秦發集團
QINFA GROUP

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)

DISCLOSEABLE TRANSACTION RELATING TO THE DISPOSAL OF A VESSEL

On 6 December 2021 (after trading hours), the Vendor, a company controlled by the Group through the Structural Contracts, entered into the MOA with the Purchaser, under which the Vendor agreed to sell and the Purchaser agreed to buy the Vessel at a total consideration of RMB66.33 million.

As one of the applicable percentage ratios in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

On 6 December 2021 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company by virtue of the Structural Contracts, entered into the MOA with the Purchaser, under which the Vendor agreed to sell and the Purchaser agreed to buy the Vessel at a total consideration of RMB66.33 million.

MEMORANDUM OF AGREEMENT

A summary of the principal terms of the MOA are set out below:

Date:

6 December 2021 (after trading hours)

Parties:

(1) Vendor: Zhuhai Qinfa Shipping Co., Limited* (

The consideration has been determined taking into account recent sale and purchase transactions of vessels of comparable size and year of build in the market, and after arm's length negotiations between the Purchaser and the Vendor, with reference to and after taking into consideration the following factors:

(i) the net asset value of the Vessel attributable to the Vendor of approximately RMB29.7 million as per management accounts of the Vendor as at 30 November 2021; and

(ii) the factors set out in the paragraphs headed "Reasons for and Benefits of the Disposal" and "Use of Proceeds" below.

Completion and delivery:

Pursuant to the MOA, the Vessel shall be delivered and taken over safely afloat at a safe and accessible berth or anchorage at the Zhoushan, China in the Purchaser's option. Notice of readiness shall not be tendered before 13 December 2021. Cancelling date is 28 February 2022 or such other date as the Purchaser and the Vendor may agree in writing. In the event that the Purchaser and the Vendor are unable to agree on an extension of the delivery date, the Purchaser shall have the option to cancel the MOA pursuant to its terms and conditions.

Prior to the intended delivery date, the Vendor shall keep the Purchaser well informed of the Vessel's itinerary and shall provide the Purchaser with 20, 10, 5 and 3 days' approximate notice of the date the Vendor intends to tender notice of readiness for delivery and of the intended place of delivery.

INFORMATION ON THE GROUP AND THE VENDOR

The Group is principally engaged in coal mining, purchase and sales, filtering, storage, blending of coal and shipping transportation.

The Vendor is a company incorporated in China with limited liability, which is principally engaged in shipping transportation. It is a company controlled by the Group through the Structural Contracts. The Vessel is the principal fixed asset of the Vendor.

INFORMATION ON THE PURCHASER

The Company understands that the Purchaser is a company incorporated in China with limited liability, which is principally engaged in shipping transportation.

The Purchaser has three ultimate beneficial owners, namely Yin Kaijie (殷凱杰), Zhang Chongfei (張崇飛) and Zhao Xinzhui (趙信追) with respective shareholding of 68%, 22% and 10%. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

FINANCIAL INFORMATION OF THE VENDOR

Set out below is the financial information of the Vendor for the financial years ended 31 December 2019 and 31 December 2020:

For the years ended	**31 December 2020** *RMB'000*	**31 December 2019** *RMB'000*
Loss before taxation	40,085	30,638
Net loss after taxation	26,126	30,609

The unaudited net assets value of the Vessel as at 30 November 2021 was approximately RMB29.7 million. The Vessel is the principal asset of the Vendor.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the coal operation business involving coal mining, purchase and sales, filtering, storage, blending of coal in the PRC and shipping transportation. The Group has been focusing its resources on the coal operation which accounted for the major portion of the Group's revenue.

As the second-hand bulk carrier market is gradually improving, the Directors consider that the Disposal represents an opportunity to dispose of the Vessel at a reasonable price, which will enable the Group to improve its liquidity position and lower the gearing ratio thus enhancing the Group's overall financial position. The price is considered reasonable with reference to the recent reported market sales of second hand bulk carriers with similar class and size in the international market.

The Disposal also enables the Group to reallocate the financial resources for and direct its focus on the coal business of the Group, which the Directors consider has growth potential and its long-term prospects is expected to be promising.

In view of the above, the Directors are of the view that the terms of the Disposal are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The Group intends to use the net sale proceeds from the Disposal to repay certain bank borrowings of the Group.

FINANCIAL EFFECT OF THE DISPOSAL

The Group expects to record a gain from the Disposal (after tax and expenses) of approximately RMB25.1 million, which is estimated by the Group based on the difference between the amount of the net proceed expected to be obtained from the Disposal of approximately RMB54.8 million (being the consideration of RMB66.33 million less the associated estimated direct cost and tax of the Disposal of approximately RMB11.5 million) and the unaudited net asset value of the Vessel of approximately RMB29.7 million as at 30 November 2021 upon the Disposal.

Shareholders should note that the above figures are for illustrative purpose only. The actual gain on the Disposal may be different from the above and the accounting treatment of the Disposal will be subject to further review by the Group's auditors upon finalisation of the consolidated financial statements of the Group for the year ending 31 December 2021 in due course.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“China Qinfa Group”	the group of companies, including the Vendor, controlled by the Group through the Structural Contracts
“Company”	China Qinfa Group Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 00866)
“Completion”	completion of the Disposal pursuant to the terms of the MOA
“Directors”	director(s) of the Company
“Disposal”	the disposal of the Vessel by the Vendor to the Purchaser under the MOA
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MOA”	memorandum of agreement dated 6 December 2021 entered into between the Vendor and the Purchaser in respect of the Disposal
“PRC or “China”	the People’s Republic of China, for the purpose of this announcement only, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan

"Purchaser"	Ningbo Haizhou Logistics Co., Limited* (寧波市海洲物流有限公司), a company incorporated in China with limited liability whose principal business is shipping transportation
"RMB"	Renminbi, the lawful currency of China
"Shareholders"	the holder(s) of the shares of the Company
"Structural Contracts"	a series of agreements entered into on 12 June 2009 and renewed on 12 June 2019, pursuant to which all the business activities of China Qinfa Group are managed and operated by Zhuhai Qinfa Logistics Co., Ltd. ("**Qinfa Logistics**"), a wholly-owned subsidiary of the Company, and all economic benefits and risks arising from the business of China Qinfa Group are transferred to Qinfa Logistics, details of which are set out in the paragraphs headed "Connected Transactions" in the directors' report of the Company's annual report for the year ended 31 December 2020
"Vendor"	Zhuhai Qinfa Shipping Co., Limited* (珠海秦發航運有限公司), a company incorporated in China with limited liability
"Vessel"	the bulk carrier named "QIN FA 18" being the subject of the Disposal

* *for identification purposes only*

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

Guangzhou, 6 December 2021

As at the date of this announcement, the Board comprises Mr. XU Da, Mr. BAI Tao and Mr. TAN Yingzhong as the executive directors, and Mr. LAU Sik Yuen, Prof. SHA Zhenquan and Mr. JING Dacheng as the independent non-executive directors.