ROM coal from Seam 11, mining panel 11201.

- Planned Mining Operations (2025-2026): The remaining four mining panels, 11201, 11202, 11101, and 11102, located outside the mine office area, are scheduled for extraction between 2025 and 2026. This planned operation is projected to yield 1.40 Mt of ROM coal to 2025 estimates.

- Reserve released from Mine Office Relocation: The mine office relocation plan has enabled the design of three new mining panels. Each panel will target three seams: seam 4, seam 9-1, and seam 11. This strategic development contributes 3.32 Mt of ROM coal to the 2025 Reserve table.

9 MINING ASSESSMENT

For this review, information and data for the mining assessment in this Section, reference is made to the following documents:

Xingtao

- Remaining Reserve Verification Report of Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Co., Ltd, prepared by Shanxi Dibao Energy Co., Ltd. in October 2020.

- Preliminary Mine Design for the third mining level of Xingtao Mine, prepared by Taiyuan Zhengyue Engineering Design Co., Ltd. in 2024.

Fengxi

- Remaining Reserve Verification Report of Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Co., Ltd, prepared by Shanxi Dibao Energy Co., Ltd. in October 2020.

- Preliminary Mine Design for coal seam 11, prepared by Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Co., Ltd in December 2023.

- Mine Plan Layout of Fengxi Mine, prepared by Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Co., Ltd in December 2023.

Chongsheng

- Remaining Reserve Verification Report of Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Co., Ltd, prepared by Shanxi Dibao Energy Co., Ltd. in October 2024.

- Safety facility design for mining coal seam 9 of Chongsheng Mine, prepared by Shanxi Coal Planning & Design Institution in May 2015.

- Preliminary Design for the Technical Renovation Project of Changing Mining to Coal Seam No. 11, prepared by Shanxi Yuantong Coal Mine Engineering Design Co., Ltd. In April 2024.

Hongyuan and Xinglong

- Preliminary Mine Design Report of Xinglong Coal Mining Acquisition Project, Shenchi County, Xinzhou Municipality, Shanxi Province; prepared by Xinzhou Coal Mine Design and Research Institute in November 2012.

- Revised Preliminary Mine Design Report of Hongyuan Coal Mining Acquisition Project, Shenchi County, Xinzhou Municipality, Shanxi Province; prepared by Taiyuan Huamei Coal Mine Design Co. Ltd. in March 2019.

- Competent Persons Report for the Xingtao, Fengxi, Chongsheng, Xinglong and Hongyuan Mines of 2016, by ECSI, LLC.

- Updated mine design maps and information provided to SRK by the Client.

9.1 Introduction

9.1.1 General

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

SRK reviewed the preliminary mine design report ("**PMD**") of the fives mine as well as current mining plans provided by the Company. The remaining minable coals for each mine are limited to:

Two short longwall panels in seam 9-2 left for 2025 mining in **Xingtao**, then turn into the seam 11. For **Fengxi** only one last longwall panel in seam 11 remaining for the future's operation. In **Chongsheng**, three longwall panels have been planned to extract the coal seam 4, 9-1 and 11 beneath the mine office area

For **Hongyuan and Xinglong**, there are two coal seams, the seams 2 and 5 are left for future's mining.

9.1.2 Information on Coal and History of the Mine

Each mine contains lower-rank bituminous coal, primarily classified as long flame and gas coal. This coal is suitable for power generation and, after washing, as a feedstock for coal gasification chemical production.

Mining activity in this region dates back several centuries but only with small operations and these. old workings in the upper coal seams were all shut down and sealed.

The original **Xingtao** mine was opened in 1971. The approved coal production from this small mine was 0.09 Mtpa from coal seam 9. In 1980 a new mine integrating the previous mine was commissioned with an output of 0.21 Mtpa from coal seam 4 and 9. The current Xingtao mine was then established in 2004 and the production approval of 0.6 Mtpa in 2007 from coal seam 4, 9 and 11 was received. In 2009, plans for resource integration by the government led to the merger of the Xingtao mine with Hong Quangou. The new mine received a mining permit for coal seam 4-1, 4-2, 9, and 11 between elevation +1270 m ASL to +1000 m ASL within the permit area at an approved capacity of 1.5 Mtpa. Since 2016, the mine has increased its output and has reached an annual output of about 3.3 Mtpa.

Fengxi was originally put into operation in 1986/87 as a small mine. In 2006 the mine was upgraded with a license to produce 0.21 Mtpa from coal seam 4, 9, and 11. Mine mechanization upgrades were granted in 2008/2009 allowing for a coal production of 0.9 Mtpa. The latest mining permit approved allows the extraction of coal seam 4-1, 4-2, 9, and 11 between elevation +1270 m ASL to +1000 m ASL within the permit area. Peak ROM coal output in recent years has reached 3.3 Mtpa.

Chongsheng mine was originally put in operation in 1984 and was approved to mine coal seam 4, 9, and 11 with an annual capacity of 0.15 Mt. The approval was upgraded to 0.9 Mtpa in 2008 after mechanization upgrade study. In recent years, the mine has reached an output of about 3.1 Mtpa ROM coal. The latest mining permit was granted to produce coal seam 4-1, 4-2, 9, and 11 between elevation +1240 m ASL to +1090 m ASL within the permit area.

The **Xinglong** project was originally comprised of two local village mines, both of which had operated since 1986 to mine coal seams 2 and 5 with an annual capacity of 0.09 Mt. which resulted in a number of mined-out areas both in seam 2 and seam 5. In 2012 the Client acquired the project and received a new mining license covering an area of 4.01 km^2 with an approved annual production capacity of 0.9 Mtpa. Construction for a mine upgrade to 0.9 Mtpa capacity commenced in 2012 but was requested to be suspended by the local government in 2014.

The **Hongyuan** project includes a small mine that was opened in 1980 according to information contained in the 2018 Hongyuan geological report. The approved coal production of this small mine was 0.05 Mtpa from coal seam 5 and in 2001 the mine was upgraded to 0.21 Mtpa and then further upgraded to 0.30 Mtpa in 2005 prior to a mine restructuring. In 2009, the mine area was merged with the surrounding area to form a 0.9 Mtpa coal mine project with a mining license area of 4.05 km^2. In 2018 the north part of the license area was identified as a historical heritage protection area and the license area for the project was decreased to 1.32 km^2. The last approved mining license allowed for the extraction of coal seam 2 and 5 between elevation +1270 m ASL to +1000 m ASL at a mining capacity of 0.9 Mtpa. Historical small-scale mining operation which targeted the seam 5 has formed a number of mined-out areas mainly located in the north and west of the current license area. The Client commenced constructing the upgrade project in 2016 until July 2018 and although it was nearly completed the Client was requested by the local government to suspend work due to the issue of historical heritage protection.

9.2 Mining Conditions

9.2.1 Mine Geology

The mine geological conditions are sufficiently known from exploration data, mine development, and ongoing operation. The geological conditions in the Xingtao, Fengxi and Chongsheng mines are simple, and representing a multi seam deposit with relatively flat strata and coal seams. The strata and coal seam in the area are almost horizontal and only slightly dipping less than 10 degrees. Some larger faults in the mines were identified and are well known and they are excluded from mining and panel plans with the necessary safety barriers. Smaller geological faults in the area have manageable displacements and are usually not a major problem when encountered during mining, mostly allowing a continuous operation of the panel without major re-arrangement of equipment. All remaining minable coal seams within the license areas are considered as suitable for longwall mining.

The geological conditions on both mines are sufficiently well known from exploration, mine development work and previous operations and are considered of "medium complexity". The dip of the coal seams is shallow and favourable for fully mechanised longwall operation. There are 10 faults identified in Xinglong and only 2 in Hongyuan.

9.2.2 Seam Conditions

Xingtao, Fengxi and Chongsheng

The mining plans for the three mines are as the PMD and the latest mining plan updates are focusing on the coal seams 11 for Xingtao and Fengxi, and seam 4-1, 9-1 and 11 for Chongsheng. These seams are the remaining economically minable coal seams and hold the remaining coal reserves of the mines. The maximum mining depth for the remaining minable coal seams is in the range of 100 – 300 m with seam 9-1 the uppermost seam and seam 11 the lowest.

An overview of the review of the seam conditions by SRK is shown in the table below. The seam thickness, seam partings/dirt bands, the interburden thickness and a general description of the coal properties are presented. SRK's findings are in line with the PMD assumptions on remaining minable coal seams. The seam thickness appears to be suitable for a longwall with top coal caving. The high sulphur content of seam 11 is also noted as it could require some additional blending or beneficiation when this seam is mined.

Table 9-1: Summary of Seam Conditions Review of the Xingtao, Fengxi and Chongsheng Mines

Xingtao Mine

Coal Seam	Seam Thickness (m)	Description	Dirt Bands/ Partitions nos	cm	OB/IB m	Coal Property/Other Conditions
4-1	2.2-13.0(8.0)	mined-out, mine level 1	0-9	0.5	n/a	medium to high ash, low deleterious elements, non-caking properties, high volatile matter, and medium to high calorific value, low Sulphur content for seam 4-1, medium Sulphur for seam 4-2, medium to high Sulphur content for the rest seams; reasonably stable geotechnical conditions, limited mine water, low methane gas, non-explosive.
4-2	2.7-6.1(5.0)	mined-out, mine level 1	0-3	0.3	4.5	
9-1	1.2-16.2(8.1)	main seam, mine level 2	1-6	0.4	14.8	
9-2	0.0-9.5(4.2)	main seam, mine level 2	2-3	0.5	8.6	
11	0.5-5.5(3.4)	partly mineable, mine level 2	0-5	0.3	10.7	

Fengxi Mine

Coal Seam	Seam Thickness (m)	Description	Dirt Bands/ Partitions nos	cm	OB/IB m	Coal Property/Other Conditions
4	11.3-15.9(13.3)	mined-out, mine level 1	3-16	0.6	n/a	medium to high ash content, low deleterious elements, non to low caking properties, high volatile matter and medium to high calorific value, low Sulphur content for seam 4, medium Sulphur for seam 9-1 and 9-2, medium to high Sulphur content for seam 11; reasonably stable geotechnical conditions, limited mine water, low methane gas, non-explosive.
9-1	5.0-8.5 (6.8)	mined-out, mine level 2	2-6	0.5	32.3	
9-2	5.5-6.5 (5.8)	main seam, mine level 2	3-6	0.5	8.8	
11	1.9-5.2 (4.2)	partly mineable, mine level 2	1-5	0.4	4.8	

Chongsheng Mine

Coal Seam	Seam Thickness (m)	Description	Dirt Bands/ Partitions nos	cm	OB/IB m	Coal Property/Other Conditions
4	13.7-19.8(16.2)	mined-out, mine level 1	4-16	0.6	n/a	medium to high ash content, low deleterious elements, non to low caking properties, high volatile matter and medium to high calorific value, low Sulphur content for seam 4, medium Sulphur for seam 9-1 and 9-2, medium to high Sulphur content for seam 11; reasonably stable geotechnical conditions, limited mine water, low methane gas, non-explosive
9-1	6.7-9.5 (7.9)	main seam, mine level 2	0-5	0.4	20	
9-2	4.1-6.14 (5.2)	main seam, mine level 2	2-9	0.5	6.2	
11	0.5-5.9 (2.0)	partly mineable, mine level 2	0-2	0.3	8.4	

Xinglong and Hongyuan

Coal seams 2 and 5 are considered as mineable in the PMDs provided and both are largely horizontal in the mining areas. Overburden and interburden rock layers are concordant; the roof and floor layers are of siltstone and/or sandy mudstone. The average interburden thickness between seam 2 and seam 5 is about 60 m and the maximum mining depth is less than 300 m from the surface. Table 9-2 below provides an overview of the mining conditions of each seam on both Xinglong and Hongyuan.

Table 9-2: Summary of Seam Conditions Review of Xinglong and Hongyuan

Project	Coal Seam	Seam Thickness		Dirt Bands/ Partitions		OB/IB	Coal Property/Other Conditions
		(m)	*Description*	*nos*	*cm*	*m*	
Xinglong	2	0.8-4.8 (3.1)	Main Seam	0-3	0.2	n/a	medium to high ash, low deleterious elements, non-caking properties, high volatile matter, and medium to high calorific value, medium Sulphur; reasonably stable geotechnical conditions, manageable mine water influx, low methane gas.
	5	4.4-15.6(10.5)	Main Seam	0-4	0.5	57.2	
Hongyuan	2	1.0-6.7 (3.9)	Main Seam	0-1	0.03	n/a	medium to high ash, low deleterious elements, non-caking properties, high volatile matter, and medium to high calorific value, medium Sulphur; reasonably stable geotechnical conditions, manageable mine water influx, low methane gas.
	5	4.4-14.0 (9.6)	Main Seam	0-1	0.12	64.5	

9.2.3 Geotechnical Conditions

Geotechnical conditions, as outlined in mining studies and observed during operations, are considered stable and consistent with regional mines of similar geology. While previous reports recommended detailed rock mechanics studies for mining lower seams (to mitigate caving interference), SRK is unaware of such studies being conducted. However, SRK also notes the absence of adverse geotechnical instabilities in current workings.

Permanent underground structures (shafts, roadways, chambers, gateways) exhibit good stability. Standard support measures (concrete, steel arches, rock anchors) should ensure long-term operational viability.

Sandstone and sandy mudstone roof and floor strata are suitable for longwall mining, possessing both stability and necessary caving properties. Mining studies suggest a required longwall support resistance of 6,000 kN, achievable with the mine's specified hydraulic shields. Coal hardness is suitable for shearer cutting and crushing equipment.

9.2.4 Hydrogeology and Mine Water

Xingtao, Fengxi and Chongsheng

Geological and mining studies indicate the water table lies below coal seam 11. This is supported by regional hydrological drilling data and operational experience. Upper strata are reported as relatively dry, with only isolated pockets of trapped water.

Primary water inflow sources are likely surface water, water accumulated in mined-out areas, and smaller historical mines. Surface water inflow from creeks is seasonal. Water in old workings must be identified and drained prior to mining, with necessary safety barriers and dams maintained.

Overall water influx, as projected in mining studies and observed during operation, is approximately 10 m^3/h. This volume is considered manageable with standard mine dewatering equipment. Seasonal fluctuations should be anticipated, and effective surface water drainage will minimize seepage into the mine.

Xinglong and Hongyuan

The strata above the coal seams are mainly dry or are naturally well dewatered, and the major water source in the Ordovician limestone stratum within the mines area is about 100 m below the floor of coal seam 5. Recharge of ground water in the upper strata is mainly from surface water. Providing that the surface water naturally drained off it should be manageable to control any water influx. Attention should be paid to water accumulated in the mined-out workings of historical operations and this water can be detected by drilling and surveillance work before operation reaches such an area. The water influx volumes at the mines are estimated to reach 25-60 m³/h but can be seasonally below 10 m³/h. Such volumes are considered low and easily manageable.

9.2.5 Methane and Other Mine Gas

Xingtao, Fengxi and Chongsheng

Gas readings in the mines are reportedly low. In the opinion of SRK, the mine gas potential has been assessed properly and the installed ventilation systems in the mine appear to have sufficient capacity to safely dilute and remove the mine gas emissions. Additional seam gas pre-drainage systems are not required.

Xinglong and Hongyuan

The coal seams in the Xinglong and Hongyuan mines were categorised in the PMDs as seams with low methane gas content, however mines were further evaluated and classified by the provincial safety authorities as "mine with the tendency for coal gas outburst". This requires the necessary precautions during development work and operation.

The longwalls calculations in the PMDs conclude about 0.5 m³/min gas emissions per tonne of mined coal although additional gas emission would be expected from development work and longwalls preparation work. The selected and proposed ventilation equipment and pattern in the PMDs is considered to be sufficient to reduce the methane as well as the CO_2 content in the underground air to meet the safety requirements. However, the methane levels in the mine air must be continuously monitored to maintain safe gas levels particularly in areas of expected higher gas accumulation.

9.2.6 Coal Dust Explosion Hazard and Coal Spontaneous Combustion

Xingtao, Fengxi and Chongsheng

Coal dust samples from seam 4 and 9 in Xingtao, seam 4 in Fengxi, and seam 4 in Chongsheng mine have been tested for dust explosion hazard and were classified as explosible. The tests were carried out by Inner Mongolia Institute for Coal Field Geology and the Comprehensive Test Center of Shanxi Province. SRK is of the opinion that the test data available requires coal dust control management by the mines by rock dust application and/or the use of water spraying in the mine workings.

Coal samples from the three mines tested for the PMD studies indicate that coal of the individual coal seams of all three mines are prone to spontaneous combustion. Xingtao and Fengxi coal were classified as Category (Grade) II and coal from Chongsheng as Category I spontaneous combustion grade. For Category I grade spontaneous combustion (self-ignition) could be expected after 5-10 months exposure to air. For Category II grade, a longer period could be expected. Mine planning and operation must consider this condition and provide the necessary fire extinguishing means.

Xinglong and Hongyuan

The spontaneous combustion test of coal samples from the different coal seams also showed that the coal is prone to spontaneous combustion and may occur at both the coal face and also at a stockpile or silo. However, it may take several months of exposure to air for this combustion to occur which may lead to a coal seam fire if unattended.

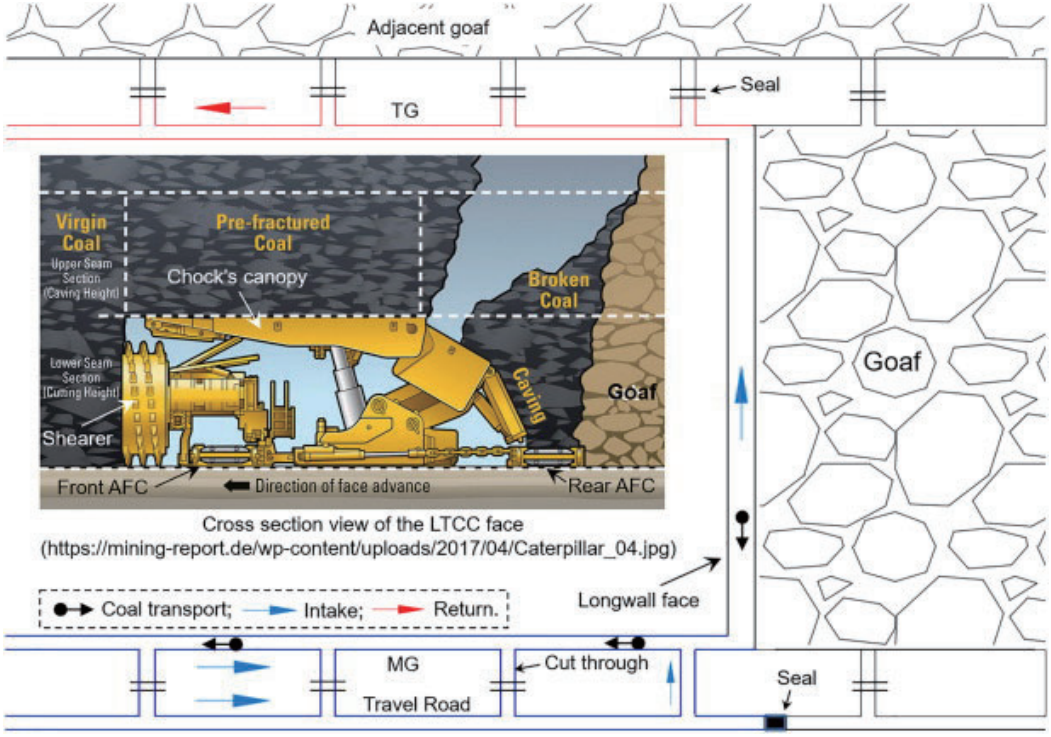
Measures to minimize coal dust explosion and fire must therefore be in place to minimize these risks. Typical measures are for instance water-spraying during coal extraction, coal haulage and in the mine workings in general. The coal seam in panel, may also be injected with water through drillholes. Fire water and mud injection and spraying equipment must be available for firefighting and prevention. Also the use of coal dust suppression agents in the gateways and roadways and the use of shotcrete should help minimise combustion and fire risk. All these measures are planned to be applied in the project mines.

9.3 Mining Method and Mine Design

All the five mines are underground mines with geological conditions and relatively thick coal seams allowing for fully mechanized longwall mining method with top coal caving. This method and technology are used to mine a thick coal seam with one cut allowing roof coal to additionally cave in and being recovered at the rear of the longwall supports by a second armoured conveyor. The principle of this method is shown in Figure 9-1 below. Top coal caving is a well-established coal seam extraction method in China and is of advantage compared to a multi-slice extraction method which could cause more operational difficulties and safety issues. There are some coal losses with top coal caving and also additional dilution from partings in the seam or roof rock and usually requires a higher coal washing effort. An overall seam extraction of about 90% is achievable with top coal caving according to mining statistics and current operations in the three mines have achieved recovery rates in this range. At thinner coal seams or seam sections, conventional one slice operation is applied, particularly in Chongsheng, Xinglong and Hongyuan mine.

The Mine design uses a panel pattern for mining. Extraction of the coal in a panel is by retreating longwall operation starting from the tail of a panel and advancing towards the roadway.

Figure 9-1: Schematic Longwall Top-coal Caving Mining Face



9.3.1 Design Principles

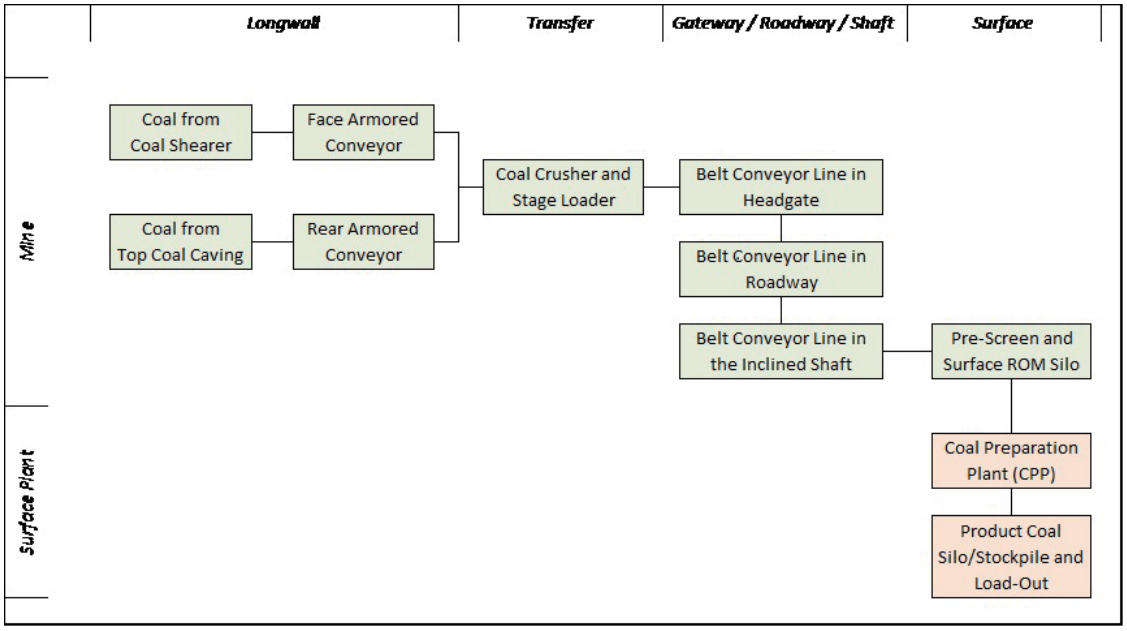
The design is according to Chinese standards and meets the design principles issued by the mining authorities of China which is a common practice with Chinese mine design studies. Those principles in general stipulate efforts to optimize mine operations, simplify the production system, apply quick and efficient project implementation, achieve maximum coal resource recovery, maintain good product quality, reduce the administrative burden, apply new technologies and equipment, and improve safety.

For the five mines, the "one mine – one mine access – one face" principle was followed which is recommended by the design authorities in order to increase safety and to exclude the possible impact of a mining incident (i.e. gas explosion, fire, structural failure etc.) on other workings. SRK is of the opinion that this concept has contributed to improved safety and lowered casualties in the Chinese coal mining industry since its implementation.

9.3.2 Flowsheet of the Mining Process

Refer to Figure 9-2 for a visual representation of the following description. The five mines employ a longwall mining flowsheet designed for a single active face. In the mines, coal is extracted at a longwall face, where a shearer cuts the coal seam. An armoured face conveyor (AFC) transports the coal along the face to a series of belt conveyors, which carry the coal away from the mining area. The raw coal may pass through transfer points before reaching the surface. At the surface, the coal undergoes processing, including crushing, sizing, and possibly washing to remove impurities. Finally, the processed coal is conveyed to a silo or stockpile for storage and loading. Please noted that there's no coal preparation plant planned for the Xinglong and Hongyuan mines. ROM coal is planned to be sold directly from the surface ROM silo.

Figure 9-2: Mining Flowsheet



9.3.3 Mine Layout, Mining Maps and Panel Design

Mine design for the five mines follows a similar pattern for longwall mining. The designed panel pattern and the width of the individual panels are adapted to the geological conditions and other conditions (i.e. existing gob areas). Panel widths are generally between 180-200 m according to the design maps but can be smaller as required.

The reference below is a selection of size reduced copies of mine and panel design maps of the five mines which also indicates the Coal Reserve blocks.

Figure 9-3: Seam 11 Mining and Coal Reserve Map – Xingtao Mine

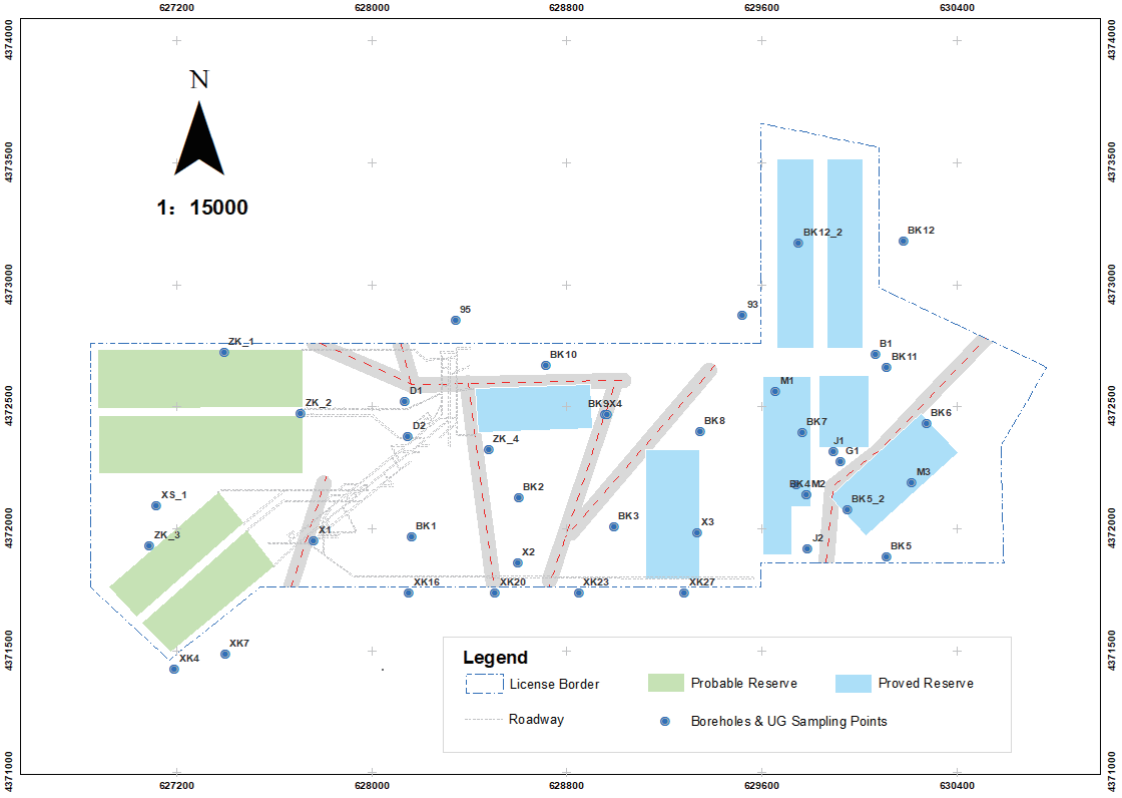


Figure 9-4: Seam 11 Mining and Coal Reserve Map – Fengxi Mine

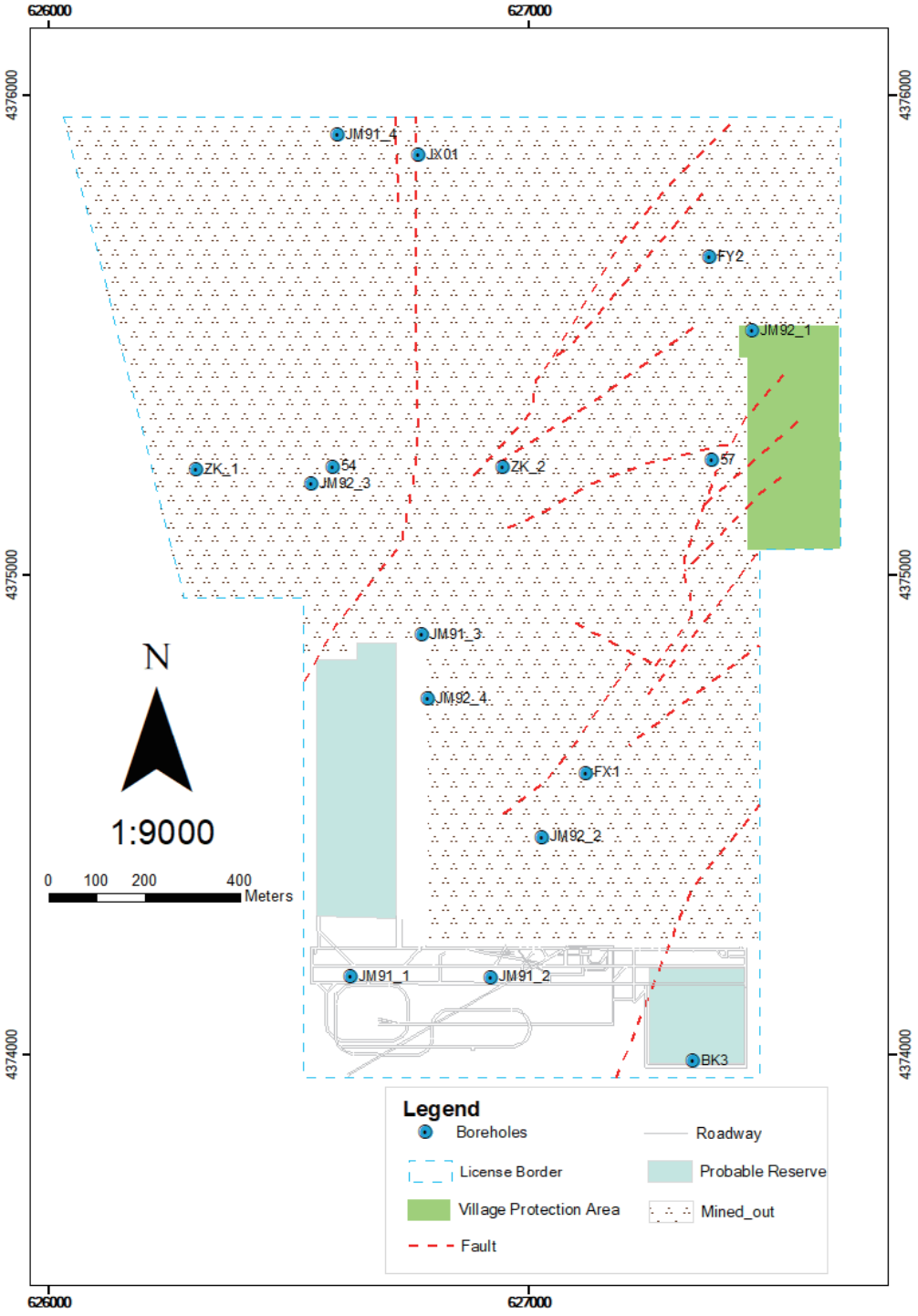


Figure 9-5: Seam 11 Mining and Coal Reserve Map – Chongsheng Mine

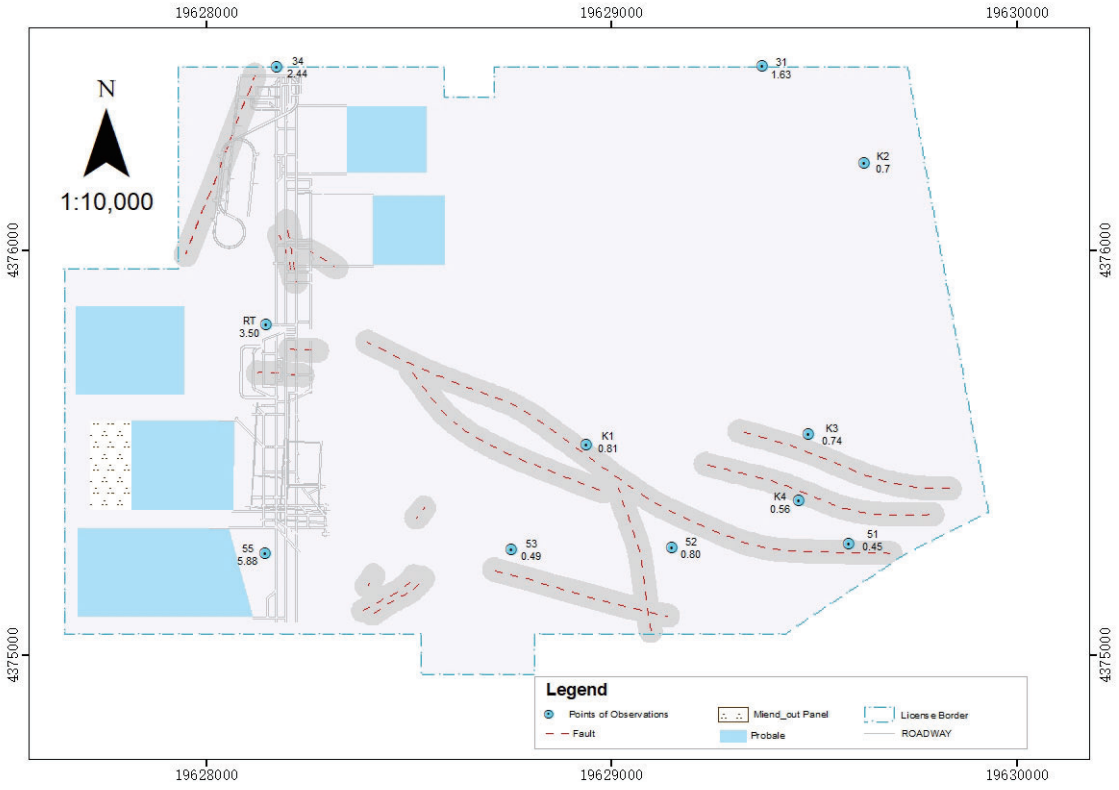


Figure 9-6: Seam 2 Panel Plan – Xinglong Mine Project

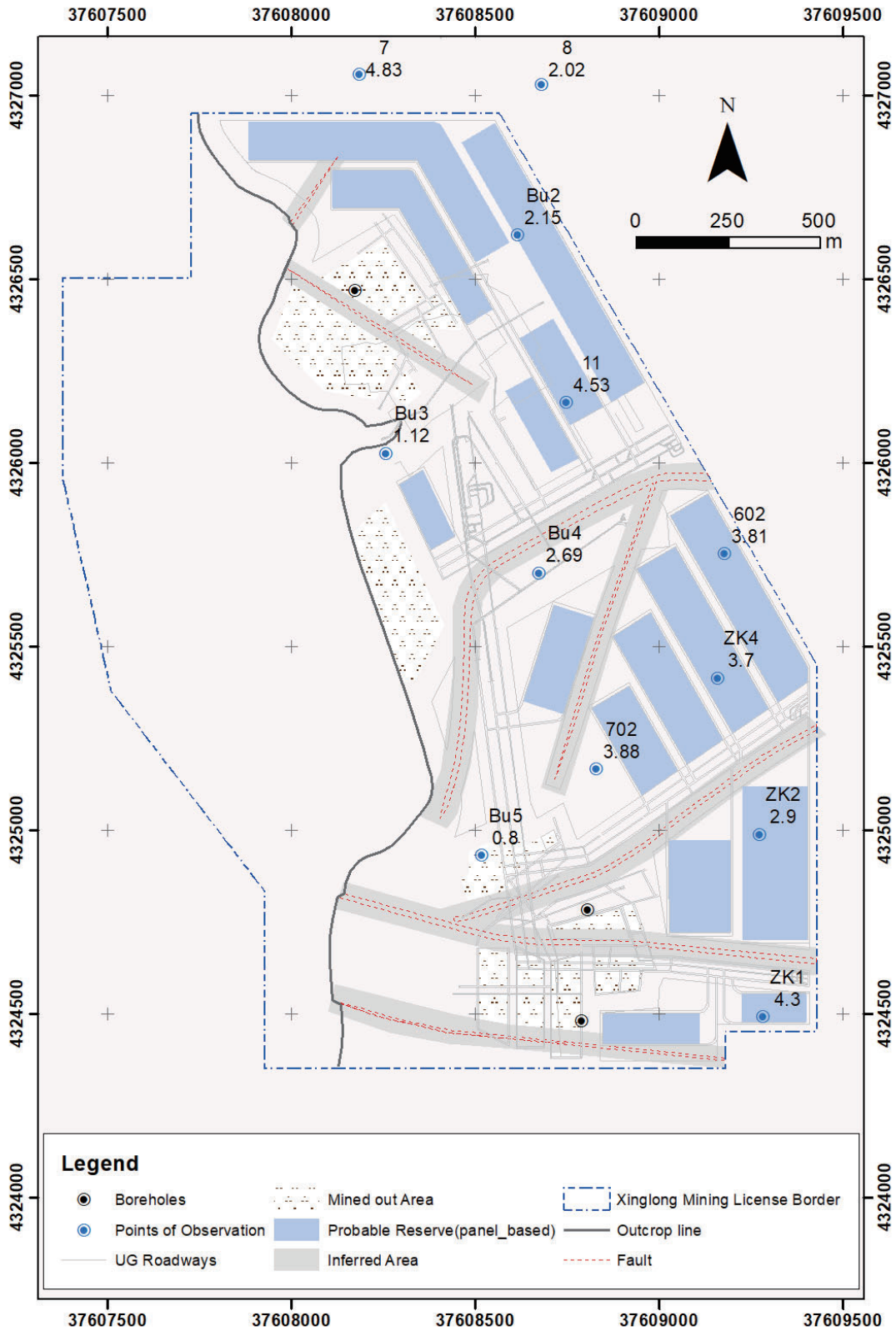


Figure 9-7: Seam 5 Panel Plan – Xinglong Mine Project

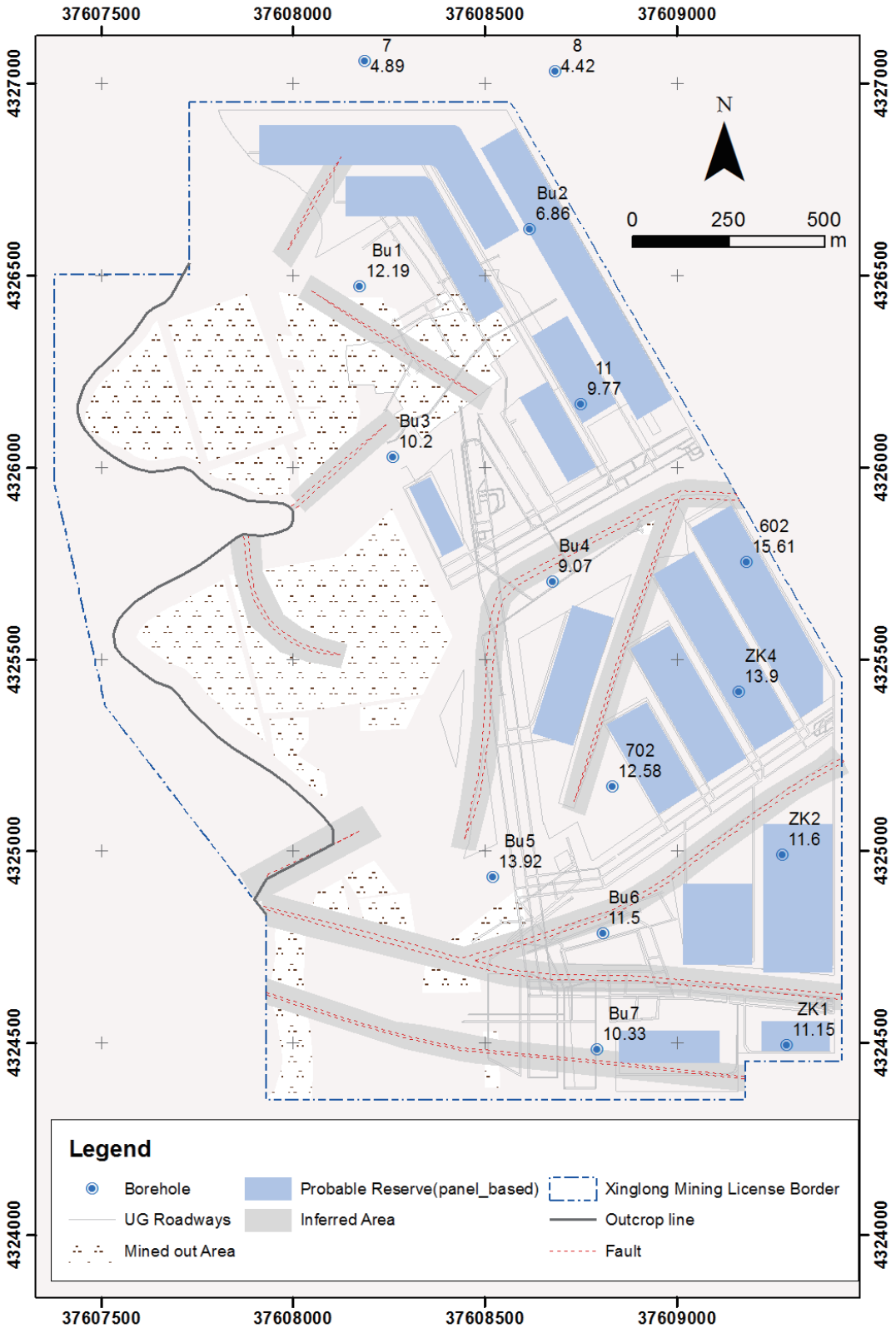


Figure 9-8: Seam 2 Panel Plan – Hongyuan Mine Project

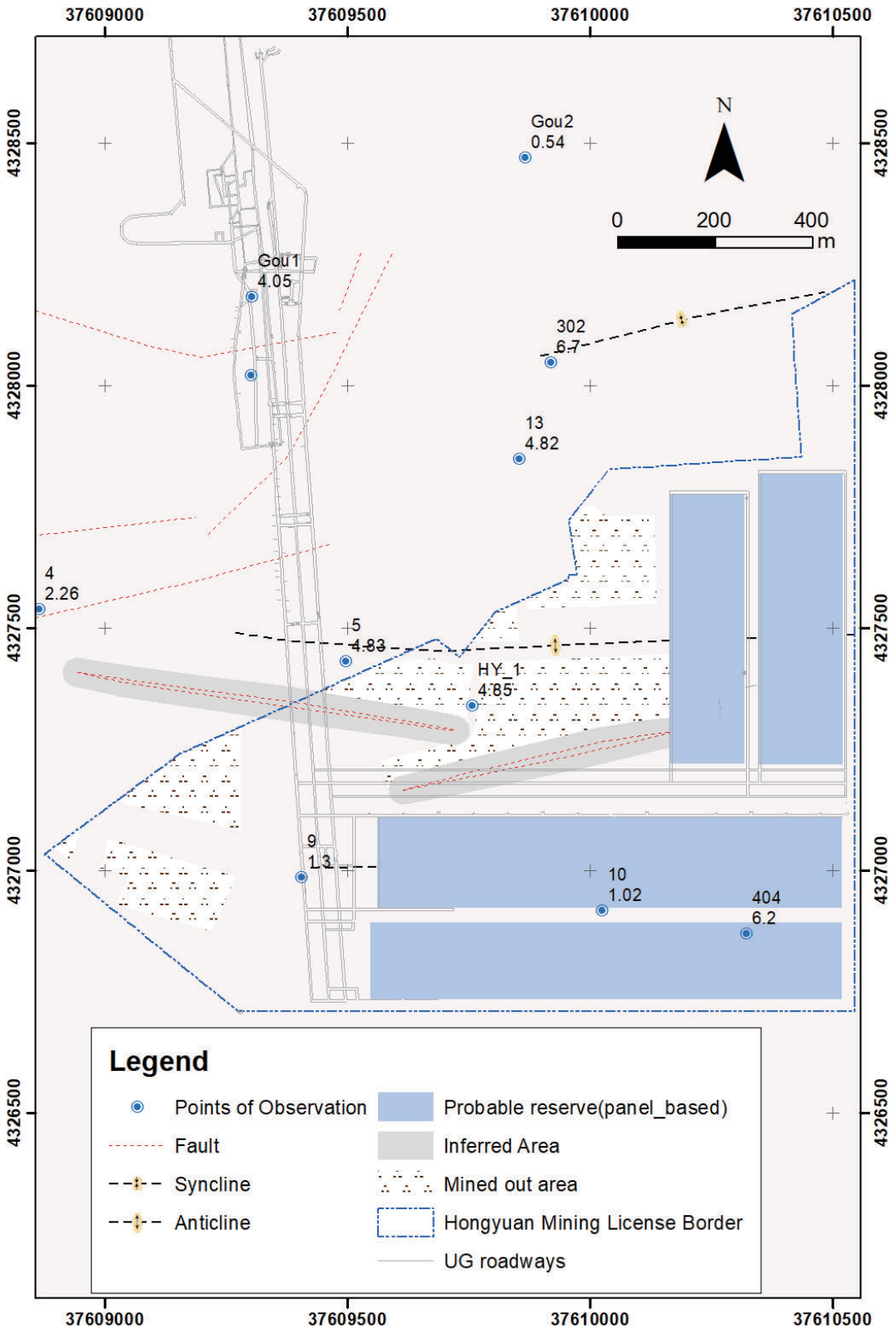
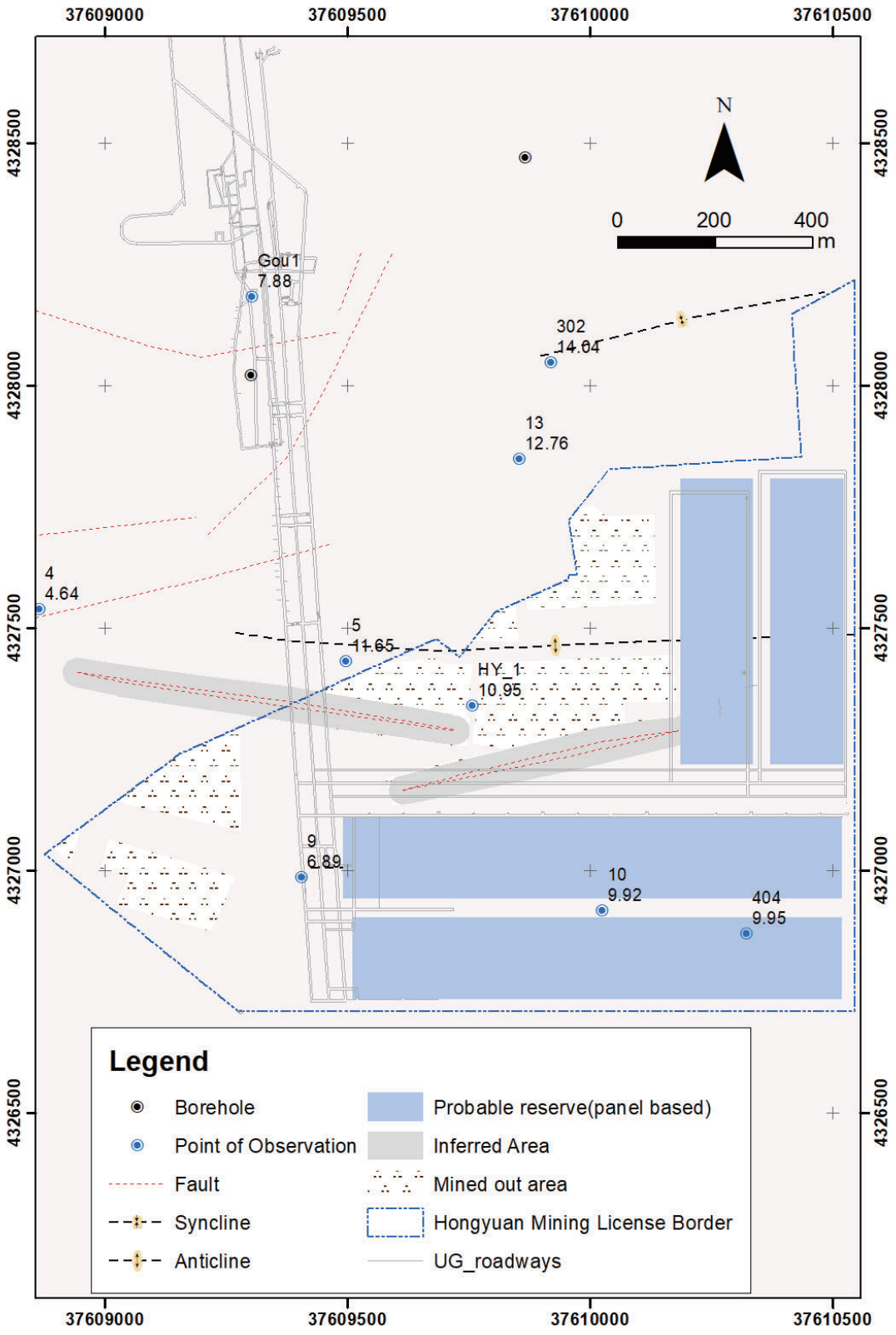


Figure 9-9: Seam 5 Panel Plan – Hongyuan Mine Project



9.3.4 Mine Development

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

All five mines are underground operations and can be accessed by inclined shafts. They have followed standard design approach. Three inclined shafts are provided for each mine. One of the inclines serves for coal haulage to the surface, equipped with a belt conveyor. The second incline with a lower gradient is paved and allows for rubber tire mounted transport vehicles to access the mine. The third inclined shaft serves as air exhaust for mine ventilation and is equipped with two sets of ventilation fans at its mouth. This exhaust air incline could additionally serve as emergency exit.

The inclined shafts of the mines have an arch shape and are about 5 m wide and 4 m high and are supported (lined) with reinforced concrete, brickwork, rock anchors, wire mesh and shotcrete and the floor is partly paved. Permanent mine chambers are supported with brickwork and concrete as required. Roadways have mostly rectangular shape with about 4.0 – 5.0 m width and about 2.5 – 3.5 m height. Support and lining are provided mainly by wire mesh and rock anchors, and steel arches at less stable areas. Where possible, the roadways and inclined shafts are driven in the coal seams. For the panel gateways which are temporary workings in the coal seam, the cross sections are slightly smaller than that for the roadways. Rock anchors and wire mesh are the common support method, with supporting steel beams and arches as required.

The roadways and gateways in the mines are driven by road-headers although blasting may be applied in areas with a harder rock face.

As a conclusion, the mine workings in the five mines appear to be correctly designed and of sufficiently dimensions. Ongoing development work at the mines is partly carried out by contractors.

9.4 Mining Equipment and Capacity

9.4.1 Main Mining Equipment

Xingtao, Fengxi and Chongsheng

All three mines are operating one fully mechanized longwall system with a rear armoured conveyor for additional top coal caving in thick seams. The main equipment consists of one double drum coal shearer which is rail mounted and travels over the main armoured conveyor that can stretch the full panel width of up to 200 m in case of the three mines. The hydraulic shields to support the roof after each shearer cut are moving forward hydraulically and are also pushing the connected armoured conveyor forward toward the coal face. A single support shield is typically 1.5 m wide. About 130 shields are required to equip a longwall of 200 m. At the head and tail entries of the longwall, where the drives for the armoured conveyor and transfer units are installed special hydraulic support units are placed. Behind the hydraulic shields the rear armoured conveyor is attached. Through closing (lowering) and retraction of the shield plate the loading of the armoured conveyor and subsequent caving of the coal can be controlled. The hydraulic shields are pulling the rear armoured conveyor forward when advancing.

At the headgate of the longwall, the main belt conveyor line to the surface starts and leads through the head gateway, the haulage roadway and haulage inclined shaft. This belt conveyor line is several hundred metres long and consists of multiple belt conveyor units. At the transfer point from the armoured conveyors in the longwall to the belt conveyor line at the head gate, a crusher reduces oversize coal lumps to a suitable size for belt conveyor transport. At the surface, a pre-screening unit is provided prior to the stockpile/ROM coal silo.

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

The following table provides an overview of the main equipment for Xingtao and Chongsheng as specified in the PMD studies. For Fengxi mine, similar equipment has been specified.

Table 9-3: Summary of Main Mining Equipment – Xingtao and Chongsheng

	Xingtao Mine				Chongsheng Mine			
Description	**Specification**	**Nos.**	**Power *(kW)***	**Max. Capacity**	**Specification**	**Nos.**	**Power *(kW)***	**Max. Capacity**
Coal Shearer	MG400/930-WD	2	930	800 t/h	MG400/980-WD	1	980	800 t/h
Hydraulic Shield Supports	ZF8000/22/35	255		8,000 kN	ZF8000/22/35	149		8,000 kN
Entry Supports	ZFG8000/22/35	15		8,000 kN	ZFT8000/22/35	4		8,000 kN
Single Supports	DW-3.5m	120			DW35-250/110X	288		250kN
	DW-3.15m							
π Supports	L=1m	40						
Armored Face Conveyor (face and rear)	SGZ800/800	2	2x400 kW	1,500 t/h	SGZ764/264	2	264 kW	800 t/h
Coal Crusher	PLM3000	2	250		PLM3000	1	250	
Transfer Loader	SZZ1000/400	2			SZZ1000/400	1	400	
Telescopic Belt Conveyor	DSJ120/150/2×250	2			DSJ-100/80/320	1	320	
	DSJ120/120/250	1			DSJ-800/75	1	75	
Main Belt Conveyor	DSJ120/120/2*450	2	900		DSJ120/120/2*250	1	500	
Road-Header (Auxiliary Equipment)	EBZ200	5	325		EBZ200	2	325	

Table 9-4: Summary of Main Mining Equipment – Fengxi

Description	Specification	Fengxi Mine Nos.	Power *(kW)*	Max. Capacity
Coal Shearer	MG250/300-WD	1	600	
Hydraulic Shield Supports	ZF6400/17/32	122		6,400 kN
Transition Supports	ZFG6500/19/33	6		6,500 kN
Entry Supports	ZF8000/22/38	6		8,000 kN
Single Supports				
Armored Face Conveyor (face and rear)	SGZ630/220	2	220kw	450 t/h
Coal Crusher	PMC132	1	132	
Transfer Loader	SZD730/90	1	90	730 t/h
Telescopic Belt Conveyor	DSJ100/45/75	1	75	450 t/h
Main Belt Conveyor	DSJ80/40/55×2	1	110	400 t/h
Road-Header (Auxiliary Equipment)	EBZ200A	1	301	

Xinglong and Hongyuan

These two mines are planning to operate one fully mechanised longwall each, using double drum coal shearers for coal face extraction, an armoured face conveyor, and hydraulic shields for roof support with attached rear armoured conveyor. Additional main equipment will be the belt conveyor line to the surface comprising of several single conveyor units with drives. Coal crusher will be installed at the transfer point of coal from the longwall to the belt conveyor line in the gateway. Prior to the belt conveyor in the inclined shaft to the surface, a strata bunker (buffer bunker) of several 100 t capacity will be provided. At the head end of the belt conveyor line at the surface plant area, a pre-screen will be installed before the coal is transported to silo or stockpile respectively.

This main mining equipment is specified in the PMDs and calculations for capacity are provided, aiming at a combined average system capacity of about 550 t/h after consideration of equipment availability (downtime) and load factors. Higher maximum peak loads and rated hourly equipment capacity is provided. The average effective capacity should allow for the planned annual production of 0.9 Mt to be reached safely.

The "auxiliary equipment", for the driving of the roadways and gateways in the coal seam, road-headers are considered however in harder rock blast hole drilling equipment will be used. For transport of material, personnel and waste rock in the mine and to the surface rubber-wheeled vehicles will be used in Hongyuan. In Xinglong a rail track system with rail cars pulled by a winch is planned and for personnel transport in the incline, a ropeway rider lift is installed. Other important auxiliary equipments are the ventilation fans, air compressors with the connected compressed air distribution system, the mine drainage pumps with pipelines to the surface, and other mine support equipment.

The power supply for the mines comprises 10 kV substations located at the mines whereby the incoming supply current from the grid is 35 kV. After stepping down to 10 kV, further step-downs are 3,000 V, 600 V, and 220 V to drive equipment and to supply other electrical installations. Both mines will be supplied from the grid by a double circuit. According to the PMDs the installed power at the project mines will be about 8,500 kW in Xinglong and about 11,500 kW in Hongyuan with half of this installed power being underground. In the mine, power is distributed by cable which in the mines are installed along the walls of the inclines, roadways and gateways.

The equipment specified and used for Xinglong and Hongyuan is mainly proven standard mining equipment manufactured in China.

The planned main mining equipment for these two projects is summarized and presented in Table 9-5.

Table 9-5: Summary of Main Mining Equipment – Xingloang and Hongyuan

Item	Description	Hongyuan	Xinglong
Coal shearer	Double Drum	MG200/475-W	MG300/700-WD
Hydraulic shields	2-leg/for rear AC	ZF8600/19/33	ZF6700/22/35
Armoured face conveyor	Scraper type	SGB-764/320	SGZ-764/320
Main belt conveyor	1,000 mm	DTL100/24/2×132	DTII10080.3
Auxiliary transport		Rubber wheel vehicles	600 mm rail, winch
Main fan	model/amount	FBCDZ-8-№26B/2	FBCDZ-8-№25B/2
Pump	Multi-stage submersible	MD155-30×4/3	MD155-30×7/3
Air compressor		SRC-175SA/2	EAS-300/2

9.4.2 Mine Auxiliary Equipment

The auxiliary equipment for support of the underground operation consists mainly of the road-header units and belt conveyors for roadway and gateway driving. Rubber wheel mounted loaders and transport vehicles are used for the transport of materials, heavy mechanical units, spare parts, and personnel. Winches and hydraulic power tools are essential for moving and handling of equipment underground. Sufficient auxiliary equipment is available at the mines to complement the actual mining operation.

9.4.3 Mine Surface Plant and Facilities

The mine surface plants at each of the Xingtao, Fengxi and Hongyuan mines are similar in function. For the ROM coal arriving from underground, silos and stockpiling are available prior to feeding the coal into the preparation plant. Other surface facilities at the plants are power supply, transformer and distribution units, water treatment and supply, the maintenance and repair workshops and yards, material warehouse and equipment storage yard with handling crane. Mine administration and office buildings are supplementing the surface facilities. The provided plant and facilities at the three mines are sufficient to meet the needs of the current operations.

9.4.4 Mine Dewatering

Based on the water influx estimates of the mining studies and the records of the five mines, all five mines are considered to be "dry" mines with very low water influx. The mine water drainage system as designed and installed is simple. Mine water is first collected in a sump at the lowest point of the mine and is then pumped to a central pumping station near the landing of the inclined shaft. The main pumping station is provided with 3 sets of dewatering pumps. One (1) single pump can pump the nominal average water volume to the surface. A second pump is for standby and could also handle peak volumes together with the first pump. The third pump is for backup should one pump be out of operation for maintenance. The water is pumped to the surface through a pipeline installed along the wall of the inclined shaft. At the surface, the mine water receives basic treatment and is then used as industrial water at the mine plant, used for CPP process water, or is discharged. The following table shows the estimated average water influx to the mines and the designed pumping capacity.

For the Chongsheng mine the maximum water influx is estimated in the PMD to be 210 m^3/d or 8.75 m^3/h which is considered to be a low influx. The designed pumping capacity to handle this influx with safety margin is 26 m^3/h. According to the mine management, the installed capacity matches the designed capacity and is sufficient to manage the actual mine water volume. In the other two mines, similar water influx has to be managed.

9.4.5 Mine Ventilation

Mine ventilation is essential to provide fresh air to underground workings and to dilute and remove mine gases. The five mines employ a standard design with two main ventilation fans installed at the air return shaft:

- One fan provides the required ventilation volume.
- The second fan serves as backup for maintenance and emergencies.

A system of air doors directs airflow throughout the underground workings. Local fans with flexible air ducts provide temporary ventilation during the development of roadways, gateways, and panel entries.

Based on the overall ventilation design and current requirements, the installed ventilation fans appear to meet the specifications outlined in the project's PMD.

9.4.6 Mine Control and Mine Safety

All five mines are or planned to be controlled and monitored from central control rooms located at the mine office building minion each mine site. At Xingtao mine the control is described as state-of-the-art monitoring with. gas, ventilation, diesel emission, monitoring of key operation points by CCTV camera, and radio frequency identification of the location of each worker underground in dedicated monitoring areas. Belt scales are installed on conveyors for coal production control.

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

According to the mine management, the safety standard and regulations for coal mines in China are met and implemented and all mine workers receive safety training regularly. A mine safety plan for the mine has been prepared and is implemented. The initial mine safety inspection and operational approval (Safety Production Permit) which is compulsory for all underground coal mines in China has been granted to Xingtao, Fengxi and Chongsheng mines.

9.4.7 Maintenance and Repair

The three mine's surface industrial area houses workshops and equipment assembly facilities. These workshops are equipped to handle:

Maintenance and repair of hydraulic roof supports and other heavy mining equipment. Fabrication of steel supports (frames and arches) for roadways. Various mechanical, hydraulic, and electrical repairs for both underground and surface plant equipment. Equipment suppliers also provide on-demand maintenance and repair services.

9.4.8 Power Supply

Xingtao, Fengxi and Chongsheng

Power supply in the region is well developed. and the mines are supplied from the national grid. The grid voltage of 110 kV is stepped down at substations to 35 kV from where the mine substations are supplied with 10 kV. 3300 V is finally supplied to the main mining and surface plant machinery and for the small equipment and installations, the voltage is further stepped down. Power to the underground section is by power cables which are installed along the walls of the inclined shafts. The total installed power of each of the three mines is in the range of 15 MW.

The mining support vehicles in use are diesel powered and are refuelled from a tank truck or at a fuelling station at the surface plant. Fuel storage tanks of sufficient capacity for the operations are provided at the surface plant areas.

Xinglong and Hongyuan

Power supply to each of these two mines is safe and provided from the national grid at 35-kV substations near the project mines.

9.4.9 Conclusion

SRK concludes that the equipment and plant designed, specified, and operated at the mines is suitable and provides the capacity to achieve the required coal production as planned.

SRK has not conducted an audit of the installed equipment and plant at the three mines and information for this review was derived from the existing mining studies, site visit and meeting with site management. Specifications of equipment used in the mines may deviate from that indicated in this Report and in the PMD studies.

9.5 ROM Coal Production and LOM

The historical and forecast ROM coal productions of the five mines are summarized and shown in Table 9-6 and Table 9-7 below. The historical (actual) production figures shown have been provided by the Client. The production forecast for the future years is derived from the mine plans and data provided during discussion with the Client.

Table 9-6: ROM Coal Production Schedule for the Xingtao, Fengxi and Chongsheng Mines

	Historical					Projection				
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Xingtao	3.30	2.84	1.84	2.88	2.39	3.00	2.00	1.14	1.00	EOM
Fengxi	2.84	3.79	2.26	2.89	3.04	0.94	EOM			
Chongsheng	2.65	2.89	2.87	1.74	1.29	1.31	2.30	0.74	0.37	EOM

Overall, SRK believes the five mines are designed, equipped, and operated to achieve the planned and forecasted production levels, as supported by the production rate over the last three years. However, SRK notes that actual annual production could deviate from the forecast due to unforeseen conditions, changes in the mining plan, or market fluctuations. Additionally, if favourable mining conditions persist or equipment upgrades are made, higher annual production might be possible. These factors could influence the actual LOM of the mine.

Given the limited amount of remaining minable resources, peak annual ROM coal production is not expected to exceed 3 million tonnes for the rest of LOM. However, further extensions to the mine life are possible, contingent on:

- Potential village relocation: Relocation could free up additional resources for extraction.
- Mining of Seam 9-2: Mining this seam beneath the former mine office area could add to the mineable reserves.
- Recovery of coal pillars: Recovering coal from previously left pillars could further extend the lifespan.

It's important to note that the three mines are nearing the end of its operational life, and future production sequencing may not be systematic. This makes accurately estimating annual production challenging.

Xinglong and Hongyuan

Once the final development work is completed and the new licenses and permits are ready, the mining operation should be able to commence and reach planned production within a short period of time, considering that experienced mining personnel will be available and that the mining conditions are known from the previous operation. One longwall face with top coal caving as designed and equipment as specified should allow to reach or exceed the designed production targets.

The production forecast for the future years is derived from the mining plans and data provided during discussion with the Client. The forecast production includes coal extracted at the longwalls and an additional 3% of "engineer" coal extracted along with the mine development heading work of the panel gateways.

SRK estimated 17 and 14 years of life-of-mine ("**LOM**") for Xinglong and Hongyuan respectively. These LOM figures include 2 years of permitting and construction and 15 and 12 years of "production life" respectively. Although the designed equipment should have the potential to increase the annual production, LOM estimation was based on the rated mining capacity and expected permitted production of 0.9 Mtpa for both mines.

Table 9-7: ROM Coal Production Schedule for the Xinglong and Hongyuan Mines

	Forecast (Mt)					
Project	**2025 permitting**	**2026 construction**	**2027**	**2028-2037**	**2038**	**2039-2041**
Xinglong	–	–	0.93	0.93	0.93	0.93
Hongyuan	–	–	0.93	0.93	0.58	–
Total	**–**	**–**	**1.86**	**1.86**	**1.51**	**0.93**

9.6 Waste Rock Management, Subsidence, Mine Closure and Land Reclamation

Waste rock generated during underground development work at the mines is typically hauled to the surface and disposed of in a designated area near the mine's industrial plant.

Since the five mines employ longwall mining with top coal caving, subsidence and surface cracks are expected above the mined seam areas. While this poses minimal concern for uninhabited and non-agricultural land, damage to surface structures may require repair or compensation. It's crucial to monitor creeks, water bodies, and land drainage to prevent backwater issues caused by subsidence and potential surface water seepage into the mine workings.

9.7 Manpower

Xingtao, Fengxi and Chongsheng

The Company provided a breakdown of the workforce employed at the mine. This breakdown is shown below in Table 9-8. SRK considers the workforce comparable and in line with coal mines of similar size and conditions in China.

Table 9-8: Workforce of the three Mines

Coal Mine	Production	Administration	Management	Total
Xingtao	320	10	10	340
Fengxi	279	10	8	297
Chongsheng	270	7	8	285

Xinglong and Hongyuan

A breakdown of the workforce projected in the PMDs is shown below in Table 9-9.

Table 9-9: Planned Workforce for Xinglong and Hongyuan as per PMDs

Coal Mine	Production	Management & Administration	Service & Other	Total
Xinglong	491	63	61	615
Hongyuan	245	27	27	299

SRK noted that the planned number of the workforce for the Xinglong project is significantly higher than that for the Hongyuan project. While the PMD for Xinglong provides a latest revised manpower requirement estimate, the PMD for Hongyuan indicates that the same workforce as that proposed in the original PMD. This would lead to a higher operating cost and increased organizational and administrative efforts for Xinglong mine. SRK recommends to further analyse the reason for this difference to see if it is possible to make the workforce numbers for both projects on an equal basis.

10 COAL PREPARATION PLANT

The Coal Plant related information described in this Section is based on following documents:

- Processing Flowchart of Xingtao, Fengxi and Chongsheng CPPs, provided by Qinfa in 2020
- Major Equipment List of Xingtao, Fengxi and Chongsheng CPPs, provided by Qinfa in 2020
- Historical production record of Xingtao, Fengxi and Chongsheng CPPs, provided by Qinfa in 2020

- Preliminary CPP Design of each mine, provided by Qinfa in 2020

The Company has constructed and operated CPPs at the three operating mines: Xingtao, Fengxi and Chongsheng mines. Each CPP is located at the surface plant area of its corresponding mine, near the shaft entry.

The three CPPs employ a similar coal preparation system with Dense Medium Vessel ("**DMV**"), Dense Medium Cyclone ("**DMC**") and Classifying Cyclone as the main separator unit.

The total throughput of the screening section and separation section of the CPP operation matches well with mines production (ROM or raw-coal production). The typical coal product of the three CPPs is mixed clean coal blended from clean coal from various separation units.

In general, the coal preparation process applied in each CPPs can lower the ash content (mineral matter) and increase the calorific value of the coal product as compared to the ROM coal feed. The sulphur content of the coal product can also be expected to be reduced as a side effect of the washing process. It is noted that only the pyritic-sulphur portion of the total sulphur content could be reduced. Organic sulphur is bound to the coal.

The CPP in Xingtao commenced operation in 2004. After upgrading and reconstruction, currently, the CPP has a total ROM coal processing capacity greater than 4 Mtpa at a maximum capacity of 500 tph in the main processing circuit (DMV). The Fengxi and Chongsheng CPP both were upgraded in 2011 and currently both the CPPs have a ROM coal processing capacity greater than 3.0 Mtpa.

Please note that there's no CPP plan for the Xinglong and Hongyuan mines. The output ROM coal is planned to be sold out directly as marketable coal.

10.1 Main Separation Circuits

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

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

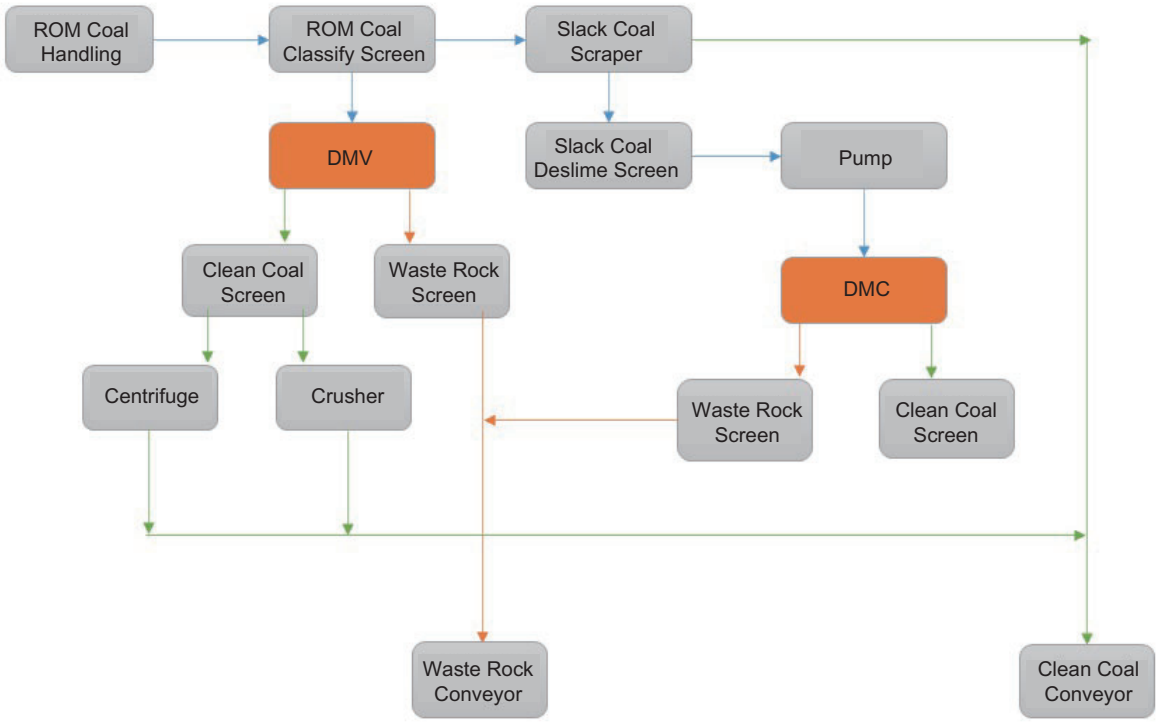
In the DMV coal separation circuit, the +13 mm overflow is blended with water and the dense medium undergoes DMV separation. The lump size waste rock and light overflow are separated inside the DMV, and the light overflow is then screened into two sizes of clean coal through a double-deck dense-medium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

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

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

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

Figure 10-1: Schematic Flowchart of the CPPs



10.2 Clean Coal Yield

It is considered that the three CPPs employed similar washing process and a typical design coal balance table (all the slack coal bypassed to the mixed marketable coal product) for the three CPPs is presented in Table 10-1.

Table 10-1: Designed Output Yield and Typical Coal Product Quality of the three CPPs

Product Type	Yield	Total Moisture	Ash Content	Calorific Value
	(%)	*(%)*	*(db, %)*	*(kCal/kg, net, ar)*
ROM Coal	100	8.0	39.0	3,512
DMV Clean Coal	32.7	8.2	22.8	5,017
Slack Coal – Bypass	35.5	7.9	33.2	4,149
Mixed Marketable Coal	**68.2**	**8.0**	**28.2**	**4,565**
Slime	9.8	20.8	35.1	3,231
Waste Rock	22.0	10.3	74.5	1,272

According to the historical production records, the historical operation of the CPPs achieved an average of 65% of mixed marketable coal yield with a total moisture ranging from 7 to 11, ash content ranging from 20% to 28% and calorific value ranging from 4,600 to 5,200 kCal/kg. ***As the estimated ash content of the ROM coal mined from the three mines would keep at the same historical level for the rest of the LOM, SRK estimated that the marketable coal yield from the CPPs would also keep at the same average of approximately 65%.***

11 PROJECT INFRASTRUCTURE

There is sufficient on-site infrastructure in the mining area to allow coal mining projects to be undertaken and mines to be operated.

The Xingtao, Fengxi and Chongsheng mines are located roughly 20 km north of Shuozhou City, about 90 km southwest of Datong City and all are well connected to the public road and highway system via short mine access roads. The access roads are suitable for coal and material transport by standard coal truck. Railway lines pass close to the mine area and Lujiayao coal loading station is at about 8 km from the mines and is suitable for intermediate truck transport. The adjacent power plants Shentou No. 1 and No. 2 are about 20 km from the mines and can be reached via the mine access road and the public road network. The railway transport connects ultimately with Qinhuangdao coal shipping terminal at the Bohai Sea, from where the coal will be shipped to other industrial centres of China.

For Xinglong and Hongyuan mine, these two coal mines are located roughly 45 km south of Shuozhou City, and both are well connected to the public road system via short mine access roads which are suitable for coal and material transportation by truck. Railway lines pass the mine area and coal loading terminals exist at an acceptable distance for intermediate truck transport.

The infrastructure including railways, coal transportation roads, power and water supplies in the area is sufficient to support the normal operation of the projects. Several major coal transportation such as Shuohuang coal transportation railway and North Tongpu Railway are passing through near the projects area and several coal-loading stations are present. Two expressways leading to both the southern and eastern coal consuming areas are near the projects area.

Power supply in the area is good and stable. Each of the five mines is connected to the national grid and electrical power is provided from multiple 35-kV substations and voltage is stepped down at the mines.

Water for each mine's operation is sourced from wells drilled at each mine site. The well's capacity is sufficient to provide the required water for domestic and industrial use. Mine water after basic treatment is used to supplement well water for industrial purpose and for process water at the CPP. Mine water is further used for the water spray systems of the mines for dust suppression and fire prevention.

Telecommunication for the Project region is well covered and there is access to national and international telecommunication networks from each mine. Communication in these areas is reliable and new connections to the mines could be easily established.

Construction materials and consumables typically used at the coal mines and coal processing plants can usually be sourced and purchased locally. Equipment and materials could be procured from suppliers in the region or from suppliers further afield and transported to the site.

Coal mining usually employs (sub-contracts) and requires specific services for development and operation of a mine. Typically such services are shaft sinking and roadway driving, change-over of entire longwall systems, plant and equipment hire, mechanical and electrical service, and surface plant operation and management (i.e. CPP). Shanxi Province has a long-standing coal mining industry with established service providers available. Non-mining service providers and suppliers including medical services are available from nearby townships and cities which have a well-developed commercial infrastructure with shops, accommodation and medical facilities.

12 ENVIRONMENTAL, PERMITS, SOCIAL AND COMMUNITY IMPACT

12.1 Environmental, Social, and Health and Safety Review Objective

The objective of this review is to identify and verify the existing and potential Environmental, Social, Occupational Health and Safety ("**OHS**") liabilities and risks and assess any associated proposed remediation measures for the Project. At the time of this report was written, the Project's coal mining and processing are on a commercial operation.

12.2 Environmental and Social Review Process, Scope and Standards

The process for the verification of the environmental compliance and conformance for the Project comprised a review and inspection of the Project's environmental management performance against:

- Chinese national environmental regulatory requirements; and
- Equator Principles (World Bank/International Finance Corporation ("**IFC**") environmental and social standards and guidelines) and internationally recognised environmental management practices.

12.3 Status of Environmental and Social Approvals and Permits

A summary of the environmental impact assessment ("**EIA**") reports and approvals for the five mines, as provided to SRK, is presented in Table 12-1.

Table 12-1: Environmental Impact Assessment Reports and Approvals

Project/Company	Prepared By	Report date	Approved By	Approval date
Xingtao Coal Mine Mining Expansion and Coal Processing Plant (1.5Mtpa)	Taiyuan Design Research Institute for Coal Industry	February 2014	Shanxi Environmental Protection Bureau	27 May 2014
Fengxi Coal Mine Mining Expansion (0.9Mtpa)	Taiyuan Design Research Institute for Coal Industry	October 2012	Shanxi Environmental Protection Bureau	12 April 2013
Fengxi Coal Mine Coal Processing Plant (3.0Mtpa)	Not Provided to SRK		Shuozhou Environmental Protection Bureau	16 July 2013
Chongsheng Coal Mine Mining Expansion (0.9Mtpa)	Nanjing Guohuan Science and Technology Co., Ltd	July 2013	Shanxi Environmental Protection Bureau	23 December 2013
Chongsheng Coal Mine Coal Processing Plant (3.0Mtpa)	Nanjing Guohuan Science and Technology Co., Ltd	May 2016	Shouzhou Pinglu Environmental Protection Bureau	17 June 2016
Xinglong Coal Mine	Xinzhou Environmental Protection Research Institute	June 2013	Shanxi Environmental Protection Bureau	23 August 2013
Hongyuan Coal Mine	Shanxi Qingze Yangguang Environmental Projection Science and Technology Co., Ltd	June 2013	Shanxi Environmental Protection Bureau	22 August 2013

The significant environmental aspects for the Project are associated with the coal mining and processing activities at the Project site. The environmental and social review identified the most significant current and potential environmental management and legislative compliance liabilities that relate to operation and further development of the Project and defined gaps in operational management as relates to industry best practices.

The following sections identify the environmental aspects that have been addressed in the EIA reports and other related documents, as well as those environmental, social and OHS aspects that have not been addressed.

12.4 Environmental Aspects

12.4.1 Site Ecological Assessment

The landform and topography in the Project's mining area is commonly changed by mining, waste rock dumps, haul roads, office buildings and dormitories, and other facilities. The development of the Project may also result in impacts to or loss of flora and fauna habitats. If effective measures are not taken to manage and rehabilitate the disturbed areas, the surrounding land can become polluted and the land utilization function will be changed, causing an increase in water loss and soil erosion.

The EIA reports for the Project indicate that no rare or endangered flora and fauna were identified within the Project area. The primary wild animals living in the mine site area consist of hedgehog, hare, weasel, sparrow, magpie, etc. The EIA reports also state the mining operation will have little impact on the ecological environment if the appropriate preventive measures are taken. The EIA reports contain proposed measures for controlling and monitoring soil erosion and minimising loss of flora and fauna habitat. These proposed measures include water and soil conservation, geological hazard protection and ecological restoration.

SRK recommends a land disturbance and rehabilitation registry be developed for recording areas and extent of disturbances and remediation work that has been conducted to allow for effective rehabilitation planning to reduce the impact to the ecological environment.

12.4.2 Coal Gangue and Coal Refuse Management

According to the EIA reports, the coal gangue from the underground mining will be backfilled into mined out area underground, and coal refuses generated from the coal-processing plants are disposed in each of the waste rock dumps ("**WRDs**").

On average, the coal contains approximately 1% sulphur in the form of pyrite, and therefore the coal slimes or refuses from the coal processing plants are likely to contain pyrite as well. The generation of acid water occurs typically when iron sulphide minerals are exposed to both oxygen (from air) and water. As acid water migrates through a site, it further reacts with other minerals in the surrounding soil or rock and may dissolve a range of metals and salts. The dissolved metals or salts may contaminate farmlands, groundwater or water bodies adjacent to a waste rock dump or coal refuse dump. The Company has stated that it has not undertaken any comprehensive geochemical/acid rock drainage ("**ARD**") assessments for the mine's waste rock. SRK also notes that some of the EIA reports refer to one-off leaching tests that have been conducted at the individual sites, where the coal gangue or coal refuse was classified as general solid waste under the Chinese national integrated wastewater discharge standard. SRK opines that these one-off leaching tests are insufficient to predict adequately whether there will be any impact under actual operational conditions. Therefore, SRK recommends comprehensive geochemical/ARD assessments be conducted for the project's coal gangue and coal refuse. Limestone neutralization and encapsulation with clay shall be considered for the coal refuse if heavy metal pollution issue is observed.

12.4.3 Water Management

The potential negative impacts of the Project to the surface water and ground water are due to the discharge of untreated mine water, untreated coal processing water, and untreated domestic wastewater. In addition, the mining activities may lead to the change of the groundwater table.

According to the EIA reports, mine water is treated by a sediment tank underground, and will be reused for mining activity underground. In addition, the EIA reports state that the processing plant has a sedimentation tank to treat and recycle processing water in the processing plant, in which overflow from the sediment tanks was returned to the processing plant. The water recycling system in coal processing plant can save significant amount of water for the Project. The Company states that all domestic wastewater on site is treated biologically with an underground facility and the treated wastewater is used for site irrigation.

No comprehensive groundwater and surface water quality monitoring program has been sighted for the Project. SRK recommends that quality monitoring be undertaken on the groundwater and surface water resources within the Project area (including upstream and downstream of the Project area), and also any site of water discharges. This water quality monitoring should form part of a broader site environmental monitoring program. SRK also recommends the construction of an effective drainage system to divert run-off from undisturbed areas around disturbed areas. In addition, some prevention measures, such as surface hardening, second containment facility and accident pool, are recommended to mitigate the water pollution risks.

12.4.4 Dust and Gas Emissions

The fugitive dust and gas emission sources for the Project are mainly from blasting, mining, crushing, loading, waste rock storage and handling, and movement of vehicles and mobile equipment. SRK recommends the Project adopt the following dust and gas management measures:

- Water sprinkling for coal yard and industrial site
- Haul road maintenance and watering
- Speed limitation applied to all vehicles; and
- Greening to be conducted on site

SRK also recommends including ambient air quality monitoring as part of a site environmental monitoring program.

12.4.5 Noise Emissions

The main sources of noise emissions for the Project are blasting, crushing, loaders, pumps, mobile equipment, and other noise-making equipment and machinery. SRK recommends the Project implement the following noise management measures:

- Use of low-noise equipment
- Enclosures for noisy equipment
- Setup of speed limit for vehicles
- Optimization of the layout; and
- Installation of muffler on noisy equipment

SRK also recommends including ambient noise monitoring as part of a site environmental monitoring program.

12.4.6 Hazardous Materials Management

Hazardous materials used during Project operations are processing reagents, explosives, lubricant, and a range of hydrocarbons (diesel or gasoline). The Project's EIA reports do not include an assessment or measures for storage and handling of these materials. Dedicated storage areas for these materials should be constructed on site. The Company states that all waste oil from heavy-equipment maintenance is collected and stored on site and is eventually sold to locals for recycling.

The Project needs to further develop procedures for hazardous materials management and implement these procedures along with appropriate storage facilities and conditions to comply with Chinese national regulations and best industry practices. SRK recommends that all hazardous material storage and handling facilities for the Project be constructed with secondary containment (i.e., lined and bunded areas) and in accordance with Chinese national environmental requirements and recognised international industry practices.

12.4.7 Site Closure Planning and Rehabilitation

The recognised international industry practice for managing site closure is to develop and implement an operational site closure planning process and document this through an operational closure plan. While this site closure planning process is not specified within the Chinese national requirements for mine closure, the implementation of this process for a Chinese mining project will

- Facilitate achieving compliance with these Chinese national legislative requirements; and

- Demonstrate conformance to recognised international industry management practices.

No comprehensive site closure plan was provided to SRK for review, but SRK was provided with a mine site rehabilitation geological hazard mitigation plan report/approval for Xingtao, Fengxi and Chongsheng coal mines. These sighted plans generally provide the following in respect to the proposed site closure and rehabilitation measures:

- Site Rehabilitation Objective – The rehabilitation programme is aimed at rehabilitating land disturbed by mining operations, to control soil loss and conserve the ecological environment.

- Geological-Hazards Mitigation – Measures will be taken to mitigate geological hazards, such as landslides, surface subsidence by retaining walls, or backfilling with waste rocks.

- Top-Soil Stripping – Topsoil will be stripped from the mine sites, waste rock dumps, and infrastructure areas and then stockpiled for reuse in rehabilitation.

- Progressive Rehabilitation – Rehabilitation will be conducted progressively with mining. In addition, any farmland disturbed shall be returned to agricultural use at minimum crop productivity whenever possible.

- Industrial Areas – At the time of project completion, the associated land will be rehabilitated by covering with topsoil and seeds to allow for revegetation. The species to be used will be local perennials which are capable of growing in the local conditions of the mine sites.

- Rehabilitation Monitoring – Monitoring will be carried out throughout the project lifetime and for a number of years after closure.

- Environmental Bonds – According to the related Chinese regulations, a site rehabilitation bond and a geological-hazard-mitigation bond should be paid for the licensed mine site. Phased bond payment receipts at current stage for the five Coal Mines was sighted by SRK, and a full payment at the mine site will be made in the future accordingly.

SRK notes that the above proposed approach to site rehabilitation is generally in line with the relevant recognised Chinese industry practices.

12.5 Social Aspects

The Xingtao, Fengxi and Chongsheng mine is roughly 30 km north of Shuozhou City, Shanxi Province. The land use for the general area surrounding the Project site is a mixture of forest area, coal mining, and limited agricultural activities. The Company also reported that there are no significant cultural heritage sites, cemeteries, or nature reserves within or surrounding any of the project sites.

The Company stated they had received no official notices of public complaints in relation to the activities of the Project and that they maintained a positive relationship with the local communities. SRK notes that the positive effects to the surrounding local communities are mainly direct employment of locals and use of local suppliers and service providers where practical. In addition, the Company put efforts on the social development measures amongst local communities including water and electricity supplies, schools, the development of local infrastructure.

As part of this review, SRK has not sighted any documentation in relation to any actual or potential impacts of non-governmental organizations on the sustainability of this project.

12.6 Occupational Health and Safety

SRK has reviewed the OHS management system and procedures, which provide the following summary in respect to the proposed OHS management measures for the Project:

- OHS administration
- Establishment of an emergency response plan
- Regular OHS training for relevant employees
- Safety and hazard signage
- Dust/gases monitoring and control within the workplace
- Distribution of Personal Protective Equipment ("**PPE**") to all relevant employees
- Fire prevention and firefighting
- Lightning strike prevention

- Mining, crushing, blasting and explosives handling
- Traffic management
- Sanitary provision
- Power provision
- Labour and supervision

12.7 Evaluation of Environmental and Social Risks

The sources of inherent environmental and social risk are project activities that may result in potential environmental and social impacts. The environmental and social risks for the Project are:

- Impacts to the local ecological system due to significant land disturbance
- Impact to the groundwater and surface water
- Poor dust management; and
- Heavy metal pollution from the waste rock dumps.

The above risks are categorised as moderate/tolerable risks (i.e., requiring risk management measures). It is SRK's opinion that these risks for the project can generally be managed if the Company put sufficient efforts in to solve these issues.

13 COAL MARKET ASPECTS

13.1 Coal Market in China

The Chinese coal market has seen significant developments over the past five years, influenced both by internal dynamics and global market trends. The period from 2018 to 2024 was marked by various trends, including growth in production and consumption driven primarily by demand in power generation and the steel and iron industry. China has been the world's largest consumer and producer of coal, with the market featuring key players such as China National Coal Group Corporation, China Shenhua Energy Company Limited, and Yanzhou Coal Mining Company Limited, among others.

In recent years, China has made strides in expanding its renewable energy capacity, particularly in solar and wind power, as part of its efforts to combat pollution and reduce reliance on coal. This shift towards renewables is expected to impact the coal market negatively. The government's initiative to construct significant solar and wind power generation capacity in the Gobi Desert, with around 100 GW of solar power capacity already under construction as of March 2022, exemplifies this transition.

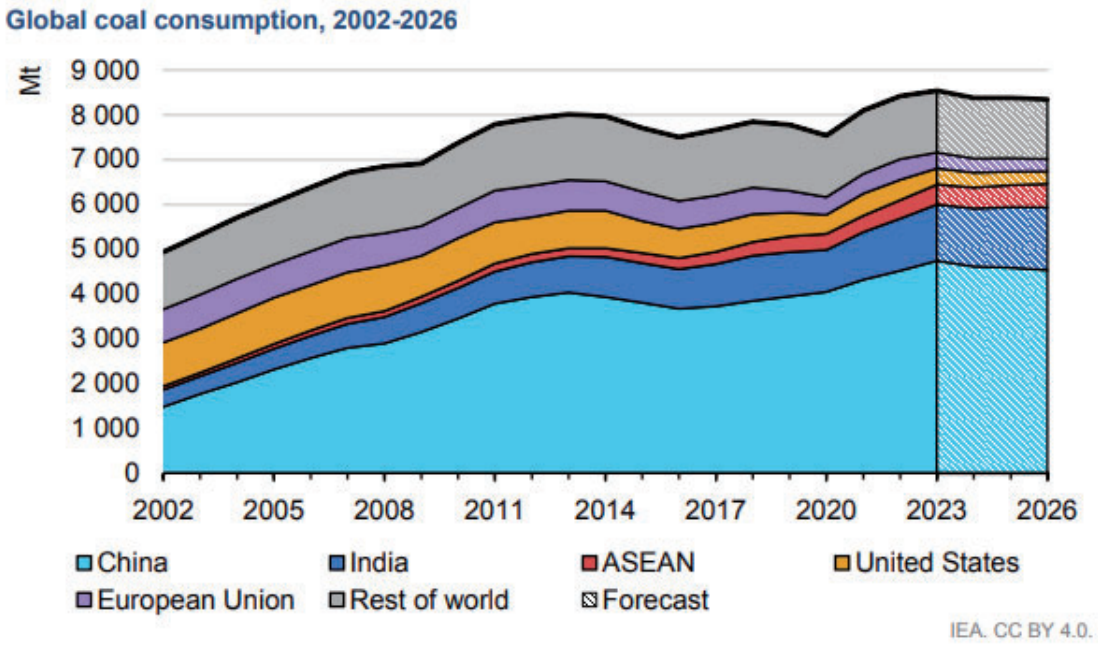
Looking at the global context, coal demand has shown resilience, supported by markets like China, which accounts for half of global consumption. However, this stability faces potential challenges from stronger climate policies, lower natural gas prices, and developments within China itself. Despite these challenges, the Chinese coal market's demand is expected to remain relatively stable, with coal continuing to play a significant role in the country's energy mix.

For the future, the period from 2024 to 2032 is forecasted to see a continued focus on the applications of coal in power generation, steel and iron production, and other industries. The market's growth is projected to be influenced by factors such as government policies, global market dynamics, and the increasing push towards renewable energy sources. While the coal market in China is likely to see some shifts in dynamics due to these factors, coal is expected to remain an essential part of the country's energy landscape in the near future.

In summary, the Chinese coal market over the past five years has been characterized by growth and resilience, driven by demand in key sectors. However, looking forward, the market faces challenges and potential changes due to the increasing focus on renewable energy and evolving global market conditions. The future of coal in China will likely be shaped by a balance between traditional demand in power generation and industry, and the country's commitment to environmental policies and renewable energy.

Figure 13-1 shows the historical and forecast electricity generation in China from 1990 to 2040 by EIA for reference.

Figure 13-1: Historical and Forecast Annual Electricity Generation in China (Source EIA)



13.2 Market and price of the Mine's Coal

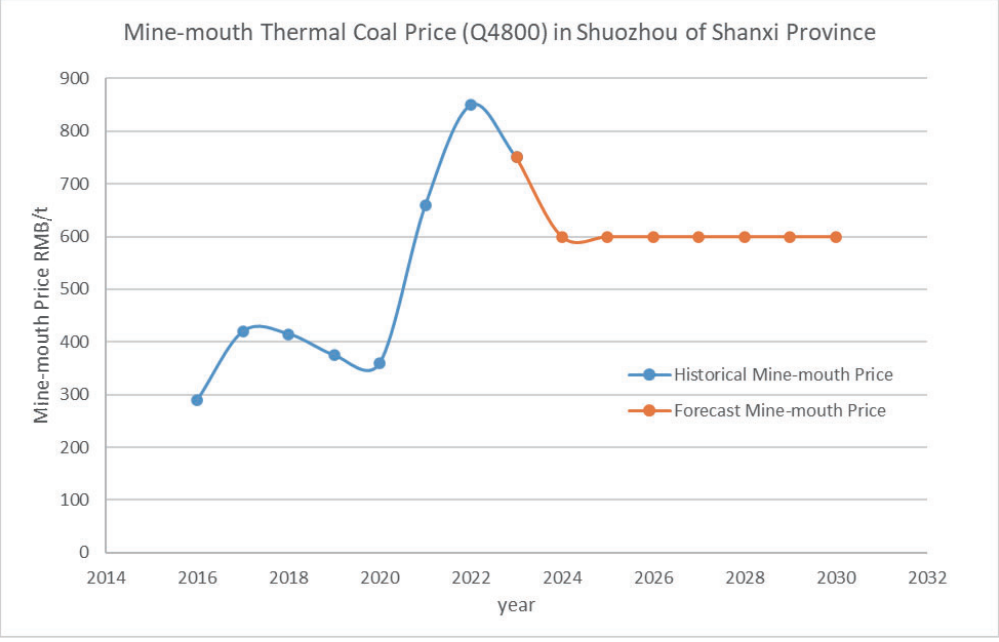
According to the information provided by the mine, the coal market for the mine can be summarized by SRK as follows:

The coal mine produces a medium quality thermal coal. The primary market and buyer are nearby power plant(s) which would take up about 60-70% of the mine production. About 30-40% of the produced coal would be sold to the local market or to coal trading companies for "export" to other Chinese provinces or Bohai Rim terminals. It is understood that for the 60-70% of the coal production sold to the power plants, the sales agreements have been secured and this part of the market is a safe long term one. Some price agreement between power plant and mine might most likely exist and that could put a ceiling on the price for the coal supply. For the remainder of the coal production, sales tonnage and price has to be negotiated either in the long term or on the spot market. SRK has sighted coal sales records for this sales segment at the mine.

Coal from the mine must be delivered/transported by truck to nearby railway loading facilities. The mine use nearby railway siding and train loading facilities to "export" sales.

Coal prices are mine-mouth price as normally coal trade agents/customers are responsible for coal transportation. As all the ROM coal is processed through CPPs to output mixed clean coal, normally only washed clean coal are marketable. According to the historical coal sales records, the clean coal (net-as-received calorific value 4,800 kCal/kg, ash 24%, Sulphur 1.0) mine-mouth price of the mine for the last five years ranges from 375 RMB/t to 750 RMB/t, averaging 600 RMB/t. SRK considers that the coal prices would keep at range between 550 RMB/t and 600 RMB/t for the long-term. Figure 13-2 demonstrates the last five years average coal price derived from Fenwei Resource Limited provided by the Client and SRK's forecast coal price for the next five years.

Figure 13-2: Historical and Forecast Thermal Coal Mine-mouth Price of the Pinglu Regional Area



Note: Historical mine-mouth price derived from Fenwei Resource provided by the Client.

14 PRELIMINARY ECONOMIC ANALYSIS

The Client commissioned BMI Appraisals Limited ("**BMI**") to conduct a valuation for the mines. SRK is of the opinion that the valuated results derived from BMI's valuation were conducted in a professional way and is sufficient to demonstrate the economic viability of the project to support the JORC reserve conversion in this Report. The quoted value in use as of 31 December 2024 is positive, and sufficient to support the economic viability of Coal Reserve in accordance with JORC Code.

15 RISK ASSESSMENT

15.1 Introduction

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

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

- Geology
- Mine construction and development
- Mining and processing
- Capital and operating costs
- Environmental issues
- Social, health, and safety concerns; and
- Other risks (natural risks influencing operation; permitting; etc.)

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

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

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

15.2 Risk Assessment

SRK's risk assessment covers the operating mine of Chongsheng. The risk assessment is shown in the table below. The overall technical-economic project risk for the mine would be rated by SRK as "Low" to "Medium".

Table 15-1: Risk Assessment for The Five Mines

	Xingtao			Fengxi			Chongsheng		
Risk Area/Hazard	**Likelihood**	**Conse-quence**	**Risk Rating**	**Likelihood**	**Conse-quence**	**Risk Rating**	**Likelihood**	**Conse-quence**	**Risk Rating**
Geological									
Coal Resource Risk (Quantitative Exploration or Estimation Errors)	Unlikely	Major	Low Risk	Unlikely	Major	Low Risk	Unlikely	Major	Low Risk
Coal Quality Risk (Exploration, Sampling, Analysis Errors)	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk
Undetected Significant Structural Disturbances/Faults	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk
Severe Hydrogeological Conditions (Excessive Groundwater Influx)	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk
Mine Development and Plant Construction									
Delay of Underground Development	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk
Delay of Surface Mine Facilities and Plant Construction	Unlikely	Minor	Low Risk	Unlikely	Minor	Low Risk	Unlikely	Minor	Low Risk
Delay of Mine Equipment and Plant Procurement and Installation	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk

	Xingtao			Fengxi			Chongsheng		
Risk Area/Hazard	**Likelihood**	**Conse-quence**	**Risk Rating**	**Likelihood**	**Conse-quence**	**Risk Rating**	**Likelihood**	**Conse-quence**	**Risk Rating**
Mining & Reserve									
Inadequate Mining Method and Design	Rarely	Moderate	Neglig. Risk	Rarely	Moderate	Neglig. Risk	Rarely	Moderate	Neglig. Risk
Coal Reserve Risk (Estim. Error; Reduced Recovery by Mining Factors)	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk
Inadequacy of Equipment and its Capacity/Equipment Failure	Possible	Major	Low Risk	Possible	Major	Low Risk	Possible	Major	Low Risk
Adverse Micro-Geological Conditions (Faults and Disturbances)	Possible	Minor	Low Risk	Possible	Minor	Low Risk	Possible	Minor	Low Risk
Geotechnical Risks (Roof, Floor, Structural Stability; Stress)	Possible	Minor	Low Risk	Possible	Minor	Low Risk	Possible	Minor	Low Risk
Sterilizing of Coal Reserve (Panel Extraction Sequence)	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk
Spontaneous Combustion/Mine Fire/Coal Dust Explosion	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk
Coal Gas Explosion/Seam Gas Outbursts	Rarely	Catastrophic	Medium Risk	Rarely	Catastrophic	Medium Risk	Rarely	Catastrophic	Medium Risk
Lack of Skilled Labour and Operation Management	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk
Coal Handling, Coal Preparation, Coal Transport									
Inadequate Coal Handling Systems, Coal Silo/Stockpile Capacity	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk
Inadequate Coal Preparation Process, Capacity, Yield, Quality	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk
Coal Transport – Interruptions and Capacity (Truck, Train)	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk

Risk Area/Hazard	Xingtao Likelihood	Xingtao Consequence	Xingtao Risk Rating	Fengxi Likelihood	Fengxi Consequence	Fengxi Risk Rating	Chongsheng Likelihood	Chongsheng Consequence	Chongsheng Risk Rating
Costs, Coal Price and Market									
Construction and Development Cost Overrun	Possible	Moderate	Low Risk	Possible	Moderate	Low Risk	Possible	Moderate	Low Risk
Unexpected Capital Investment (Cost) Requirement	Possible	Moderate	Low Risk	Possible	Moderate	Low Risk	Possible	Moderate	Low Risk
Operating Costs Increase (Mining)	Possible	Moderate	Low Risk	Possible	Moderate	Low Risk	Possible	Moderate	Low Risk
Operating Costs Increase (Coal Processing)	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk
Shortage of Funds by Poor Project Financial Management	Unlikely	Major	Medium Risk	Unlikely	Major	Medium Risk	Unlikely	Major	Medium Risk
Coal Price Decrease	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk
Market and Demand Shortage/Coal Oversupply	Unlikely	Moderate	Medium Risk	Unlikely	Moderate	Medium Risk	Unlikely	Moderate	Medium Risk
Environmental and Social									
Wastewater Discharge (Including possible environmental impact)	Possible	Minor	Low Risk	Possible	Minor	Low Risk	Possible	Minor	Low Risk
Waste Rock and Gangue Dumping	Possible	Minor	Low Risk	Possible	Minor	Low Risk	Possible	Minor	Low Risk
Dust Emission	Possible	Minor	Low Risk	Possible	Minor	Low Risk	Possible	Minor	Low Risk
Hazardous Waste and Impact	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk
Impact to Biodiversity	Possible	Minor	Low Risk	Possible	Minor	Low Risk	Possible	Minor	Low Risk
Resettlement and Land Rights	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk
Land Disturbance and Subsidence	Possible	Minor	Low Risk	Possible	Minor	Low Risk	Possible	Minor	Low Risk
Mine Closure Issues	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk

Risk Area/Hazard	Xingtao Likelihood	Xingtao Consequence	Xingtao Risk Rating	Fengxi Likelihood	Fengxi Consequence	Fengxi Risk Rating	Chongsheng Likelihood	Chongsheng Consequence	Chongsheng Risk Rating
Social and Work Force Issues	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk
Stakeholder, Public, Community Engagement	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk
Future Coal Use and CO2 Restrictions	Possible	Minor	Low Risk	Possible	Minor	Low Risk	Possible	Minor	Low Risk
Legal, Political and Other Risks									
Land Acquisition, Compensation, and Regulatory Issues	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk
Exploration and Production Licenses	Unlikely	Minor	Low Risk	Unlikely	Minor	Low Risk	Unlikely	Minor	Low Risk
Other Licenses and Permits	Possible	Minor	Low Risk	Possible	Minor	Low Risk	Possible	Minor	Low Risk
Natural Risks in the Mine Area (Flood, Earthquake, etc.)	Unlikely	Minor	Low Risk	Unlikely	Major	Medium Risk	Unlikely	Minor	Low Risk
Interruption of Supplies (Power, Water, Fuel)	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk

Risk Area/Hazard	Xinglong Likelihood	Xinglong Consequence	Xinglong Risk Rating	Hongyuan Likelihood	Hongyuan Consequence	Hongyuan Risk Rating
Geological						
Coal Resource Risk (Quantitative Exploration or Estimation Errors)	Unlikely	Major	Low Risk	Unlikely	Major	Low Risk
Coal Quality Risk (Exploration, Sampling, Analysis Errors)	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk
Undetected Significant Structural Disturbances/Faults	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk
Severe Hydrogeological Conditions (Excessive Groundwater Influx)	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk

Risk Area/Hazard	Xinglong Likelihood	Xinglong Consequence	Xinglong Risk Rating	Hongyuan Likelihood	Hongyuan Consequence	Hongyuan Risk Rating
Mine Development and Plant Construction						
Delay of Underground Development	Possible	Moderate	Low Risk	Possible	Moderate	Low Risk
Delay of Surface Mine Facilities and Plant Construction	Possible	Minor	Low Risk	Possible	Minor	Low Risk
Delay of Mine Equipment and Plant Procurement and Installation	Possible	Moderate	Low Risk	Possible	Moderate	Low Risk
Mining & Reserve						
Inadequate Mining Method and Design	Rarely	Moderate	Neglig. Risk	Rarely	Moderate	Neglig. Risk
Coal Reserve Risk (Estim. Error; Reduced Recovery by Mining Factors)	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk
Inadequacy of Equipment and its Capacity/Equipment Failure	Unlikely	Major	Low Risk	Possible	Major	Low Risk
Adverse Micro-Geological Conditions (Faults and Disturbances)	Possible	Minor	Low Risk	Possible	Minor	Low Risk
Geotechnical Risks (Roof, Floor, Structural Stability; Stress)	Possible	Minor	Low Risk	Possible	Minor	Low Risk
Sterilizing of Coal Reserve (Panel Extraction Sequence)	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk
Spontaneous Combustion/Mine Fire/Coal Dust Explosion	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk
Coal Gas Explosion/Seam Gas Outbursts	Rarely	Catastrophic	Medium Risk	Rarely	Catastrophic	Medium Risk
Lack of Skilled Labour and Operation Management	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk

Risk Area/Hazard	Xinglong Likelihood	Xinglong Consequence	Xinglong Risk Rating	Hongyuan Likelihood	Hongyuan Consequence	Hongyuan Risk Rating
Coal Handling, Coal Preparation, Coal Transport						
Inadequate Coal Handling Systems, Coal Silo/Stockpile Capacity	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk
Inadequate Coal Preparation Process, Capacity, Yield, Quality	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk
Coal Transport – Interruptions and Capacity (Truck, Train)	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk
Costs, Coal Price and Market						
Construction and Development Cost Overrun	Possible	Moderate	Low Risk	Possible	Moderate	Low Risk
Unexpected Capital Investment (Cost) Requirement	Possible	Moderate	Low Risk	Possible	Moderate	Low Risk
Operating Costs Increase (Mining)	Possible	Moderate	Low Risk	Possible	Moderate	Low Risk
Operating Costs Increase (Coal Processing)	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk
Shortage of Funds by Poor Project Financial Management	Possible	Major	Medium Risk	Possible	Major	Medium Risk
Coal Price Decrease	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk
Market and Demand Shortage/Coal Oversupply	Unlikely	Moderate	Medium Risk	Unlikely	Moderate	Medium Risk
Environmental and Social						
Wastewater Discharge (Including possible environmental impact)	Possible	Minor	Low Risk	Possible	Minor	Low Risk
Waste Rock and Gangue Dumping	Possible	Minor	Low Risk	Possible	Minor	Low Risk
Dust Emission	Possible	Minor	Low Risk	Possible	Minor	Low Risk
Hazardous Waste and Impact	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk

	Xinglong			Hongyuan		
Risk Area/Hazard	**Likelihood**	**Conse-quence**	**Risk Rating**	**Likelihood**	**Conse-quence**	**Risk Rating**
Impact to Biodiversity	Possible	Minor	Low Risk	Possible	Minor	Low Risk
Resettlement and Land Rights	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk
Land Disturbance and Subsidence	Possible	Minor	Low Risk	Possible	Minor	Low Risk
Mine Closure Issues	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk
Social and Work Force Issues	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk
Stakeholder, Public, Community Engagement	Possible	Moderate	Medium Risk	Possible	Moderate	Medium Risk
Future Coal Use and CO_2 Restrictions	Possible	Minor	Low Risk	Possible	Minor	Low Risk
Legal, Political and Other Risks						
Land Acquisition, Compensation, and Regulatory Issues	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk
Exploration and Production Licenses	Unlikely	Minor	Low Risk	Unlikely	Minor	Low Risk
Other Licenses and Permits	Possible	Major	Medium Risk	Possible	Major	Medium Risk
Natural Risks in the Mine Area (Flood, Earthquake, etc.)	Unlikely	Minor	Low Risk	Unlikely	Major	Medium Risk
Interruption of Supplies (Power, Water, Fuel)	Unlikely	Moderate	Low Risk	Unlikely	Moderate	Low Risk

CLOSURE

This report, Competent Person's Report for Five Coal Mines of China Qinfa Group, Shanxi Province, China, was prepared by

_____

Zhuanjian Liu
Principal Consultant

and

_____

Yongchun Hou
Principal Consultant

All data used as source material plus the text, tables, figures, and attachments of this document have been reviewed and prepared in accordance with generally accepted professional engineering and environmental practices.

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12. Remaining Reserve Verification Report of Shanxi Xinzhou Shenchi Xinglong Coal Co., Ltd.; prepared by Shanxi Keruitong Industrial Co., Ltd in September 2012;

13. Geological Report of Shanxi Xinzhou Shenchi Hongyuan Coal Co., Ltd, prepared by Shanxi Dibao Energy Co., Ltd in December 2018.

14. Preliminary Mine Design Report of Xinglong Coal Mining Acquisition Project, Shenchi county, Xinzhou municipality, Shanxi province; prepared by Coal Mine Design and Research Institute of Xinzhou municipality in November 2012.

15. Revised Preliminary Mine Design Report of Hongyuan Coal Mining Acquisition Project, Shenchi county, Xinzhou municipality, Shanxi province; prepared by Taiyuan Huamei Coal Mine Design Co. Ltd. in March 2019;

Table 1, JORC Code 2012 Edition

(Criteria in this section apply to all succeeding sections.)

Criteria	Explanation	Commentary
Sampling techniques	• Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as downhole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling. • Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. • Aspects of the determination of mineralisation that are Material to the Public Report *In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.*	• Based on the Chinese geological reports, coal core samples were collected on seam basis as per borehole and parting less than 10 cm were included in the samples. • The seam depths and thickness were determined by comparing the core log with downhole geophysical log especially for the cores of low recovery. • The sampling was completed either on the borehole cores or on underground gateways.
Drilling techniques	• Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).	• Most of the drillings were core drilling but the details are unknown to SRK.

Criteria	Explanation	Commentary
Drill sample recovery	• Method of recording and assessing core and chip sample recoveries and results assessed. • Measures taken to maximise sample recovery and ensure representative nature of the samples. • Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	• Unknow to SRK, it is believed that the method was according to relevant Chinese standards. • The information/standard about collection of core samples prior to 1987 was unknow to SRK. The explorations implemented after 1987 followed the standard Chinese procedures of Chinese standard 1987-656: "Standard Practice for Collection of Coal Samples in Coal Resources Exploration". • According to geological reports, explorations conducted on the five mines in general achieved between 80% to 100% of coal core recovery.
Logging	• Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies. • Whether logging is qualitative or quantitative in nature; Core (or costean, channel, etc.) photography. • The total length and percentage of the relevant intersections logged.	• All the logging work is believed to conducted by geologists belong to state-owned exploration Brigade. The work should have followed relevant Chinese standards, however, detail information is not available to SRK.
Sub-sampling techniques and sample preparation	• If core, whether cut or sawn and whether quarter, half or all core taken. • If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry. • For all sample types, the nature, quality and appropriateness of the sample preparation technique. • Quality control procedures adopted for all sub-sampling stages to maximize representivity of samples. • Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. • Whether sample sizes are appropriate to the grain size of the material being sampled.	• No detail information is available to SRK. Nevertheless, sampling is believed to follow relevant Chinese Standards.

Criteria	Explanation	Commentary
Quality of assay data and laboratory tests	• The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. • For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. • Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.	• The QAQC procedures after the 2000s were followed the Chinese Standard DZ/T 0130-2006 "The Specification of Testing Quality Management for Geological Laboratories".
Verification of sampling and assaying	• The verification of significant intersections by either independent or alternative company personnel. • The use of twinned holes. • Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. • Discuss any adjustment to assay data.	• No information is available on the verification of sampling. • No twinned holes were drilled to verify the coal seam data through drilling. • No information regarding the documentation of primary data, data entry procedures available. • SRK is not aware that any adjustment to assay data.
Location of data points	• Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. • Specification of the grid system used. • Quality and adequacy of topographic control.	• All the boreholes drilled after the 2000s with its collar coordinates being surveyed through either total station or static GPS surveying apparatus by adopting Beijing 1954 and Xi'an 1980 datum. The coordinates of the collars were finally converted to the coordinate system in line with the coordinate system indicated on each mining license of the five mines. The accuracy of the survey meets the requirement of the Chinese standard. The collar survey prior to the 2000s is unknown to SRK. • The topography surface for all of the mines was derived from AutoCAD based contour map and updated using borehole collars. It is considered to be adequate for the Coal Resource estimation.

Criteria	Explanation	Commentary
Data spacing and distribution	• Data spacing for reporting of Exploration Results. • Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. • Whether sample compositing has been applied.	• Historical exploration drillings have resulted in a borehole spacing of approximately 500 m to 1,000 m in the five mines. • The Competent Person is of the opinion that the data spacings for each mine is sufficient and appropriate to reflect the degree of geological, coal seams and coal qualities continuity, and it is sufficient to conduct Coal Resource and Coal Resource estimation. • The quality variables except relative density were composited by mass basis, and the relative density was composited by length basis.
Orientation of data in relation to geological structure	• Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. • If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	• All the boreholes of the five mines were drilled vertically due to the tabular nature of the deposit.
Sample security	• The measures taken to ensure sample security	• The measures to ensure sample security is unknown to SRK.
Audits	• The results of any audits or reviews of sampling techniques and data	• No external audits have been completed.

Section 2: Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	Explanation	Commentary
Mineral tenement and land tenure status	• Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. • The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.	• All five mines hold valid mining permits, for details see Table 3-1 of the Report. • No any known impediments to obtaining the licenses.
Exploration done by other parties	• Acknowledgment and appraisal of exploration by other parties.	• Several exploration/sampling programs were carried out with each project, which are the 1950s Exploration, the 1960s Exploration, the 2000s Exploration and the 2010s Exploration. In general, SRK is of the opinion that the data acquired from the historical explorations is of acceptable standard.
Geology	• Deposit type, geological setting and style of mineralisation.	• The sedimentary formations occurring within the Xingtao mine area is the same as the regional Pingshuo coalfield as mentioned in Section 3.1 and the Taiyuan Formation is the major coal-bearing formation as its coal seams being identified with mineable potential. The stratigraphy within the mine area is generally controlled by several gentle folds and is largely formed in a relatively flat-lying deposit. The dip angle of the strata is generally less than 10 degrees to the west direction in the mine area. Based on the geological map provided by the client, coal seams cropped out in the eastern valley area within the mining license. A total of 15 faults have been identified through underground mining operation. All of the identified faults are normal fault with a vertical displacement ranging from 0.6 m to 30 m.

Criteria	Explanation	Commentary
		• The stratigraphy within the Fengxi and Chongsheng area is generally controlled by several gentle folds and is largely formed in a relatively flat-lying deposit. The dip angle of the strata is generally between 2 and 8 degrees, the strata dipping to the southeast in Fengxi mine, whereas in Chongsheng mine the dip direction is controlled by several gentle folds. • Xinglong and Hongyuan mines share the same coal-bearing formation as the Shuozhou projects. Both are primarily controlled by a monoclinal structure, causing their coal-bearing strata to generally dip eastward. • In the Xinglong area, the strata dip and flatten in an easterly direction, with dip angles ranging from 7° to 23°. At the Hongyuan mine, this eastward-dipping monoclinal structure, which largely controls the geometry of the coal-bearing formation, is further influenced by an east-west axis anticline and a syncline. Within its permit area, the strata's dip angles range from 4° to 10°.
Drill hole Information	• A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: • easting and northing of the drill hole collar • elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar • dip and azimuth of the hole • down hole length and interception depth • Hole length • If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.	• See CPR report

Criteria	Explanation	Commentary
Data aggregation methods	• In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (e.g. cutting of high grades) and cut-off grades are usually Material and should be stated. • Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail. • The assumptions used for any reporting of metal equivalent values should be clearly stated.	• The quality variables such as proximate analysis items, calorific value, total sulphur were composited by mass basis, the relative density was composited by length basis. • No sample combination prior to testing for the items of proximate analysis, total sulphur, energy and relative density
Relationship between mineralisation widths and intercept lengths	• These relationships are particularly important in the reporting of Exploration Results. • If the geometry of the mineralisation with respect to the drillhole angle is known, its nature should be reported. • If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (e.g. 'down hole length, true width not known').	• Based on the drilling techniques, and the flat lying stratified deposits, the coal seam intercepts approximate the true vertical thickness of the coal.
Diagrams	• Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.	• A series of maps and tables were prepared in the report, tables of coal seam characteristics and typical coal qualities for each mine are presented in Section 4 and the resource maps along with collar location are shown in Section 7.
Balanced reporting	• Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.	• All of the data made available to SRK has been collated, analysed and reported.

Criteria	Explanation	Commentary
Other substantive exploration data	• Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.	• No additional substantive exploration data and information was provided for resource estimation.
Further work	• The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).	• As the Xingtao, Fengxi and Chongsheng mines are all in operation, 1 – 6 LOM left, no further exploration relating work is recommended by SRK.
		• For Xinglong and Hongyuan, production drilling is recommended.
	• Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.	

Section 3: Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

Criteria	Explanation	Commentary
Database integrity	• Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.	• Microsoft Excel database containing borehole data including collars, picks, lithology, sample records and coal qualities were prepared for data storing and resource estimation.
	• Data validation procedures used.	• Sample depths were checked against with lithology description and downhole geophysical logs to ensure consistency.
Site visits	• Comment on any site visits undertaken by the Competent Person and the outcome of those visits.	• A site visit was undertaken, the first site visit took place between the 22-25th March 2025, this visit includes:
		• The Competent Person visited the five mines to sight view the status of the mine, reviewed the geological and historical operation data held by the client to assess the gaps for completion the report, assessed the mining condition, coal washing and underground mining operations..

Criteria	Explanation	Commentary
	• If no site visits have been undertaken indicate why this is the case.	
Geological interpretation	• Confidence in (or conversely, the uncertainty of the geological interpretation of the mineral deposit.	• The Competent Person's confidence in the geological interpretation of the deposit is high and is supported by the following fact: • The Xinglong, Fengxi and Chongsheng mines have been successfully mined for many years, historical mining operations and explorations have uncovered the three deposits' coal seams with consistent thickness and coal quality. The three deposits are of flat lying and most of the identified faults have no substantial impact on the mining operation. • Xinglong and Hongyuan: Historical explorations have delineated the coal seam occurrence of these two projects. The coal seams are consistent in thickness, and major faults have been interpreted through explorations and historical small-scale mining. The CP is of the opinion that the geological interpretation would support an Indicated Resource classification.
	• Nature of the data used and of any assumptions made. • The effect, if any, of alternative interpretations on Mineral Resource estimation. • The use of geology in guiding and controlling Mineral Resource estimation. • The factors affecting continuity both of grade and geology.	
Dimensions	• The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.	• See Section 4 and Section 7.

Criteria	Explanation	Commentary
Estimation and modeling techniques	• The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen, include a description of computer software and parameters used.	• Geovia Minex software was chosen to build the model and estimate the resources. Geovia Minex is the recognised software of integrated geology and mine planning solutions for coal and other stratified deposits. Validated boreholes and topography data were imported to create a database. The coal seams were then correlated and the stratigraphical model was created. During the modelling process, the coal seam data from borehole logging were used to build roof, floor, partings, and seam structure using General Purpose Gridding method. The coal thickness grids used for resource estimation were modelled arithmetically. The coal quality data received from lab test such as ash content, relative density, energy etc. were loaded and gridded to build the quality model. The quality model was also used for semi-variogram simulations to classify the resources.
	• The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.	• The estimates have been compared with the previous estimates reported in the exploration reports to avoid any unexpected mis-estimation.
	• The assumptions made regarding recovery of by-products.	• No by-products for this kind of coal type.
	• Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation).	• Sulphur content has been estimated to assess the economic significance.
	• In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.	• No block model was used, all estimation based on grids.
	• Any assumptions behind modelling of selective mining units.	• No assumptions regarding the correlation and selective mining units.
	• Any assumptions about correlation between variables.	
	• Description of how the geological interpretation was used to control the resource estimates.	• The faults, outcrop line and weathered zone of geological interpretation were loaded into Minex Software to apply as the constraint parameters to build the grids.

Criteria	Explanation	Commentary
	• Discussion of basis for using or not using grade cutting or capping.	• No grade cutting or capping used in the five mines.
	• The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.	• The raw data was checked and validated prior to loading into Minex Software, and the litho data and picks data were checked, any error of "From and To" depths and duplicated data is reported during the data loading. After gridding, the floor, roof and thickness grids were carefully checked associated with boreholes to avoid any abnormities.
Moisture	• Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content	• No in-situ Moisture has been determined for the five mines and the apparent relative density (ARD) was adopted in estimations for the five mines.
Cut-off parameters	• The basis of the adopted cut-off grade(s) or quality parameters applied.	The following Cut-off parameters were applied for the resource estimations for the five mines: • Minimum thickness of coal seam: 0.80 m • Maximum thickness of inclusive partings: 0.10 m • Maximum ash content (air-dried basis): 40%
Mining factors or assumptions	• Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.	• The Xingtao, Fengxi and Chongsheng Mines have operated for several years using underground longwall top-coal caving method according to the coal seam characteristics including coal seam depth, thickness and coal qualities and the geological complexity. The Resources of the five mines were estimated to consider underground mining factors that enable the Resources have the reasonable prospects for eventual economic extraction in the future. • For Xinglong and Hongyuan: According to the coal seam characteristics including coal seam depth, thickness and coal qualities and the geological complexity, the Resources of these two projects were estimated by considering underground mining factors that enable the Resources to have the reasonable prospects for eventual economic extraction in the future.

Criteria	Explanation	Commentary
Metallurgical factors or assumptions	• The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.	• Xingtao, Fengxi and Chongsheng have coal preparation plant constructed and operated for many years. The marketable coal product is readily marketed for many years for use in power generation. • For Xinglong and Hongyuan: the coal produced from these two projects will be raw coal mainly for power generation for coal-fired power plant.
Environmental factors or assumptions	• Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.	• The environment treatment measures are acceptable by the government. As such no assumptions regarding the Environmental factors to determine reasonable prospects for eventual economic extraction.
Bulk density	• Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples. • The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc.), moisture and differences between rock and alteration zones within the deposit. • Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.	• Due to the lack of the true relative density data, the apparent relative density (ARD) was adopted in estimations for the five mines, SRK is of the opinion that the apparent relative density can be used as in situ relative density to estimate the in situ coal tonnes for the five mines.

Criteria	Explanation	Commentary
Classification	• The basis for the classification of the Mineral Resources into varying confidence categories.	• Historical exploration drillings have resulted in a borehole spacing of approximately 500 m to 1,000 m in the five mines, and the historical mining has delineated the geological structure of the five mines with the vertical displacement of the most identified faults less than 5 m. These minor faults are considered as having no substantial impact on the mining operation. As such, the geological structure complexity of the five mines is classified as moderate. In addition to the geological structure, SRK's coal seam model in conjunction with the production data has shown that the coal seam thickness and quality are of good consistency. Based on the above considerations, the resource classification of the five mines was determined in terms of the following principle: • Measured Resource: the areas within 500 m spacing of the Points of Observation ("PoOs") • Indicated Resource: the areas between 500 m and 1,000 m spacing of the PoO • Inferred Resource: the area greater than 1000 m and less than 2,000 m spacing of the PoO
	• Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).	
	• Whether the result appropriately reflects the Competent Person's view of the deposit.	
Audits or reviews	• The results of any audits or reviews of Mineral Resource estimates.	The Coal Resource estimates were internally cross checked within SRK China.

Criteria	Explanation	Commentary
Discussion of relative accuracy/ confidence	• Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.	• The Competent Person applied the principles of the JORC Code 2012 in estimating the Resources at the five mines.
	• The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.	• Historical review of coal mining from these mines gives confidences in coal quality and resources estimating parameters.
	• These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	

Section 4: Estimation and Reporting of Ore Reserves

(Criteria listed in section 1, and where relevant in sections 2 and 3, also apply to this section.)

Criteria	Explanation	Commentary
Mineral Resource estimate for conversion to Ore Reserves	• Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve.	• SRK estimated the Coal Resource using Geovia Minex software. The estimate/modelling is described in CPR Section 7.
	• Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves.	• The Coal Resources reported are inclusive of the Coal Reserves.

Criteria	Explanation	Commentary
Site visits	• Comment on any site visits undertaken by the Competent Person and the outcome of those visits.	• A site visit was undertaken, the first site visit took place between the 22-25th March 2021, this visit includes: The Competent Person visited the five mines to sight view the status of the mine, reviewed the geological and historical operation data held by the client to assess the gaps for completion the report, assessed the mining condition, coal washing and underground mining operations.
	• If no site visits have been undertaken indicate why this is the case.	
Study status	• The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves.	• This mining assessment was carried out to provide sufficient information on the mining operations and the mining factors to support the Coal Reserve estimate according to the JORC Code as stated in this Report. • SRK reviewed the preliminary mine design reports ("PMD") of Xingtao, Fengxi and Chongsheng mines as well as current mining plans provided by the Company. The shallow coal seams have been mined-out, and the recent updated PMDs and mining plans were aiming at extending the existing mining workings to the deeper coal seams to effectively expand the life of mines ("LOM"). • For Xinglong and Chongsheng: SRK reviewed the PMD reports of these two projects provided by the Company. SRK is confident that the mining studies prepared for the Project meet the minimum requirements as expected at the required level that are stipulated by international reporting codes. SRK also noticed from the mining studies and from mine visits that the mining conditions and mine development are in line with the design as provided in the PMD reports and are matching well with the actual conditions.

Criteria	Explanation	Commentary
	• The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered.	• All PMD's have been reviewed by SRK and the projects are considered to be technically achievable and economically viable.
Cut-off parameters	• The basis of the cut-off grade(s) or quality parameters applied.	• For cut-off parameters for the Coal Reserve estimate please refer to CPR Section 8.2.2.
Mining factors or assumptions	• The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design).	• SRK has estimated the Coal Reserves independently from the PMD mining studies based on the SRK Coal Resource estimate and geological model and the latest updated mining plans provided by the Company which are detailed mine and panel designs.
	• The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc.	• SRK considers the application of longwall mining technology as appropriate for the mining conditions of the five mines which are typical for the coal mines in the region.
	• The assumptions made regarding geotechnical parameters (e.g. pit slopes, stope sizes, etc.), grade control and pre-production drilling.	• The geotechnical parameters/assumptions are following the guidelines, instructions and regulations of the Shanxi Mining Bureau.
		• Panel sizes are normal size but suitable and adapted to the local conditions; pre-production information is obtained from roadway/gateway development (retreat mining).
		• The coal quality is evenly distributed in all five mines with only small variation over LOM and which may require for selective mining and/or blending on a long-term basis.
	• The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate).	
	• The mining dilution factors used.	• An average dilution tonnage of 20% for Xingtao and Fengxi, and Chongsheng were applied in the estimates. A 5% were applied for Xinglong and Hongyuan mines.

Criteria	Explanation	Commentary
	• The mining recovery factors used.	• A 90% mining recovery in designed panels for top-coal caving mining method, and a 95% mining recovery in designed panels for one-cutting mining method.
	• Any minimum mining widths used.	• 180 – 200 m
	• The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion.	• No Inferred Resources is considered for mining, reserve or LOM.
	• The infrastructure requirements of the selected mining methods.	• Power supply is secure. • Limited Water consumption is expected for mining. • Roads for transport of the expected annual production do exist. • General infrastructure in the mine areas can support mining operation of the scale of the five mines.
	• The metallurgical process proposed and the appropriateness of that process to the style of mineralisation.	• Xingtao, Fengxi and Chongsheng mines have coal preparation plant constructed and readily operated for many years. All the plants utilized a similar processing technology with Dense Medium Vessel in associated Dense Medium Cyclone. • No coal preparation plant planned for Xinglong and Hongyuan mines, ROM coal will be sold as marketable product.
	• Whether the metallurgical process is well-tested technology or novel in nature	• The CPP process of the Xingtao, Fengxi and Chongsheng Mines is well-tested standard process in numerous mines in China.
	• The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied.	• Xingtao, Fengxi and Chongsheng have coal preparation plant constructed and readily operated for many years. • No coal preparation plant planned for Xinglong and Hongyuan mines, ROM coal will be sold as marketable product.
	• Any assumptions or allowances made for deleterious elements.	• Except for sulphur, no deleterious elements are considered or expected for the coal in the mines.

Criteria	Explanation	Commentary
	• The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole.	• Xingtao, Fengxi and Chongsheng have coal preparation plant constructed and readily operated for many years. And the marketable coal produced from the CPPs have been marketed for many years.
	• For minerals that are defined by a specification, has the ore reserve estimation been based on the appropriate mineralogy to meet the specifications?	
Environmental	• The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported.	• All the required studies relating to environmental were prepared and approved by the government.
Infrastructure	• The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or accessed.	• The infrastructure in the mines region was reviewed and is considered as sufficient to support the mining operations as planned.
Costs	• The derivation of, or assumptions made, regarding projected capital costs in the study.	• SRK adopted the last three years actual cost data from the Xingtao, Fengxi and Chongsheng mines and uses the average as an indication for the cost of the rest of LOM.
	• The methodology used to estimate operating costs.	
	• Allowances made for the content of deleterious elements.	• The coal price forecast for the financial model are based on the information provided by the client and projected by SRK; the coal price range was further compared with open source information.
	• The derivation of assumptions made of metal or commodity price(s), for the principal minerals and co- products.	• Fees, dues, charges and taxes as applicable have been considered with the cost estimate, the information was from the actual historical data of the Xingtao, Fengxi and Chongsheng mines.
	• The source of exchange rates used in the study.	
	• Derivation of transportation charges.	
	• The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc.	
	• The allowances made for royalties payable, both Government and private.	

Criteria	Explanation	Commentary
Revenue factors	• The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc. • The derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products.	• none
Market assessment	• The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future. • A customer and competitor analysis along with the identification of likely market windows for the product. • Price and volume forecasts and the basis for these forecasts. • For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract.	• The demand and supply for the thermal coal in this region is relatively stable, and the price is transparent. • The marketing records that the Client provided to SRK has shown that the Client has built a stable supply chain to market coal to either local and remote coal agents or power plants. • The specifications for regional mining companies are known; testing and acceptance requirements are known
Economic	• The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc. • NPV ranges and sensitivity to variations in the significant assumptions and inputs.	• The CAPEX, OPEX, investment schedule, and the production schedule are from the client, reviewed by SRK as appropriate. • SRK referred to the Valuation results derived from BMI's valuation.
Social	• The status of agreements with key stakeholders and matters leading to social licence to operate.	• The Project employs some local residents, which is beneficial to the local economy and the Company also actively participates in community service and charity events. Overall, the Company maintains good relationships with the local communities.

Criteria	Explanation	Commentary
Other	To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves:	• Unknown historical mined-out area might be a material risk along with ongoing underground mining operations.
	• Any identified material naturally occurring risks.	• SRK is not aware of pending legal agreements.
	• The status of material legal agreements and marketing arrangements.	• The Company obtained all mineral tenements for all the five mines, and environmental approvals as well.
	• The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent.	
Classification	• The basis for the classification of the Ore Reserves into varying confidence categories.	• Geological confidence, general Modifying Factors and mining factors.
	• Whether the result appropriately reflects the Competent Person's view of the deposit.	• The Coal Reserve estimate was carried out by SRK and reflects the CP's view of the deposit. Comparison of the result with earlier reserve estimates by Chinese standard show good conformity.
	• The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any).	• Overall, no probable reserve derived from Measured Resource.
Audits or reviews	• The results of any audits or reviews of Ore Reserve estimates.	• No audits.

Criteria	Explanation	Commentary
Discussion of relative accuracy/ confidence	• Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate. • The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. • Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage. • It is recognised that this may not be possible or appropriate in all circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	• The Coal Reserve estimate is based on SRK's Minex V6.1.3 coal seam model and Resource estimate. Data for the model has been derived from historical exploration reports and related lab tests. The overall geology and setting of the deposit is well understood. The coal seams in the areas selected for mining are geologically relatively simple to moderate. The accuracy and the confidence level in the Coal Reserve estimate and the procedure used for the estimate are deemed appropriate by the Competent Person. • The Coal Reserve estimate covers the mines area.

The following is the text of a report prepared for the purpose of incorporation in this circular received from BMI Appraisals Limited, an independent valuer, in connection with its valuation as at 31 December 2024 of the market value of the Disposal Group.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

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25 June 2025

The Directors
China Qinfa Group Limited
Room 5703, 57th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Dear Sirs or Madams,

Re: Valuation of 100% equity interest in Perpetual Goodluck Limited and its subsidiaries

1. INSTRUCTIONS

We refer to the instructions from China Qinfa Group Limited (referred to as the "**Company**") for us to provide our independent opinion on the market value of 100% equity interest in Perpetual Goodluck Limited (referred to as the "**Disposal Company**") together with its subsidiaries (collectively referred to as the "**Disposal Group**").

2. PURPOSE OF VALUATION

The purpose of our valuation is to provide an independent opinion on the market value of the Disposal Group as at the date of valuation in relation to the acquisition of the Disposal Group by the Company.

3. DATE OF VALUATION

The date of valuation is 31 December 2024 (referred to as the "**Valuation Date**").

4. BASIS OF VALUATION

This report has been prepared in accordance with the International Valuation Standards issued by the International Valuation Standards Council.

Our valuation has been carried out on the basis of market value. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

5. BACKGROUND OF THE COMPANY AND THE DISPOSAL GROUP

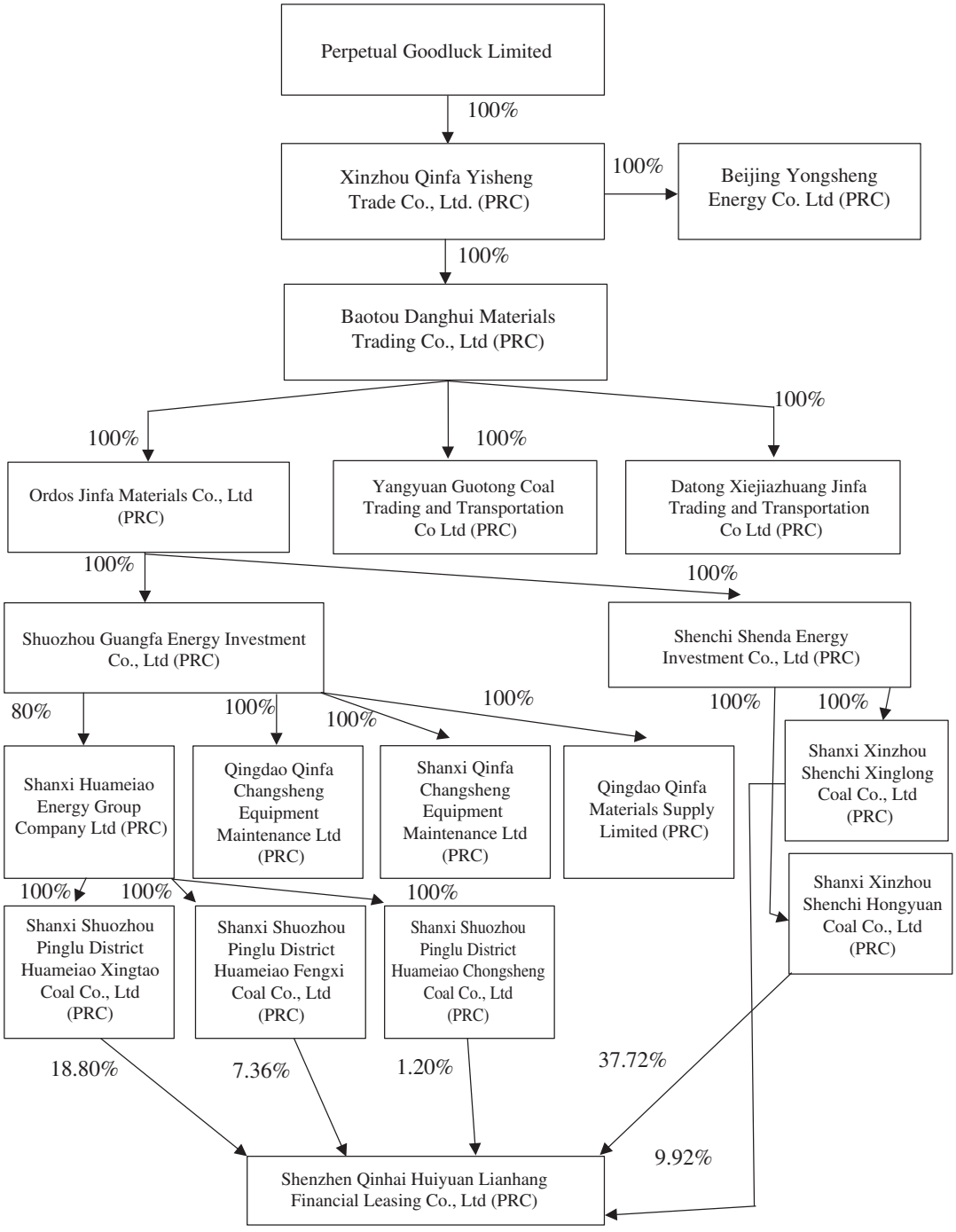
Background of the Company

The Company is a publicly listed company with limited liability. It was incorporated in the Cayman Islands on 4 March 2008 and has been listed on the Main Board of the Hong Kong Stock Exchange (stock code: 866) since 2009. The Company is an investment holding company. Along with its subsidiaries, the Company is principally engaged in coal operation business involving coal mining, purchase and sales, filtering, storage, blending of coal in the People's Republic of China (referred to as the "**PRC**").

Background of the Disposal Group

Perpetual Goodluck Limited is a company incorporated in Hong Kong with limited liability. It is principally engaged in coal mining and operation, sales of coal from coal mines located in the PRC. According to the graph below, it is holding 100% of the following subsidiaries, Xinzhou Qinfa Yisheng Trade Co., Ltd., Baotou Danghui Materials Trading Co., Ltd, Ordos Jinfa Materials Co., Ltd, Yangyuan Guotong Coal Trading and Transportation Co Ltd, Datong Xiejiazhuang Jinfa Trading and Transportation Co Ltd, Shuozhou Guangfa Energy Investment Co., Ltd, Shenchi Shenda Energy Investment Co., Ltd, Qingdao Qinfa Materials Supply Limited, Qingdao Qinfa Changsheng Equipment Maintenance Ltd, Shanxi Qinfa Changsheng Equipment Maintenance Ltd, Shanxi Xinzhou Shenchi Xinglong Coal Co., Ltd (referred as "**Shenda Energy – Xinglong**"), and Shanxi Xinzhou Shenchi Hongyuan Coal Co., Ltd (referred as "**Shenda Energy – Hongyuan**").

Furthermore, Shuozhou Guangfa Energy Investment Co., Ltd is holding 80% of Shanxi Huameiao Energy Group Company Ltd (referred as "**Huameiao**"). Huameiao is holding 100% of the following subsidiaries, Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Co., Ltd (referred as "**Huameiao Energy – Xingtao**"), Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Co., Ltd (referred as "**Huameiao Energy – Fengxi**") and Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Co., Ltd (referred as "**Huameiao Energy – Chongsheng**"). Shenzhen Qinhai Huiyuan Lianhang Financial Leasing Co., Ltd is currently owned by Huameiao Energy – Xingtao, Huameiao Energy – Fengxi, Huameiao Energy – Chongsheng, Shenda Energy – Xinglong and Shenda Energy – Hongyuan with approximately 18.8%, 7.36%, 1.20%, 37.72% and 9.92% respectively. Upon completion of the reorganisation for the purpose of the proposed transaction, the shareholding structure of the Disposal Group is as follows:

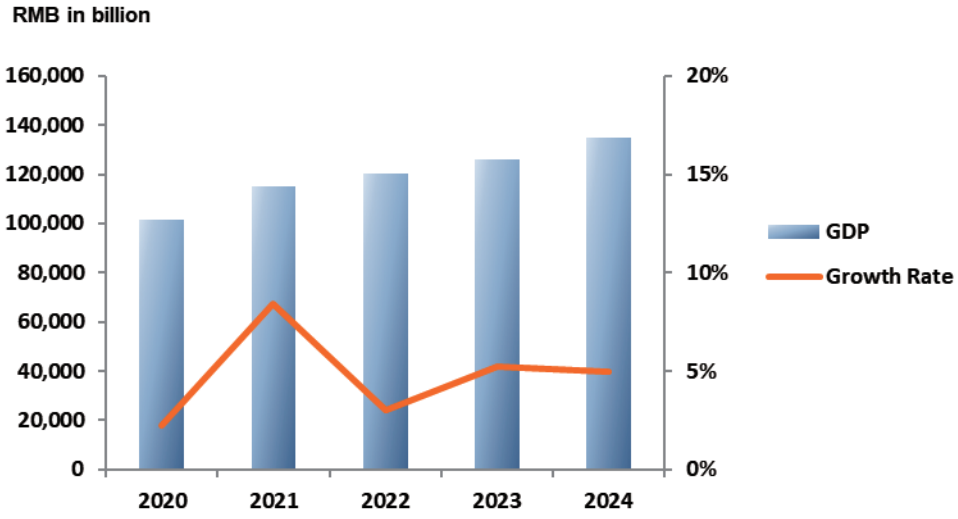


6. INDUSTRY OVERVIEW

The PRC Economy

The national economy of the PRC continued to recover in 2024 after COVID-19 prevention and control. As illustrated in Figure 1 below, the gross domestic product (GDP) of the year was RMB134,908 billion, up by 5.0% over the previous year. Of this total, the value added of the primary industry was RMB9,141.4 billion, up by 3.5% year-over-year (YoY), that of the secondary industry was RMB49,208.7 billion, up by 5.3% YoY and that of the tertiary industry was RMB76,558.3 billion, up by 5.0% YoY. The value added of the primary industry accounted for 6.8% of the GDP, that of the secondary industry accounted for 36.5%, and that of the tertiary industry accounted for 56.7%.

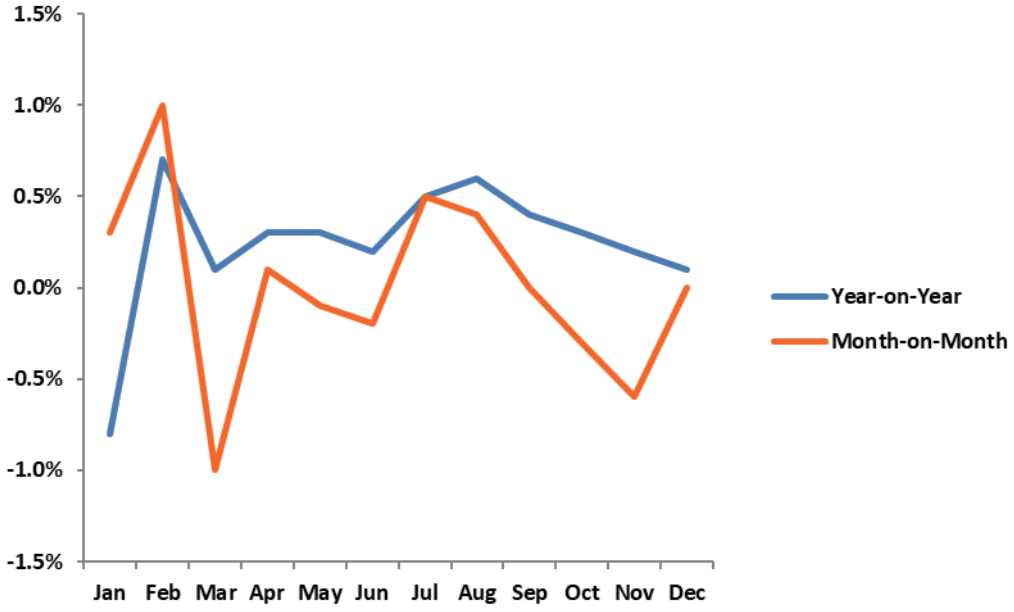
Figure 1: Gross Domestic Product in the PRC, 2020-2024



Source: National Bureau Statistics of China

The consumer prices increased slightly by 0.2% YoY in year 2024. The prices for food, tobacco and alcohol decreased by 0.1%, clothing up by 1.4%, housing increased by 0.1%; articles and services for daily use increased by 0.5% and transportation and communication went down by 1.9%. In December 2024, the national consumer price index (CPI) increased by 0.1% year on year. Among them, the price in urban areas increased by 0.1% and the price in rural areas was flat; the price for food decreased by 0.5% and for nonfood increased by 0.2%; prices for consumer goods decreased by 0.2% and for services increased by 0.5%.

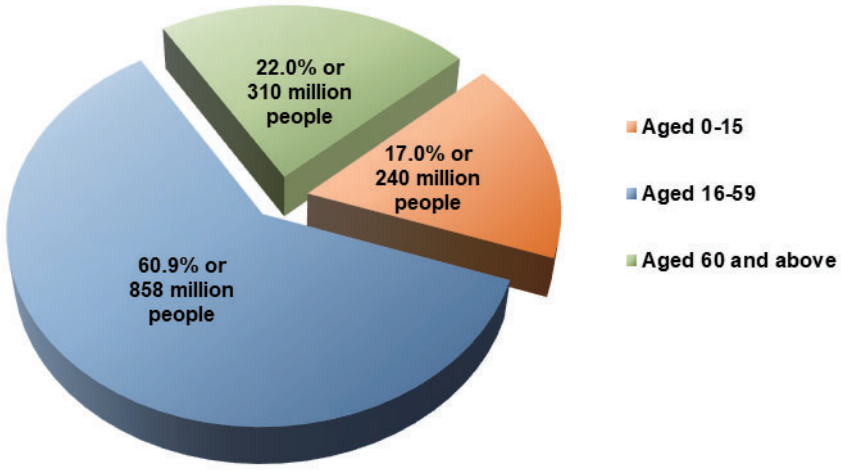
Figure 2: Monthly Changes in Consumer Prices, 2024



Source: National Bureau Statistics of China

According to Figure 3, the total number of the PRC's population reached 1,408.3 million by the end of 2024, a decrease of 1.39 million from the end of 2023. The number of urban permanent residents has increased to 943.5 million, accounting for 67% of the total population. In 2024, 9.5 million of births have recorded with a birth rate of 6.77 per thousand, and 10.9 million of deaths with a death rate of 7.76 per thousand. The natural growth rate was -0.99 per thousand.

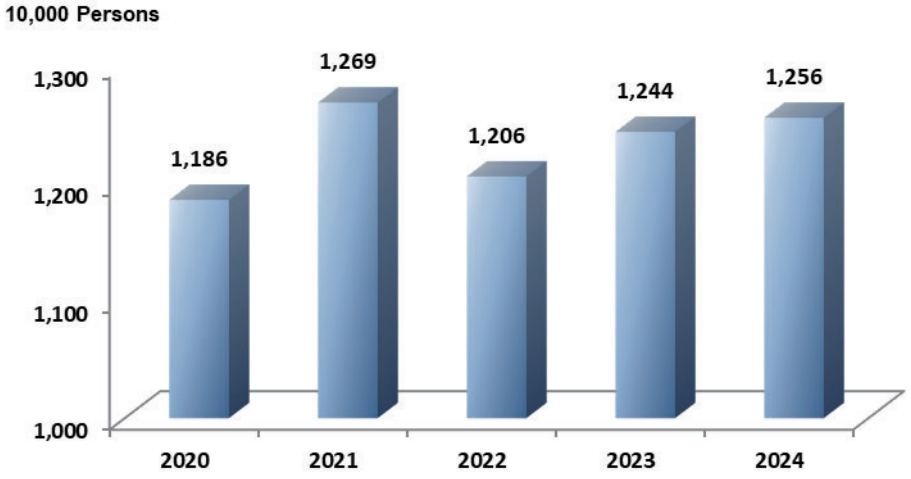
Figure 3: Population Age Composition, 2024



Source: National Bureau Statistics of China

As illustrated in Figure 4 below, the number of newly increased employed people in urban areas was 12.56 million in 2024, 0.12 million more than that of the previous year. The surveyed urban unemployment rate at the end of the year was 5.1%. The total number of migrant workers was 299.73 million, up by 0.7% over that of 2023. Specifically, the number of migrant workers who left their hometowns and worked in other places was 178.71 million, up by 0.7%, and those who worked in their own localities reached 121.02 million, up by 0.1%.

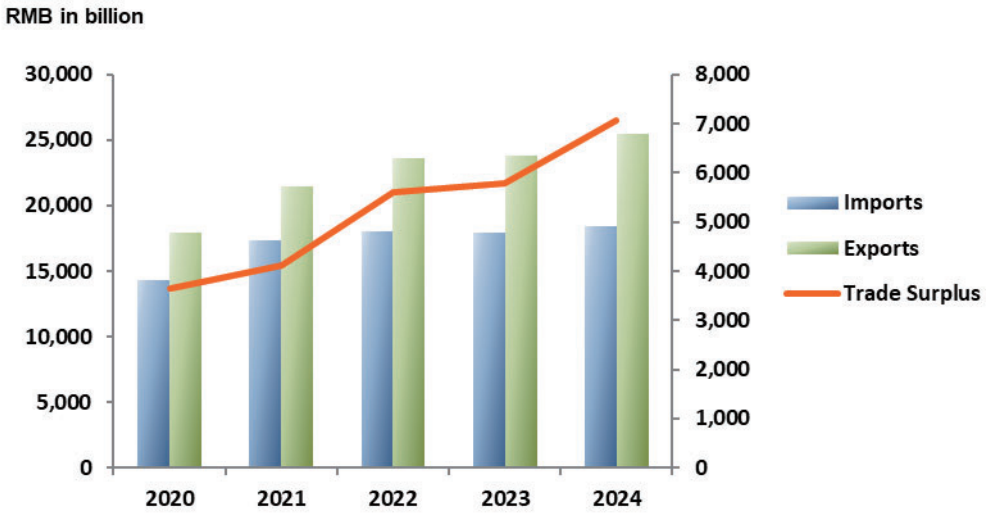
Figure 4: Newly Increased Employed Persons in Urban Areas, 2020-2024



Source: National Bureau Statistics of China

As illustrated in Figure 5 below, the total value of imports and exports of goods in 2024 reached RMB43,846.8 billion, up by 5.0% over that of the previous year. The value of goods exported was RMB25,454.5 billion or went up by 7.1% and the value of goods imported was RMB18,392.3 billion or up by 2.3%. The net exports (exports minus imports) reached RMB7,062.2 billion, up by RMB1,273.9 billion over that of the previous year.

Figure 5: Imports and Exports of Goods, 2020-2024



Source: National Bureau Statistics of China

The Coal Market in the PRC

The coal market in the PRC is a significant sector, playing a crucial role in the country's energy landscape. The market is substantial, with a projected growth rate of about 1.65% over the coming years. According to the research done by Data Insights Market, as in 2023, the market size was valued at US$94.65 million and is expected to reach US$106.14 million by 2032. Mainland China's coal production and consumption are subject to government targets, with plans to limit production to 4.1 billion tonnes and consumption to under 4.2 billion tonnes by 2025. This is part of broader efforts to peak carbon emissions by 2030 and achieve carbon neutrality by 2060, aligning with global environmental goals.

Several key trends are shaping the coal industry in the PRC. One of the most significant is the integration of renewable energy into the national energy mix. Despite coal's dominance, Mainland China is rapidly expanding its renewable energy sector, which poses a challenge to coal as renewable energy becomes more competitive. The industry is also undergoing significant structural optimization, with a focus on larger, more efficient mines. By 2025, larger mines are expected to contribute over 85% of total coal production, marking a shift away from smaller and less efficient operations.

However, the coal industry in the PRC faces several challenges. Environmental and climate concerns are paramount, as coal consumption accounts for a large portion of Mainland China's carbon emissions. The industry must adapt to these pressures while navigating market fluctuations that can lead to instability in production levels and prices. Furthermore, the growth of renewable energy sources poses a long-term threat to coal's dominance in the energy mix. Despite these challenges, the coal industry is expected to continue playing a crucial role in Mainland China's energy landscape.

Looking forward, the future of the coal industry in the PRC will be shaped by its ability to adapt to environmental pressures and competition from renewable energy. While coal will likely remain a significant energy source for the foreseeable future, industry must evolve to meet changing environmental and economic conditions. This includes investing in cleaner technologies and diversifying into value-added products like coal-to-chemicals. By doing so, the coal sector can maintain its relevance while contributing to Mainland China's broader energy transition goals. Overall, the coal market in the PRC has opportunities for growth and innovation amidst the challenges of sustainability and competition.

7. SOURCE OF INFORMATION

For the purpose of our valuation, we have been furnished with the financial and operational information in respect of the Disposal Group provided by the senior management of the Company.

We have no reason to doubt the truth and accuracy of the information provided to us, and we have been confirmed by the senior management of the Company that no material facts have been omitted from the information provided to us.

Apart from the information provided by the senior management of the Company, we also obtained market data, industrial information and statistical figures from publicly available sources.

8. SCOPE OF WORKS

The following processes have been conducted by us in the course of our valuation:

- Interviewed with the senior management of the Company in respect of the core operation of the Disposal Group;
- Obtained relevant financial and operational information in respect of the Disposal Group from the senior management of the Company;
- Examined the basis and assumptions of the financial and operational information in respect of the Disposal Group provided by the senior management of the Company;
- Conducted appropriate research to obtain sufficient market data, industry information and statistical figures from publicly available sources; and
- Prepared the valuation and this report in accordance with generally accepted valuation procedures and practices.

9. VALUATION ASSUMPTIONS

Due to the changing economic and market conditions, a number of assumptions have to be adopted in our valuation. The major assumptions adopted in our valuation are as follows:

General Market Assumptions

- There will be no material change in the existing political, legal, fiscal, technological, economic and market conditions in the jurisdiction where the 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.

10. VALUATION APPROACH

General Valuation Approaches

The following generally accepted valuation approaches have been considered in the course of our valuation: (1) the income approach; (2) the market approach; (3) the cost approach; and (4) the asset-based approach.

Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The discounted cash flow (DCF) method is the most fundamental and prominent method of the income approach. In applying the DCF method, the free cash flows of the subject asset in future years were determined from the net income after tax plus non-cash expenses, such as depreciation and amortization expenses, and after-tax interest expense; the result was then less non-cash incomes, investment in capital expenditure and investment in net working capital.

Market Approach

The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the guideline company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The sales comparison method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Cost Approach

The cost approach provides an indication of value based on the principle that an informed buyer would pay no more than the cost of producing the same or a substitute asset with equal utility as the subject asset.

Under the cost approach, the historical cost method measures the cost incurred throughout the development of the subject asset at the time it was developed. The replication cost method measures the amount of investment that would be required to develop an asset similar to the subject asset. The replacement cost method measures the amount of investment that would be required to develop the subject asset as it currently exists.

Asset-based Approach

The asset-based approach provides an indication of value based on the principle that the sum of each asset and liability component represents the overall value of an entity. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business enterprise and equals to the value of its invested capital (equity and long-term debt). In other words, the value of the business enterprise is represented by the money that has been collected to purchase the business assets needed. This money comes from investors who buy the stocks of the business enterprise (equity) and investors who lend money to the business enterprise (debt). After collecting the total amount of money from equity and debt, and converted into various types of assets of the business enterprise for its operations, their sum equals the value of the business enterprise.

Selected Valuation Approach

The selection of a valuation approach is based on, among other criteria, the quantity and quality of the information provided, access to available data, supply of relevant market transactions, type and nature of the subject asset, purpose and objective of the valuation and professional judgment and technical expertise.

The cost approach does not directly incorporate information about the economic benefits contributed by the subject asset, and it is generally applied to newly established companies or a company that is unable to conduct effective assessment by using income approach or market approach.

The market approach, instead, relies generally on deriving value through a measure of the values of industry comparables or market transactions. Given the characteristics of the Disposal Group, there was a lack of explicitly industry comparables or market transactions available as at the date of valuation to derive an indicative value of the Disposal Group with sufficient level of accuracy. Accordingly, the market approach was abandoned.

The asset-based approach is considered to be the most appropriate one for measuring the market value of the Disposal Group except the non-current assets of the Disposal Group. The principle underlying the asset-based approach is that the value of ownership of an enterprise is equivalent to the market value of its assets less the market value of its liabilities.

The income approach was considered to be the most appropriate valuation approach in the valuation of the subsidiaries that operate in mining, i.e. Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Co., Ltd (i.e. Huameiao Energy – Xingtao), Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Co., Ltd (i.e. Huameiao Energy – Fengxi), Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Co., Ltd (i.e. Huameiao Energy – Chongsheng), Shanxi Xinzhou Shenchi Xinglong Coal Co., Ltd (i.e. Shenda Energy – Xinglong) and Shanxi Xinzhou Shenchi Hongyuan Coal Co., Ltd (i.e. Shenda Energy – Hongyuan), as it takes the future growth potential and firm-specific issues of the Disposal Group into consideration. Under the income approach, the discounted cash flow ("**DCF**") method was adopted.

11. VALUATION METHODOLOGY AND PARAMETERS

I. Five Subsidiaries that Operate in Mining

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

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

Where:

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

The results were then discounted using a discount rate, or the cost of capital, to determine the present value of the expected cash flows.

The present value of the expected cash flows was computed using the following formula:

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

Where:

$PVFCF$	=	present value of free cash flows
FCF	=	free cash flow
r	=	discount rate
n	=	number of year of projections

Cash-flow Forecast

We have performed our valuation based on the financial forecast of the Disposal Group provided by the senior management of the Disposal Group (the "**Management**"). We discussed with the Management regarding the relevant assumptions.

The following assumptions were considered and adopted in the forecast, including but not limited to:

- The reserves and mine life below were estimated based on the Competent Person's Report. The mines have no terminal value as the mine life is definite 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 with regard to the types of coal the Disposal Group produces, and forecasted at 2% rate with reference to the inflation of the PRC.

- The annual production, coal price, revenue, revenue growth rate, operating expenses and capital expenditure of each of the mines are as follows:

(a) Huameiao Energy – Xingtao	**2025**	**2026**	**2027**
Annual production (in million tons) (Rounded)	2.0	1.4	1.24
Coal price (in RMB)	481	490	500
Revenue (in RMB millions) (Rounded)	961	686	622
Revenue growth rate		-29%	-9%
Operating expenses (in RMB millions) (Rounded)	329	234	213
Capital expenditure (in RMB) (Rounded)*	0	0	0

(b) Huameiao Energy – Fengxi	**2025**
Annual production (in million tons) (Rounded)	0.6
Coal price (in RMB)	481
Revenue (in RMB millions) (Rounded)	292
Revenue growth rate	N/A
Operating expenses (in RMB millions) (Rounded)	84
Capital expenditure (in RMB) (Rounded)*	0

(c) Huameiao Energy – Chongsheng	**2025**	**2026**	**2027**	**2028**
Annual production (in million tons) (Rounded)	0.9	1.5	0.5	0.2
Coal price (in RMB)	481	490	500	510
Revenue (in RMB millions) (Rounded)	408	735	240	121
Revenue growth rate		80%	-67%	-49%
Operating expenses (in RMB millions) (Rounded)	120	216	70	36
Capital expenditure (in RMB million) (Rounded)*	46	50	0	0

(d) Shenda Energy – Xinglong	2028	2029	2030	2031	2032	2033
Annual production (in million tons) (Rounded)	0.1	0.1	0.1	0.9	0.9	0.9
Coal price (in RMB)	497	507	517	528	538	549
Revenue (in RMB millions) (Rounded)	50	51	52	475	485	494
Revenue growth rate		2%	2%	818%	2%	2%
Operating expenses (in RMB millions) (Rounded)	15	15	16	143	146	148
Capital expenditure (in RMB million) (Rounded)*	0.7	0.7	0.8	7	24	29

Shenda Energy – Xinglong	2034	2035	2036	2037	2038	2039
Annual production (in million tons) (Rounded)	0.9	0.9	0.9	0.9	0.9	0.9
Coal price (in RMB)	560	571	583	594	606	618
Revenue (in RMB millions) (Rounded)	504	514	524	535	546	557
Revenue growth rate	2%	2%	2%	2%	2%	2%
Operating expenses (in RMB millions) (Rounded)	151	154	157	161	164	167
Capital expenditure (in RMB million) (Rounded)*	9	83	9	9	10	3

Shenda Energy – Xinglong	2040	2041	2042	2043	2044	2045
Annual production (in million tons) (Rounded)	0.9	0.9	0.9	0.9	0.9	0.6
Coal price (in RMB)	631	643	656	669	683	696
Revenue (in RMB millions) (Rounded)	567	579	591	602	614	418
Revenue growth rate	2%	2%	2%	2%	2%	-32%
Operating expenses (in RMB millions) (Rounded)	170	173	177	180	184	125
Capital expenditure (in RMB million) (Rounded)*	3	3	3	3	3	3

(e) Shenda Energy – Hongyuan	2027	2028	2029	2030	2031	2032	2033
Annual production (in million tons) (Rounded)	0.4	0.6	0.9	0.9	0.9	0.9	0.9
Coal price (in RMB)	471	480	490	500	510	520	530
Revenue (in RMB millions) (Rounded)	188	288	441	450	459	468	477
Revenue growth rate	53%	53%	2%	2%	2%	2%	2%
Operating expenses (in RMB millions) (Rounded)	99	90	138	141	144	146	149
Capital expenditure (in RMB million) (Rounded)*	7	10	24	18	92	9	8

Shenda Energy – Hongyuan	2034	2035	2036	2037	2038	2039	2040
Annual production (in million tons) (Rounded)	0.9	0.9	0.9	0.9	0.8	0.5	0.1
Coal price (in RMB)	541	552	563	574	586	597	609
Revenue (in RMB millions) (Rounded)	487	497	507	517	445	299	61
Revenue growth rate	2%	2%	2%	2%	-14%	-33%	-80%
Operating expenses (in RMB millions) (Rounded)	152	155	158	161	139	93	19
Capital expenditure (in RMB million) (Rounded)*	8	8	3	3	3	3	3

**Note:* The amount of capital expenditure was estimated based on the Disposal Group's business plan.

- The working capital was determined with reference to estimations based on the Disposal Group's business plan.

- The range of EBITDA margin for each of the mines in the forecasted period are as follows:

Mine	EBITDA margin (Rounded)
Huameiao Energy – Xingtao	65.8%–65.9%
Huameiao Energy – Fengxi	71.3%
Huameiao Energy – Chongsheng	70.6%–70.7%
Shenda Energy – Xinglong	69.9% to 70.1%
Shenda Energy – Hongyuan	47.7%–68.8%

Comparable Companies

For the purpose of our valuation, we referred to the information in respect of publicly listed companies that are considered to be comparable to the Disposal Group (referred to as the "**Comparable Companies**"). The data of Comparable Companies was adopted in the discount rate.

Selection Criteria of the Comparable Companies

The selection of the Comparable Companies was based on the comparability of the overall industry sector and geographical location. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

The selection criteria of the Comparable Companies are as follows:

- The Comparable Companies are principally engaged in the provision of coal mining services and the related operation;
- Shares of the Comparable Companies are listing in a major stock exchange in PRC and are being actively traded in over the past 5 years; and
- Detailed financial and operational information in respect of the Comparable Companies are available at publicly available sources.

Selected Comparable Companies

Given the above-mentioned selection criteria, the Comparable Companies were considered to be fair and representative samples. To the best of our knowledge, the Comparable Companies are exhaustive. Details of the Comparable Companies are as follows:

Comparable Company 1

Name of Company	:	Inner Mongolia Yitai Coal Co., Ltd.
Stock Code	:	900948 CH
Stock Exchange	:	Shanghai Stock Exchange
Company Description	:	Inner Mongolia Yitai Coal Co., Ltd. operates as a coal mining company. It provides coal products mining, transporting, selling and other related services. It also operates railway transporting and coal-to-liquids industries.

Comparable Company 2

Name of Company	:	ShanxiLu'an Environmental Energy Development Co., Ltd.
Stock Code	:	601699 CH
Stock Exchange	:	Shanghai Stock Exchange
Company Description	:	ShanxiLu'an Environmental Energy Development Co., Ltd. mines, processes and markets coal products. It produces low sulfur high quality coals, thin coals, lean coals, lean coals and other products.

Comparable Company 3

Name of Company	:	Shaanxi Coal Industry Company Limited
Stock Code	:	601225 CH
Stock Exchange	:	Shanghai Stock Exchange
Company Description	:	Shaanxi Coal Industry Company Limited offers coal mining and processing services. It produces original coal and washed coal products. It also conducts coal distribution and transportation businesses.

Comparable Company 4

Name of Company	:	Jinneng Holding Shanxi Coal Industry Co., Ltd.
Stock Code	:	601001 CH
Stock Exchange	:	Shanghai Stock Exchange
Company Description	:	Jinneng Holding Shanxi Coal Industry Co., Ltd. produces coal products. It mainly mines, processes and sells washed coal, thermal coal, coal chemicals and other products. It also markets its products throughout China.

Comparable Company 5

Name of Company	:	Shan Xi Hua Yang Group New Energy Co., Ltd.
Stock Code	:	600348 CH
Stock Exchange	:	Shanghai Stock Exchange
Company Description	:	Shan Xi Hua Yang Group New Energy Co., Ltd. mines and processes coal products. It produces washed fine coal, washed pulverized coal, washed lump coal and other coal products. It also operates automobile repairing, automobile leasing and other services.

Comparable Company 6

Name of Company	:	Shanxi Coking Coal Energy Group Co., Ltd.
Stock Code	:	000983 CH
Stock Exchange	:	Shenzhen Stock Exchange
Company Description	:	Shanxi Coking Coal Energy Group Co., Ltd. produces coal products. It mainly mines, processes and sells raw coal, coking coal, gas coal and more. It also conducts coke production, electric power and heat generation as well as other businesses.

Comparable Company 7

Name of Company	:	Jizhong Energy Resources Co., Ltd.
Stock Code	:	000937 CH
Stock Exchange	:	Shenzhen Stock Exchange
Company Description	:	Jizhong Energy Resources Co., Ltd. offers coal mining and washing services. It produces power coal, coke and other coal chemicals. It also conducts building materials wholesale, power generation and trade businesses.

Comparable Company 8

Name of Company	:	Sundiro Holding Co., Ltd.
Stock Code	:	000571 CH
Stock Exchange	:	Shenzhen Stock Exchange
Company Description	:	Sundiro Holding Co., Ltd. engages in the coal mining and logistics business. It is also involved in the production and sale of motorcycles and accessories and electric bicycles. In addition, it engages in real estate development and property management activities as well as offers coal chemicals.

Comparable Company 9

Name of Company	:	Gansu Energy Chemical Co., Ltd.
Stock Code	:	000552 CH
Stock Exchange	:	Shenzhen Stock Exchange
Company Description	:	Gansu Energy Chemical Co., Ltd. operates coal businesses. It explores, process raw coal and coking coal products. It also conducts power generation and supply businesses.

Discount Rate

The Weighted Average Cost of Capital (WACC) was adopted as the discount rate for the valuation. It is the required return on the capital investment of a company. The cost of capital will be different for each source of capital and class of securities a company has, reflecting the different risks. The WACC is the weighted average of the costs of each of the different types of capital, and the weights are proportion of the company's capital that comes from each source.

The WACC was computed using the following formula:

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

Where:

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

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

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

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

Where:

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

Risk-free Rate

R_f The risk-free rate (R_f) represents the time value of money. It is the theoretical rate of return of an investment with no risk of financial loss The yield rate of bonds issued by a government or agency where the risks of default are so low as to be negligible are commonly applied as the risk-free rate.

The yield rate of the 10-year Central Government Bond of the PRC as at the date of valuation was adopted as the risk-free rate in the valuation.

Beta Coefficient

β The beta coefficient (β) measures the risk of an asset relative to the overall market. It reflects the sensitivity of an asset's value to economic variables or risks that affect the values of all risky assets, including economic growth rates, interest rates, exchange rates and inflation rates.

In the valuation, as the Disposal Group is not listing in any major stock exchange or be marketable in any over-the-counter market, it is not possible to determine its beta coefficient directly. Instead, the beta coefficient for the Disposal Group was determined as the median of the betas of the Comparable Companies, with adjustment for differences in corporate tax rates and leverage compositions.

The adjusted betas of the Comparable Companies, which measure their risks relative to the market, were derived from the corresponding raw betas, modified by the assumption that a security's beta moves toward the market average over time with the following generally accepted formula:

*Adjusted Beta = (1/3) + (2/3) * Raw Beta*

The unlevered beta was calculated to consider the differences in corporate tax rates and leverage compositions of the Disposal Group and the Comparable Companies. The unlevered beta removes the effects of the use of leverage on the capital structure of a firm. Removing the debt component allows an investor to compare the base level of risk among various companies.

The unlevered beta was computed using the following formula:

$$\beta_{unlevered} = \beta_{levered} / [1 + (1 - T_c)(D/E)]$$

Where:

$\beta_{unlevered}$	=	unlevered beta
$\beta_{levered}$	=	levered beta
T_c	=	corporate tax rate
D	=	value of the firm's debt
E	=	value of the firm's equity
D/E	=	debt-to-equity ratio

The median of the unlevered betas of the Comparable Companies was then being relevered based on the specific corporate tax rate and the expected debt-to-equity ratio applied to the Disposal Group.

The relevered beta was computed using the following formula:

$$\beta_{relevered} = \beta_{unlevered} * [1 + (1 - T_c)(D/E)]$$

Where:

$\beta_{relevered}$	=	relevered beta
$\beta_{unlevered}$	=	unlevered beta
T_c	=	corporate tax rate
D	=	value of the firm's debt
E	=	value of the firm's equity
D/E	=	debt-to-equity ratio

Market Risk Premium

MRP The market risk premium (*MRP*) is the implied risk premium expected from the market using forecasted growth rates, earnings, dividends, payout ratios and current values. It represents the additional return required by an investor as compensation for investing in equities rather than a risk-free instrument.

The market risk premium of the PRC as at the date of valuation was computed using the market risk premium of the United States and the country risk premium of the PRC.

Size Premium

By considering the size of the Disposal Group, a size premium was adopted in the valuation.

Company-specific Risk Premium

By considering the additional risk associated with the operation of the Disposal Group, a company-specific risk premium was adopted in the valuation.

Cost of Equity

The cost of equity was determined using the CAPM.

Cost of Debt

The cost of debt was determined by the expected lending rate of the Disposal Group.

After-tax Cost of Debt

Since the interest paid on debts are tax-deductible expense for a company, the cost of the company of obtaining debt funds is less than the required rate of return of the suppliers of the debt capital. The after-tax cost of debt was calculated by multiplying one minus the corporate tax rate of the PRC by the cost of debt.

Weight of Debt

The weight of debt was determined by the median of the weights of debt of the Comparable Companies, assuming that the weight of debt of the Disposal Group moves toward that of the median of the Comparable Companies over time.

Weight of Equity

The weight of equity was determined by the median of the weights of equity of the Comparable Companies, or calculated as one minus the weight of debt of the Disposal Group.

Adopted Rates of Valuation Parameters

In the valuation, the adopted rates of the abovementioned valuation parameters are as follows:

	Valuation Parameter	As at 31 December 2024	
		Xingtao, Fengxi, Chongsheng	Xinglong, Hongyuan
a.	Risk-free Rate	1.68%	1.68%
b.	Beta Coefficient	0.813	0.813
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	10.62%	13.07%

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.

Discount for Lack of Marketability (DLOM)

The discount for lack of marketability is a downward adjustment to the value of an investment to reflect its reduced level of marketability. The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell.

The discount for lack of marketability reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

As the Disposal Group is not listed in any major stock exchange or be marketable in any over-the-counter market in the near future, a discount for lack of marketability has been adopted in the valuation. The Stout Restricted Stock Study analyzes the transaction database from major stock trading exchange and provides mean and median discount rates. We adopted the discount rate of 20.4% from the Stout Restricted Stock Study as the DLOM for the valuation.

The market values of the five subsidiaries that operate in mining are as follows:

	(in RMB'000) *(Rounded)*
Huameiao Energy – Xingtao	381,000
Huameiao Energy – Fengxi	109,000
Huameiao Energy – Chongsheng	543,000
Shenda Energy – Xinglong	740,000
Shenda Energy – Hongyuan	732,000
Total	2,505,000

II. The Disposal Group except the Non-current Assets of the Disposal Group

In our valuation, it is assumed that the market values of all assets and liabilities of the Disposal Group except the non-current assets of the Disposal Group as at the date of valuation are the same as the book values as at 31 December 2024.

Other than the five subsidiaries that operate in mining which are booked under the non-current assets of the Disposal Group, the book values of all assets and liabilities of the Disposal Group as at 31 December 2024 were as follows:

Net Asset/(Liabilities) Value of the Disposal Group except the Non-current Assets of the Disposal Group:

As at 31 December 2024	**Book Value** *(RMB'000)*	**Market Value*** *(RMB'000)*
ASSETS		
Cash and cash equivalents	31,954	31,954
Pledged and restricted deposits	30,663	30,663
Trade receivables	679,994	679,994
Prepayments and other receivables	6,240,187	6,240,187
Inventories	33,319	33,319
Total Assets	7,016,117	7,016,117
LIABILITIES		
Borrowings	408,000	408,000
Trade payable	320,265	320,265
Tax payable	214,121	214,121
Other payables and contract liabilities	8,399,191	8,399,191
Total Current Liabilities	9,341,577	9,341,577
LIABILITIES		
Borrowings	11,000	11,000
Accrued reclamation obligations	102,658	102,658
Deferred taxation	395,405	395,405
Total Non-Current Liabilities	509,063	509,063
Non-controlling interest (20% of Huameiao Energy)	87,536	87,536
Non-controlling interest (20% of Shenzhen Qianhai Huiyuan Lianhang Financial Leasing Co., Ltd)	(80)	(80)
Non-controlling interest (litigation from 2025-2028)	53,291	53,291
Total net assets/(liability) of the Disposal Group (excluding the five mines) (Rounded)	(2,975,000)	(2,975,000)

* Assuming the book values of the consolidated financial statements of the Disposal Group, other than the non-current assets of the Disposal Group, are the same as market values.

Regarding the inventories, trade receivables, prepayments and other receivables, pledged and restricted deposits as well as cash and cash equivalents, after confirmed with the Management and analyzing the natures, we assume that the net book values of the assets above should reasonably represent their fair values as at the date of valuation.

Regarding the trade payables, tax payable, other payables and contract liabilities, borrowings, accrued reclamation obligations, and deferred taxation, after confirmed with the Management, all the liabilities have fully reflected the indebtedness of the Disposal Group. As a result, we have adopted the book values as at the date of valuation.

	(in RMB '000) (Rounded)
Total net assets/(liability) of the Disposal Group except the non-current assets of the Disposal Group	(2,975,000)
Market Values of the five subsidiaries that operate in mining	2,505,000
Market values of the Disposal Group	(470,000)

12. SENSITIVITY ANALYSIS ON PARAMETERS

The sensitivity analysis on discount rate; and 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%)	(398,000,000)
11.62% and 14.07% (+1%)	2.5%(+0.5%)	(531,000,000)
9.62% and 12.07% (-1%)	2% (base input)	(329,000,000)
10.62% and 13.07% (base input)	2% (base input)	(469,000,000)
11.62% and 14.07% (+1%)	2% (base input)	(595,000,000)
9.62% and 12.07% (-1%)	1.5% (-0.5%)	(399,000,000)
10.62% and 13.07% (base input)	1.5% (-0.5%)	(538,000,000)
11.62% and 14.07% (+1%)	1.5% (-0.5%)	(659,000,000)

13. STATEMENT OF INDEPENDENCE

We hereby certify that we have neither present nor prospective interest in the Company, the Disposal Group or the result reported. In addition, our directors are neither directors nor officers of the Company or the Disposal Group.

In the course of our valuation, we are acting independently of all parties.

Our fees are agreed on a lump-sum basis and are not correlated with the result as stated in this report.

14. REMARKS

For the purpose of our valuation, we have been furnished with information provided by the senior management of the Company. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied.

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made or liability assumed for the accuracy of any data, opinions or valuations identified as being furnished by others, which have been used in formulating our analysis.

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB).

15. CONCLUSION OF VALUE

Our conclusion of value is based on accepted valuation procedures and practices that rely on the use of numerous assumptions and the consideration of a lot of uncertainties, not all of which can be easily ascertained or quantified.

Further, whilst the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to uncertainties and contingencies that are beyond the control of the Company, the Disposal Group or us.

Based on our analysis outlined in this report, it is our independent opinion that the market value of 100% equity interest in Perpetual Goodluck Limited together with its subsidiaries (i.e. the Disposal Group) as at 31 December 2024 was **NOMINAL.**

Yours faithfully,
For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C. H. Cheng
BSc(Bldg), MUD, MBA(Finance), MSc.(Eng), PhD(Econ),
FSOE, FIPlantE, CEnv, FIPA, FAIA, FRSM, CPA UK, SIFM, FCMA,
FRSS, MCIArb, MASCE, MHKIE, MIEEE, MASME, MIIE, MASM, MIET
Managing Director

Note:

Dr. Tony C. H. Cheng has various engineering and accounting & finance qualifications. He is a Fellow member of Royal statistical Society, Fellow member of the Society of Operations Engineers, and the Institution of Plant Engineers, and a member of the Hong Kong Institution of Engineers and the American Society of Mechanical Engineers.

Besides, Dr. Cheng is a Fellow member of Association of International Accountants, Fellow member of the Institute of Public Accountants, and the Institute of Financial Accountants. He is also a Fellow member and Committee member of the Certified Management Accountants Australia. He has extensive experience in valuing similar assets in different industries in the Asia-Pacific region.

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 circular.

The Board of Directors
China Qinfa 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 Qinfa Group Limited

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by BMI Appraisal Limited dated 25 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 Shenchi Xinglong Coal Industry Co., Ltd. and Shanxi Xinzhou Shenchi 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 circular of China Qinfa Group Limited dated 25 June 2025 (the "**Circular**"). The Valuation which is based on the discounted future estimated cash flows are regarded as profit forecasts under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Directors' Responsibilities

The directors of 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 Circular (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting Accountant's Independence and Quality Management

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

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

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.60A(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our engagement in accordance with the terms of our engagement letter dated 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, 25 June 2025

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 circular.

25 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 circular of Chian Qinfa Group Limited (the "**Company**") dated 25 June 2025 (the "**Circular**") 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 Circular.

The Circular 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 25 June 2025, as set forth in Appendix VII to the Circular 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 Circular, were true, accurate, complete and not misleading at the time they were supplied or made, and remained so up to the date of the Circular 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

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

(a) Directors and chief executive

As at the Latest Practicable Date, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Hong Kong Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules are as follows:

Long positions in the Shares of the Company

Name of Director	Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
XU Da	Beneficial owner/Interest of controlled corporation	93,135,251 (L) *(Note 1)*	3.67%
BAI Tao	Interest of controlled corporation	50,000,000 (L) *(Note 2)*	1.97%
ZHAI Yifeng	Beneficial owner	14,000,000 (L)	0.55%
DENG Bingjing	Interest of spouse	93,135,251 (L) *(Note 3)*	3.67%

(L) – Long Position

Notes:

1. These Shares comprised 45,135,251 Shares directly held by Mr. XU Da and 48,000,000 Shares held by China Guangfa Investment Limited, a company wholly-owned by Mr. XU Da.

2. These Shares were held by China Hengfa Investment Limited, a company wholly-owned by Mr. BAI Tao.

3. Ms. DENG Bingjing is the spouse of Mr. XU Da. Hence, Ms. DENG is deemed to be interested in the 93,135,251 Shares held by Mr. XU Da by virtue of the SFO.

(b) Substantial Shareholder

As at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the Shares of the Company

Name of Shareholder	Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
XU Jihua *(Note 1)*	Beneficial owner	330,220,672 (L)	13.01%
	Interest in controlled corporation	1,399,618,938 (L)	55.16%
Fortune Pearl International Limited ("**Fortune Pearl**") *(Note 1)*	Beneficial owner	1,399,618,938 (L)	55.16%

(L) – Long Position

Note:

1. Mr. XU Jihua is the father of Mr. XU Da. Mr. XU Da is the chairman and an executive Director of the Company. Mr. XU Jihua is interested in 100% shareholding of Fortune Pearl, which in turn is interested in 1,281,618,938 Shares and 118,000,000 Shares which may be allotted and issued upon full conversion of the perpetual subordinated convertible securities held directly by Fortune Pearl. By virtue of the SFO, Mr. XU Jihua is deemed to have interests in the Shares so held by Fortune Pearl.

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors or chief executive of the Company, had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACTS OR ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2024, being the date to which the latest published audited accounts of the Group were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant to the business of the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group or any associated company of the Company (excluding contracts expiring or determinable within one year without payment of compensation, other than statutory compensation).

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interests in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

EXPERTS' QUALIFICATION AND CONSENTS

The following is the qualification of the experts who have given their opinion and advice which are included in this circular:

Name	Qualifications
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
Moore CPA Limited	Certified Public Accountants
BMI Appraisals Limited	Professional valuer
SRK Consulting China Ltd	Competent person

As at the Latest Practicable Date, each of the experts above did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the experts above did not have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2024, being the date to which the latest published audited financial statements of the Group were made up.

Each of the experts above has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinion or report and the references to its name and/or its opinion or report in the form and context in which they respectively appear.

LITIGATION

Outstanding litigations

(i) Litigation claims relating to dividends to non-controlling shareholders of Huameiao Energy

On 1 September 2020, there was a litigation initiated by the non-controlling shareholders of Huameiao Energy against the Group to claim for their entitled benefits in respect of acquiring 20% of coal production of Xingtao Coal Mine, Fengxi Coal Mine and Chongsheng Coal Mine held by subsidiaries of Huameiao Energy from the year of 2013 to 2020 at production cost prices as the distributions entitled to non-controlling shareholders of Huameiao Energy for the aforesaid period, which were equivalent to aggregate amount of approximately RMB705,860,000.

Pursuant to the judgment issued by the Shanxi Provincial Shuozhou Municipal Intermediate People's Court on 14 October 2023, the Group was ordered to deliver 6.03 million tonnes of coal to non-controlling shareholders without any charge. Subsequently, the Group filed an appeal against the court judgment. On 31 July 2024, the Shanxi Provincial High People's Court issued a ruling in respect of the appeal and the original judgment issued by the Shanxi Provincial Shuozhou Municipal Intermediate People's Court was revoked in view of its deviation from the legal claims by the non-controlling shareholders. Consequently, the Shanxi Provincial High People's Court decided to remand this case to the Shanxi Provincial Shuozhou Municipal Intermediate People's Court for retrial.

Following the retrial, on 28 December 2024, the Shanxi Provincial Shuozhou Municipal Intermediate People's Court ordered the Group to compensate the non-controlling shareholders RMB513,000,000 for the years of 2013 to 2020. Subsequently, the Group filed an appeal against the court judgment. Up to the Latest Practicable Date, the aforesaid appeal is still in progress.

Additionally, one of the aforementioned non-controlling shareholders initiated separate litigation ("**Separate Litigation**") against the Group on 30 October 2024, claiming entitled benefits for 10% of coal production from Xingtao Coal Mine, Fengxi Coal Mine, and Chongsheng Coal Mine held by subsidiaries of Huameiao Energy from the years of 2021 to 2023 at production cost prices as the distributions entitled to non-controlling shareholders of Huameiao Energy for the aforesaid period, which were equivalent to aggregate amount of approximately RMB412,262,000.

On 1 April 2025, the Shanxi Provincial Shuozhou Municipal Intermediate People's Court issued a ruling suspending the proceedings in the Separate Litigation.

(ii) Litigation claims relating to 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 litigation concluded on 16 December 2024. Pursuant to the judgment issued by the Shanxi Provincial High People's Court, the Group was ordered to repay the overdue amount of approximately RMB73,306,000, which include the aforesaid payable to this supplier of approximately RMB54,124,000 and late penalty interest of approximately RMB19,182,000.

Subsequently, the Group filed an appeal against the court judgment, which was accepted by the Supreme People's Court. Up to the Latest Practicable Date, the litigation claim is still in progress.

The directors of the Company are of the opinion in respect of all the above litigation that the Group has a valid ground to defend against the claim or else made sufficient provision when necessary in the consolidated statement of financial position as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Group was not involved in any other material litigation or arbitration. As far as the directors of the Company were aware, the Group had no other material litigation or claim which was pending or threatened against the Group. As at the Latest Practicable Date, the Group was the defendant of certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the directors of the Company believe that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(a) the Sale and Purchase Agreement;

(b) the Corporate Guarantee Agreement;

(c) the sale and purchase agreement dated 28 March 2025 entered into among PT Cakrawala Karya Energi and Skyhigh Energy Investment Limited in respect of 25% indirect equity interest in SDE;

(d) the sale and purchase agreement dated 25 June 2024 entered into among Qinfa Investment Limited as vendor, Zhejiang Energy International Limited as purchaser and the Company as guarantor in relation to the disposal of 40% shareholding interest in Lead Far Development Limited;

(e) the shareholders' agreement dated 25 June 2024 entered into among Qinfa Investment Limited, Zhejiang Energy International Limited, Lead Far Development Limited and the Company in respect of Lead Far Development Limited;

(f) the agreement dated 1 March 2024 entered into between Qinfa Overseas and PT Pengelola Limbah Kutai Kartanegara in relation to the termination of acquisition of the coal mining business license;

(g) the sale and purchase agreements dated 30 October 2023 and 13 November 2023 entered into between several wholly owned subsidiaries of the Group and PT Indonesia Multi Energi, PT Vipronity Power Energy and PT Sugico Pendragon Energi in relation to the reduction of shareholding interest in the new mining companies from 75% to 70%;

MISCELLANEOUS

The registered office and principal place of business in the PRC of the Company is located at Unit Nos. 2201 to 2208, Level 22, South Tower, Poly International Plaza, No.1 Pazhou Avenue East, Haizhu District, Guangzhou City, the PRC. The principal place of business of the Company in Hong Kong is located at Room 5703, 57th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The company secretary of the Company is Mr. Or Chun Wai Dennis, who is a member of the Hong Kong Institute of Certified Public Accountants.

The branch share registrar and transfer office of the Company is Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

The English text of this circular shall prevail over the Chinese text in case of any inconsistency, except for the English names/translations of the companies established in the PRC, relevant authorities in the PRC and other Chinese terms used in this circular which are only translations of their official Chinese names.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (www.qinfagroup.com) for a period of 14 days from the date of this circular:

(a) the Sale and Purchase Agreement;

(b) the Corporate Guarantee Agreement;

(c) the unaudited financial information of the Disposal Group for the three years ended 31 December 2022, 2023 and 2024, the text of which is set out in Appendix II to this circular;

(d) the report from Moore CPA Limited in relation to the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(e) the competent person's report issued by SRK Consulting China Ltd, the text of which is set out in Appendix V to this circular;

(f) the valuation report issued by the Valuer, the text of which is set out in Appendix VI to this circular;

(g) the report on discounted future estimated cash flows issued by Moore CPA Limited, the text of which is set out in Appendix VII to this circular;

(h) the letter on discounted future estimated cash flows issued by Astrum Capital Management Limited, the text of which is set out in Appendix VIII to this circular;

(i) the written consents referred to in the paragraph headed "Experts' Qualification and Consents" in this appendix;

(j) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;

(k) the letter from the Independent Financial Adviser, the text of which is set out in this circular; and

(l) this circular.

QINFA

中國秦發集團有限公司
CHINA QINFA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00866)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of China Qinfa Group Limited (中國秦發集團有限公司) (the "**Company**") will be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 11 July 2025 at 10:30 a.m. to consider and, if thought fit, approve the following resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the sale and purchase agreement dated 5 June 2025 (the "**Sale and Purchase Agreement**", a copy of which has been produced to the meeting and marked "A" and initialled by the chairman of the meeting for the purpose of identification) entered into between Hong Kong Qinfa International Trading Limited (香港秦發國際貿易有限公司) as vendor and Add Harmony Group Limited (添和集團有限公司) as purchaser in relation to the sale and purchase of the entire issued share capital of Perpetual Goodluck Limited and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) the corporate guarantee agreement dated 5 June 2025 (the "**Corporate Guarantee Agreement**", a copy of which has been produced to the meeting and marked "B" and initialled by the chairman of the meeting for the purpose of identification) entered into between the Company and Perpetual Goodluck Limited in relation to the corporate guarantees provided by the Company and Zhuhai Qinfa Logistics Co., Ltd. (珠海秦發物流有限公司) in respect of the existing bank loans of Shanxi Huameiao Energy Group Company Limited (山西華美奧能源集團有限公司) under the maximum guarantee agreements and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(c) any one or more directors of the Company be and is hereby authorised to do all such acts and things and sign and execute all such documents, deed or instruments (under seal, if required) and to take all such actions as he/she may consider necessary, expedient or desirable in connection with or to implement, give effect to and/or complete the Sale and Purchase Agreement, the Corporate Guarantee Agreement and the transactions contemplated thereunder and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interests of the Company."

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

Guangzhou, 25 June 2025

As at the date of this notice, the Board comprises Mr. XU Da, Mr. BAI Tao, Mr. ZHAI Yifeng and Ms. DENG Bingjing as the executive Directors, and Prof. SHA Zhenquan, Mr. JING Dacheng and Mr. HO Ka Yiu Simon as the independent non-executive Directors.

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

Principal place of business in the PRC:
Unit Nos. 2201 to 2208
Level 22, South Tower
Poly International Plaza
No. 1 Pazhou Avenue East
Haizhu District, Guangzhou City
PRC

Principal Place of Business in Hong Kong:
Suite 5703, 57th Floor
Central Plaza
No. 18 Harbour Road
Wanchai
Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the above meeting is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it; a proxy need not be a shareholder of the Company.

2. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

3. In order to be valid, a form of proxy must be deposited at the Company's share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) not less than 48 hours before the time appointed for the holding of the above meeting (i.e. by Wednesday, 9 July 2025 at 10:30 a.m.) or any adjournment thereof. The completion and return of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the above meeting (or any adjourned meeting thereof) if they so wish.

4. The register of members of the Company will be closed from Tuesday, 8 July 2025 to Friday, 11 July 2025 (both days inclusive). During such period, no transfer of Shares will be registered for the purpose of determining the entitlement to attend and vote at the EGM. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Monday, 7 July 2025. The record date for determining the entitlement of the Shareholders to attend and vote at the EGM will be Friday, 11 July 2025.

5. Kindly be informed that NO refreshments will be served, and there will be NO distribution of gifts at the EGM.