

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



中國秦發集團有限公司
CHINA QINF A GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00866)

CONNECTED TRANSACTION

**PROPOSED AMENDMENTS
TO THE EXISTING NON-COMPETITION UNDERTAKINGS
AND
CLOSURE OF THE REGISTER OF MEMBERS**

**PROPOSED AMENDMENTS TO THE EXISTING NON-COMPETITION
UNDERTAKINGS**

For the purpose of the listing of the Company's shares on the Stock Exchange, the Initial Covenantors entered into the 2009 Deed of Non-Competition dated 12 June 2009, pursuant to which each of the Initial Covenantors jointly and severally, irrevocably and unconditionally, gave the non-competition undertakings in favour of the Company, particulars of which are set out in the section headed "Controlling Shareholders and Substantial Shareholders" of the prospectus of the Company dated 19 June 2009.

Over 13 years have passed since the 2009 Deed of Non-Competition was executed. To safeguard the interests of the future development of the Company, re-define each party's rights and duties and enhance the procedures of referral of Business Opportunities by the Covenantors, the Directors consider it desirable to amend the Existing Non-Competition Undertakings by entering into the 2022 Deed of Non-Competition, which reflects the Proposed Amendments to the Existing Non-Competition Undertakings and will supersede the 2009 Deed of Non-Competition upon satisfaction of the Conditions Precedent.

Moreover, as certain Initial Covenantors, namely Ms. Wang Jianfei, Mr. Weng Li, Mr. Liu Jingwei, Ms. Zhou Lusha and Ms. Liu Xiaomei (collectively, the "**Then Initial Covenantors**"), have ceased to be the controlling shareholders of the Company or executive Director, their obligations under the 2009 Deed of Non-Competition have ceased on the date on which he/she ceased to be a controlling Shareholder, or in the case of any executive Director who was not a controlling Shareholder, 90 days from the date of his/her resignation pursuant to the terms of the 2009 Deed of Non-Competition. As such, the Then Initial Covenantors are not covenantors to the 2022 Deed of Non-Competition.

The 2022 Deed of Non-Competition shall take effect upon having obtained the approvals from the independent non-executive Directors of the Company and the Independent Shareholders at the EGM.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Fortune Pearl and Mr. Xu Jihua are the controlling shareholders of the Company, and Mr. Xu Da is an executive Director of the Company and thus each of them is a connected person of the Company as defined under the Listing Rules. Accordingly, the entering into of the 2022 Deed of Non-Competition constitutes a connected transaction of the Company, which is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders in respect of the 2022 Deed of Non-Competition. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the 2022 Deed of Non-Competition.

CLOSURE OF THE REGISTER OF MEMBERS

The EGM will be held on Monday, 31 October 2022. To determine the eligibility of the Shareholders to attend and vote at the EGM to be held on Monday, 31 October 2022, the register of members will be closed from Wednesday, 26 October 2022 to Monday, 31 October 2022, both days inclusive, during which period no transfer of Shares will be effected. In order to be entitled to attend and vote at the EGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 25 October 2022.

GENERAL

A circular containing, among other things, (i) further information on the 2022 Deed of Non-Competition; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the 2022 Deed of Non-Competition; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2022 Deed of Non-Competition will be despatched to the Shareholders in due course.

BACKGROUND

For the purpose of the listing of the Company's shares on the Stock Exchange, the Initial Covenantors entered into the 2009 Deed of Non-Competition dated 12 June 2009, pursuant to which each of the Initial Covenantors jointly and severally, irrevocably and unconditionally, has undertaken with the Company that each of the Initial Covenantors shall not, and shall procure that none of their respective associates shall, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of the Group or be in competition with the Group in any business activities which the Group may undertake in the future save for the holding of not more than 5% shareholding interests (individually or any of the Initial Covenantors with their associates collectively) in any company listed on the Stock Exchange or any other international stock exchange.

Under the 2009 Deed of Non-Competition, the Initial Covenantors have undertaken to the Company that, if any new business opportunity relating to any products and/or services of the Group ("**Business Opportunity**") is made available to any of the Covenantors or their respective associates (other than members of the Group), it or he or she shall direct or procure the relevant associate to direct such Business Opportunity to the Group with such required information to enable the Group to evaluate the merits of the Business Opportunity, and none of the Initial Covenantors and their respective associates (other than members of the Group) shall pursue any such Business Opportunity even if the Group decides not to pursue such Business Opportunity for commercial reasons.

Over 13 years have passed since the 2009 Deed of Non-Competition was executed, the Board considers that the practice in Hong Kong in connection with managing competition between a Hong Kong listed issuer and its controlling shareholder(s) has been evolving ever since. At present, it is not uncommon that a controlling shareholder of a company listed on the Stock Exchange be permitted, under the non-competition arrangement between itself and the listed issuer, to pursue the Business Opportunity after certain procedures are followed and certain conditions are satisfied.

In view of the above and for the purposes of (i) safeguarding the interests of the future development of the Company; (ii) re-defining each party's rights and duties; and (iii) enhancing the procedures of referral of Business Opportunities by the Covenantors, the Directors consider it desirable to amend the Existing Non-Competition Undertakings by entering into the 2022 Deed of Non-Competition, which reflects the Proposed Amendments to the Existing Non-Competition Undertakings and will supersede the 2009 Deed of Non-Competition upon satisfaction of the Conditions Precedent.

Moreover, as certain Initial Covenantors, namely Ms. Wang Jianfei, Mr. Weng Li, Mr. Liu Jingwei, Ms. Zhou Lusha and Ms. Liu Xiaomei (collectively, the “**Then Initial Covenantors**”), have ceased to be the controlling shareholders of the Company or executive Director, their obligations under the 2009 Deed of Non-Competition have ceased on the date on which he/she ceased to be a controlling Shareholder, or in the case of any executive Director who was not a controlling Shareholder, 90 days from the date of his/her resignation pursuant to the terms of the 2009 Deed of Non-Competition. As such, the Then Initial Covenantors are not covenantors to the 2022 Deed of Non-Competition.

Further, pursuant to the service agreement entered into between the Company and each of the current executive Directors, each of the executive Directors has undertaken to the Company that he shall not at any time during the term of his respective service agreements engage in any activities in competition, directly or indirectly, with the business of the Group or carry out any activities detrimental to the interests of the Group. In addition, the executive Directors shall not (except with the prior sanction of a resolution of the Board (the “**Prior Sanction of the Board**”)) at any time during the continuance of his employment and for a period of one year thereafter in any country or place where any member of the Group has carried on business, carry on, or be employed or interested, directly or indirectly whether as a shareholder, director, employee, partner or agent and whether alone or jointly with any other person in, any business carried on by any member of the Group during the continuance of his employment in competition with or in opposition to any business of any member of the Group (other than as a holder of not more than 5% of the issued shares or debenture of any company listed on any recognized stock exchange). As the executive Directors have already provided a non-competition undertaking to the Company under their respective service agreements, it is not necessary for the executive Directors to enter into a separate non-competition deed with the Company.

PROPOSED AMENDMENTS

On 30 September 2022, the Company and the Covenantors entered into the 2022 Deed of Non-Competition to amend the Existing Non-Competition Undertakings and supersede the 2009 Deed of Non-Competition.

The major amendments to the Existing Non-Competition Undertakings pursuant to the 2022 Deed of Non-Competition are summarised as follows:

(i) **Competing Business Opportunity**

Pursuant to the 2022 Deed of Non-Competition, the Covenantors will undertake to the Company that each of the Covenantors shall not, and shall procure that none of their respective associates shall, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of the Group or be in competition with the Group in any business activities which the Group may undertake in the future, save for the holding of not more than 5% shareholding interests (individually or any of the Covenantors with their associates collectively) in any company listed on the Stock Exchange or any other international stock exchange, with an exception that the Covenantors will be allowed to pursue such Business Opportunity provided that the Covenantors and their associates (other than members of the Group) (the “**Offeror**”) comply with the conditions (a) to (h) as set out below:

- (a) the Offeror shall notify the Company in writing as soon as reasonably practicable and use its best efforts to procure the Business Opportunity to be first referred to the Company on reasonable and fair terms and conditions;
- (b) upon receiving notice of the Business Opportunity pursuant to sub-paragraph (a) above, the Company shall seek opinions and decisions from the Board (other than the Directors who have a material interest in the matter) (the “**Independent Board**”) as to whether (i) such Business Opportunity would constitute competition with the Company’s core business, and (ii) it is in the interest of the Company and its Shareholders as a whole to pursue or decline the Business Opportunity (any Director who has actual or potential material interest in the Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting or part of a meeting convened to consider such Business Opportunity);

- (c) the Independent Board shall take into account factors including (i) the prevailing business, legal, regulatory and contractual landscape of the Group, (ii) results of feasibility study, (iii) counterparty risks, (iv) contemplated profitability, (v) the financial resources required for such Business Opportunity, and (vi) where necessary, any opinion from experts on the commercial viability of the same, in relation to such Business Opportunity (“**New Business Evaluation Mechanism**”);
- (d) if the Company decides not to pursue the Business Opportunity pursuant to the decision of the Independent Board above, the Company shall notify the Offeror in a timely manner and in any case within 20 business days after receiving the notice of the Offeror made pursuant to sub-paragraph (a) above. If (i) the Company expressly declines the Business Opportunity; or (ii) the Company does not issue the written notice to the Offeror within 20 business days, the Offeror is allowed to take up the Business Opportunity (“**New Business**”) on the condition that the major terms of such investment shall not be more favourable than those made available to the Company, and such terms have been fully disclosed by the Offeror to the Company in a timely manner before the Company declines such Business Opportunity;
- (e) if there is any material change in the nature, terms or conditions of such Business Opportunity pursued by the Offeror, it shall refer such revised Business Opportunity to the Company as if it were a new Business Opportunity;
- (f) in view of the New Business invested by the Offeror pursuant to sub-paragraph (d) above and subject to applicable laws and regulations, the Offeror will grant a call option (the “**Call Option**”) which is exercisable at any time during the term of the 2022 Deed of Non-Competition to the Company such that the Company is entitled to purchase the shares or equity in relation to the New Business from the Offeror when the Company considers appropriate. The Independent Board shall review and evaluate the viability to exercise the Call Option on an annual basis based on the materials in relation to the performance of the New Business provided by the Covenantors. The Independent Board shall also review on an annual basis if the undertaking of the New Business by the Offeror results in material conflict of interests between the Company and the Offeror that would materially affect the Group (the “**Material Conflict**”). If Material Conflict arises and the Independent Board considers it is not viable to exercise the Call Option, the Company and the Offeror shall negotiate with each other to adopt measures, including but not limited to referral of clients of the New Business to the Group, temporary suspension of the operation of the New Business or transfer of the New Business to independent third party(ies);

- (g) in view of the New Business invested by the Offeror pursuant to sub-paragraph (d) above, if the Offeror proposes to dispose of the shares or equity acquired in relation to the New Business, it shall first notify the Company the conditions of the proposed disposal in advance and grant the right of first refusal (the “**Right of First Refusal**”) to the Company for acquiring such shares or equity; and
- (h) with respect to the Call Option and the Right of First Refusal pursuant to sub-paragraphs (f) and (g) above, the Independent Board shall be responsible for reviewing and conducting the New Business Evaluation Mechanism, with further consideration on various factors including, among others, (i) whether the New Business to be acquired accord with the then development strategy of the Company; and (ii) whether the New Business has reached a sufficiently mature stage that would be in the interest of the Company and its shareholders as a whole to exercise the Call Option or the Right of First Refusal. The Independent Board may, where necessary and at the Company’s cost, engage an independent adviser to advise it.

In connection with the Business Opportunity, the New Business, the Call Option or the Right of First Refusal (as the case may be), the relevant Covenantor shall provide or procure the relevant associate to provide all materials in relation to the Business Opportunity, the New Business, the Call Option or the Right of First Refusal (as the case may be) and such reasonable assistance to the Group to enable it to make an informed decision on whether to secure the Business Opportunity, or to exercise the Call Option or the Right of First Refusal (as the case may be).

The exercise of the Call Option or the Right of First Refusal by the Company is subject to the compliance of applicable regulatory requirements, disclosure and/or approval procedures (if necessary). If the Company decides not to exercise the Right of First Refusal after performing relevant approval procedures pursuant to applicable laws, regulations and rules of relevant stock exchange(s), the Offeror is entitled to dispose of the relevant shares/equity under the same conditions, without the restrictions as set out above.

With respect to Mr. Xu Da, who is a Covenantor and an executive Director, to the extent that the Independent Board decides not to pursue the Business Opportunity, or does not elect to exercise the Call Option or the Right of First Refusal (as the case may be) pursuant to the 2022 Deed of Non-Competition, such decision by the Independent Board shall constitute a valid Prior Sanction of the Board as required under the non-competition clause in the service agreement entered into between Mr. Xu Da and the Company. Please refer to the paragraph headed “Background” above for details.

(ii) Conditions Precedent

The 2022 Deed of Non-Competition shall become effective subject to and conditional upon the satisfaction of the following conditions precedent:

- (a) the independent non-executive Directors having approved the 2022 Deed of Non-Competition and the transactions contemplated thereunder; and
- (b) the Independent Shareholders having approved the 2022 Deed of Non-Competition and the transactions contemplated thereunder.

If any of the above conditions precedent is not fulfilled on or before 30 November 2022, the 2022 Deed of Non-Competition shall not come into effect and the 2009 Deed of Non-Competition shall remain in full effect.

(iii) Termination of the 2022 Deed of Non-Competition

The 2022 Deed of Non-Competition and the undertakings and obligations contained therein shall cease to have any effect on the earliest of the date on which:–

- (a) the Covenantors and their associates (individually or taken as a whole) directly or indirectly through subsidiaries, associate companies or any other persons cease to own an aggregate of 30% of the then issued share capital of the Company or cease to be the controlling shareholders of the Company for the purpose of the Listing Rules and do not have power to control the Board;
- (b) the Shares of the Company cease to be listed on the Stock Exchange; or
- (c) the Company becomes wholly-owned by any of the Covenantors and/or his/her/its associates.

Save as disclosed above and the related ancillary amendments, there is no other material amendment to the remaining material terms of the 2009 Deed of Non-Competition. To the best of the knowledge of the Directors and having made reasonable enquiries, no Business Opportunities has been introduced to the Covenantors as at the date of this announcement.

CORPORATE GOVERNANCE MEASURES

While there may be a risk of potential competition between the Group and a Covenantor after such Covenantor pursues a Business Opportunity that the Independent Board decides not to pursue and before the Call Option is exercised, the Directors consider that there would not be material conflict of interests between the Company and the Covenantors that would have material adverse impact on the Group for the following reasons:

(i) Size and diversity of the market

Pursuant to “Coal 2021” published by the International Energy Agency (“**IEA**”) in December 2021 (“**IEA Report**”), China is the largest consumer, producer and importer in the world. Based on the available data, China’s coal consumption hits all-time high in 2021 with 4,130 million tonnes, and is forecast to continue to rise through 2024. As driven by strong industrial growth and other unforeseen force majeure factors such as cold spell, IEA forecasts that the coal consumption in China in 2024 is expected to further increase to 4,266 million tonnes. For the year ended 31 December 2021, the coal handling and trading volume of the Group was 6.12 million tonnes, which only accounted for approximately 0.15% of the total coal consumption in China. As such, in view of the growing demand for coal in China, coupled with the Group’s solid track record of over 14 years in the industry, the Directors believe that the Group is able to further expand the size of operation of the Company.

Based on information collated from the public online search platform Qcc.com (企查查) maintained by Qichacha Technology Co., Limited* (企查查科技有限公司), there are over 24,000 coal operators in China, among which more than 90% are non-state-owned coal operators. Coal is a bulk commodity and varies in terms of total moisture, ash, volatile matter, Sulphur and calorific value based on its source of origin, and as such, coal sourced from the same country is likely to have highly similar specifications. The pricing of coal is generally subject to applicable rules and regulations promulgated by governments from time to time, pursuant to which the coal operators in China can only set the selling price of coal within the authorized range. Under the same set of specifications, the price of coal is a key competing factor. Therefore, given the specific market nature of coal trading, the Group competes with all industry players including both state-owned and non-state-owned coal operators. Considering the Group’s solid and long-term customer base, extensive domestic and overseas coal suppliers and solid track record, the Directors believe that the Group is able to compete effectively in the market. Based on the above and in light of the market size and diversity, the Directors consider that there would not be material conflict of interests between the Company and the Covenantors that would materially affect the Group.

(ii) Benefits outweighing the risk of potential competition

Moreover, in light of the large number of market players, there would always be another market player to pursue the business opportunity that the Group decided not to pursue even if the Covenantors opt out of such business opportunity. On the other hand, the Proposed Amendments in fact provide the Group with an opportunity and the flexibility to subsequently take over such New Business if such business turns out to be profitable, which in turn enabling the Group to explore potential market opportunities by leveraging the resources of the Covenantors. In view of this, the Group will be able to capture profitable business opportunities at the right time and to better cope with the competition in the industry, which is commercially desirable and in the interest of the Company and its Shareholders as a whole. Coupled with the protective measures provided under the 2022 Deed of Non-Competition, including but not limited to the Call Option and the Right of First Refusal, the Directors are of the view that there would not be material conflict of interests between the Company and the Covenantors that would materially affect the Group. Based on the above, the Directors consider that the benefits that are expected to accrue to the Group as a result of the amendment outweigh the risk of potential competition between the Group and the Covenantors before the exercise of the Call Option. In the unlikely event that material conflict of interests materially affecting the Group arises, the Company may exercise the Call Option to acquire the New Business, or if it is not viable to do so, the Company and the Offeror shall negotiate with each other to adopt measures, including but not limited to referral of clients of the New Business to the Group, temporary suspension of the operation of the New Business or transfer of the New Business to independent third party(ies).

In order to ensure and facilitate compliance with the 2022 Deed of Non-Competition by the Covenantors, the Company has implemented the following measures:

- (i) the independent non-executive Directors shall review, at least once every year, the performance of the 2022 Deed of Non-Competition by the Covenantors;
- (ii) the Covenantors shall cooperate and provide and shall procure their associates (other than members of the Group) to cooperate and provide, on best endeavor basis, information necessary for the aforementioned annual review of the performance of the 2022 Deed of Non-Competition;
- (iii) the Covenantors shall cooperate and provide and shall procure their associates (other than members of the Group) to cooperate and provide, on best endeavor basis and upon request of the Company, information necessary for evaluating the viability to exercise the Call Option or the Right of First Refusal during the term of the 2022 Deed of Non-Competition;

- (iv) the Company will disclose the review results of the independent non-executive Directors relating to compliance and enforcement of the 2022 Deed of Non-Competition in the annual reports or the announcements of the Company pursuant to the applicable laws, rules and regulations (including the Listing Rules), and shall further disclose any decisions on matters reviewed by the Independent Board pursuant to the 2022 Deed of Non-Competition; and
- (v) in the event that any of the Directors and/or their respective associates has material interests in any matter to be discussed by the Board in relation to the compliance and enforcement of the 2022 Deed of Non-Competition, it/he/she shall not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for the relevant voting.

REASONS FOR THE ENTERING INTO OF THE 2022 DEED OF NON-COMPETITION

Given the change in economic and business environment in which the Group operates, coupled with the change in practice in Hong Kong in connection with managing competition between a Hong Kong listed issuer and its controlling shareholder(s) since the entering into of the 2009 Deed of Non-Competition, the Board considers that the restriction under the undertakings given by the Initial Covenantors pursuant to the 2009 Deed of Non-Competition, which unconditionally restricts the Initial Covenantors and their associates from pursuing any Business Opportunity, is unnecessarily burdensome and not able to cater for the needs of the Company for developing its business and coping with the competition in the industry.

The Directors (other than the independent non-executive Directors who will express their views after considering the advice of the Independent Financial Adviser) are of the view that the adoption of the Proposed Amendments by enabling the Covenantors and their associates to participate in the Business Opportunity through compliance with procedures and conditions pursuant to the 2022 Deed of Non-Competition would present potential new business opportunities to the Group. In particular, in case where a new Business Opportunity is identified and rejected by the Group, the Call Option and Right of First Refusal allow the Group with an opportunity and the flexibility to subsequently take over such business from the Covenantors and their associates, if such business turns out to be profitable. Such mechanisms provide the Group with an opportunity to seize new and profitable business opportunity at a later and more appropriate time without having to encounter excessive initial financial costs and investment risks in investing in new projects. Further, the Group has also implemented carefully designed procedures and conditions to be considered by the Independent Board in reviewing and deciding the conduct of the Business Opportunity as well as corporate governance measures in monitoring and reviewing the compliance with the 2022 Deed of Non-Competition on regular basis.

In view of the above, the Group will be able to capture profitable business opportunities at the right time and to better cope with the competition in the industry with the 2022 Deed of Non-Competition, which is commercially desirable and in the interest of the Company and its Shareholders as a whole.

The Directors (excluding the independent non-executive Directors who will express their views after considering the advice of the Independent Financial Advisor) believe that while the 2022 Deed of Non-Competition is not entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and is on normal commercial terms.

INFORMATION ON THE PARTIES

Information relating to the Group

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

Information relating to the Covenantors

Mr. Xu Da

Mr. Xu Da is the chairman of the Group and an executive Director of the Company. He is the son of Mr. Xu Jihua. Mr. Xu Da is the beneficial owner of 93,135,251 Shares, representing approximately 3.74% of the total issued share capital of the Company.

Mr. Xu Jihua

Mr. Xu Jihua is interested in 100% shareholding of Fortune Pearl, which is in turn interested in 1,183,000,000 Shares and 118,000,000 Shares which may be allotted and issued upon full conversion of the perpetual subordinated convertible securities of the Company, representing approximately 52.18% of the total issued share capital of the Company. Mr. Xu Jihua is the beneficial owner of 14,229,610 Shares, representing approximately 0.57% of the total issued share capital of the Company. Mr. Xu Jihua is the father of Mr. Xu Da.

Fortune Pearl

Fortune Pearl, a company incorporated in the British Virgin Islands, is a company wholly owned by Mr. Xu Jihua. As at the date of this announcement, Fortune Pearl is interested in approximately 52.18% of the total issued share capital of the Company. Fortune Pearl is an investment holding company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Fortune Pearl and Mr. Xu Jihua are the controlling shareholders of the Company, and Mr. Xu Da is an executive Director of the Company and thus each of them is a connected person of the Company as defined under the Listing Rules. Accordingly, the entering into of the 2022 Deed of Non-Competition constitutes a connected transaction of the Company, which is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders in respect of the 2022 Deed of Non-Competition. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the 2022 Deed of Non-Competition.

Mr. Xu Da is an executive Director of the Company who also has a material interest in the 2022 Deed of Non-Competition, and therefore he has abstained from voting on the relevant resolution(s) at the meeting of the Board convened for the purpose of approving the 2022 Deed of Non-Competition. Save as disclosed, none of the Directors has a material interest in the 2022 Deed of Non-Competition.

The Covenantors, namely Fortune Pearl, Mr. Xu Jihua, Mr. Xu Da, and their respective associates will abstain from voting on the resolution to approve the 2022 Deed of Non-Competition and the transactions contemplated thereunder which will be taken on a poll as required under Rule 14A.36 of the Listing Rules at the EGM.

GENERAL

A circular containing, among other things, (i) further information on the 2022 Deed of Non-Competition; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the 2022 Deed of Non-Competition; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2022 Deed of Non-Competition will be despatched to the Shareholders in due course.

CLOSURE OF THE REGISTER OF MEMBERS

The EGM will be held on Monday, 31 October 2022. To determine the eligibility of the Shareholders to attend and vote at the EGM to be held on Monday, 31 October 2022, the register of members will be closed from Wednesday, 26 October 2022 to Monday, 31 October 2022, both days inclusive, during which period no transfer of Shares will be effected. In order to be entitled to attend and vote at the EGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 25 October 2022.

DEFINITIONS

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

“2009 Deed of Non-Competition”	the deed of non-competition dated 12 June 2009 entered into by the Initial Covenantors in favour of the Company
“2022 Deed of Non-Competition”	the deed of non-competition dated 30 September 2022 entered into by the Covenantors in favour of the Company
“Board”	means board of Directors of the Company
“Company”	China Qinfa Group Limited (中國秦發集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange (stock code: 866)
“Conditions Precedent”	the conditions precedent set out in the paragraph headed “Proposed Amendments – (ii) Conditions Precedent”
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Covenantors”	covenantors to the 2022 Deed of Non-Competition, namely Fortune Pearl, Mr. Xu Jihua and Mr. Xu Da
“Directors”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at which resolution(s) will be proposed to consider, and, if thought fit, to approve the 2022 Deed of Non-Competition and the transactions contemplated thereunder, or any adjournment thereof
“Existing Non-Competition Undertakings”	the non-competition undertakings given by the Initial Covenantors under the 2009 Deed of Non-Competition
“Fortune Pearl”	Fortune Pearl International Limited, a company incorporated in the British Virgin Islands, which is wholly owned by Mr. Xu Jihua, a controlling shareholder of the Company

“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
“Independent Board Committee”	means the independent board committee of the Company comprising the independent non-executive Directors formed to advise the Independent Shareholders in respect of the 2022 Deed of Non-Competition and the transactions contemplated thereunder
“Independent Financial Adviser”	means Alliance Capital Partners Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2022 Deed of Non-Competition and the transactions contemplated thereunder
“Independent Shareholders”	means the Shareholders, other than Mr. Xu Da, Mr. Xu Jihua, Fortune Pearl and their respective associate(s), if any
“Initial Covenantors”	covenantors to the 2009 Deed of Non-Competition, namely Fortune Pearl, Mr. Xu Jihua, Ms. Wang Jianfei, Mr. Xu Da, Mr. Weng Li, Mr. Liu Jingwei, Ms. Zhou Lusha and Ms. Liu Xiaomei
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Proposed Amendments” or “Proposed Amendments to the Existing Non-Competition Undertakings”	means the proposed amendments to the Existing Non-Competition Undertakings, details of which are set out under the section headed “Proposed Amendments” in this announcement

“Shares” shares of HK\$0.1 each in the capital of the Company

“Shareholder(s)” the holder(s) of the Shares

“Stock Exchange” means The Stock Exchange of Hong Kong Limited

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

Guangzhou, 30 September 2022

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.