

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 QINFA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00866)

MAJOR TRANSACTION
PROCUREMENT CONTRACT

PROCUREMENT CONTRACT

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

IMPLICATIONS UNDER THE LISTING RULES

As the highest of all applicable percentage ratios in respect of the Procurement Contract is more than 25% but less than 100%, the entering into of the Procurement Contract and the transactions contemplated thereunder constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As far as the Directors are aware after making all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Procurement Contract and the transactions contemplated thereunder. In light of the foregoing, written shareholders' approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Company intends to obtain the written shareholders' approval in respect of the Procurement Contract from Mr. XU, Fortune Pearl and Mr. Xu Da, who hold 14,229,610 Shares, 1,183,000,000 Shares and 93,135,251 Shares respectively, representing an aggregate of 51.75% of the issued share capital of the Company as at the date of this announcement. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Procurement Contract.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, (i) details of the Procurement Contract; and (ii) other information as required under the Listing Rules shall be despatched within 15 business days after publication of this announcement (i.e. on or before 19 January 2023). As more time is required to prepare the financial information to be included in the circular, the Company will apply for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and will make further announcement regarding the expected date of despatch of circular.

PROCUREMENT CONTRACT

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

Principal Terms of the Procurement Contract

A summary of the principal terms of the Procurement Contract is set out below:

Date:	28 December 2022
Parties:	Qingdao Qinfa as the purchaser; and ZMJ as the vendor
Equipment:	Including, amongst others, shearers, conveyors, and powered roof supports

Consideration: The contract sum is RMB156,097,953 (including VAT), which was determined after arm's length negotiations with reference to the market price of similar products sold by other independent third parties

Delivery and Payment Terms: The delivery and payment terms are summarised as follows:

- (i) RMB29,815,855 is payable by Qingdao Qinfa as prepayment within ten days after the Procurement Contract is entered into. Upon receipt of the prepayment, ZMJ shall deliver the first batch of Equipment to Qingdao Qinfa within 4 months;
- (ii) After receiving RMB14,907,926 from Qingdao Qinfa, ZMJ shall deliver the remaining Equipment under the Procurement Contract to Qingdao Qingfa within 14 days;
- (iii) The remaining RMB111,374,172 of the total consideration shall be paid by Qingdao Qinfa in 18 instalments in 18 months after delivery of the remaining Equipment.

Security: It is contemplated under the Procurement Contract that Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Company Limited (山西朔州平魯區華美奧崇升煤業有限公司) and Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Company Limited (山西朔州平魯區華美奧興陶煤業有限公司), non-wholly owned subsidiaries of the Company, will enter into equipment security agreements, under which securities over certain equipment of Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Company Limited and Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Company Limited will be created in favour of ZMJ to secure Qingdao Qinfa's performance of payment obligations under the Procurement Contract.

Guarantee: To guarantee the performance of payment obligation by Qingdao Qinfa, it is contemplated under the Procurement Contract that Qingdao Qinfa, Qinfa Energy and ZMJ will enter into a tripartite contractual arrangement and ancillary agreements. Pursuant to the aforesaid arrangement and agreements to be entered into, Qinfa Energy will sell coal to ZMJ, and if Qingdao Qinfa is unable to fulfil its payment obligation under the Procurement Contract, such payment will be offset by Qinfa Energy's trade receivable from ZMJ for the sale of coal.

Condition Precedent

The Procurement Contract shall be subject to the Company having obtained Shareholders' approval in a general meeting of the Company, or written shareholders' approval pursuant to the Listing Rules. The Company intends to obtain the written shareholders' approval for the Procurement Contract from Mr. XU, Fortune Pearl and Mr. Xu Da, which together hold approximately 51.75% of the issued share capital of the Company.

INFORMATION OF THE GROUP AND QINGDAO QINFA

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

Qingdao Qinfa is a company established under the laws of the PRC with limited liability, which principally purchases mining equipment and consumables for the Group.

INFORMATION OF THE VENDOR

ZMJ is a company incorporated in the PRC with limited liability, which principally engaged in the manufacturing and sales of auto parts and hydraulic roof supports and related components for comprehensive coal mining and provision of related services.

ZMJ is a company listed on the Stock Exchange (0564.HK) and the Shanghai Stock Exchange (601717.SH). ZMJ is owned as to approximately 15.6%, 3.9% and 13.7% by Hong Yi Investment Management (Henan) Partnership (Limited Partnership) (泓羿投資管理(河南)合夥企業(有限合夥)) (“**Hong Yi**”), Henan Asset Management Co., Ltd. (河南資產管理有限公司) (“**Henan Asset**”) and Henan Machinery Investment Group Co., Ltd. (河南機械裝備投資集團有限責任公司) (“**Henan machinery**”), respectively.

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

Henan Machinery is owned as to 100% by State-owned Assets Supervision and Administration Commission of Henan Provincial People’s Government (河南省人民政府國有資產監督管理委員會).

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

REASONS FOR AND BENEFITS OF THE PROCUREMENT CONTRACT

The Group has been focusing its resources on coal operation, which is its principal business and major source of revenue.

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

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

LISTING RULES IMPLICATIONS OF THE PROCUREMENT CONTRACT

As the highest of all applicable percentage ratios in respect of the transactions contemplated under the Procurement Contract is more than 25% but less than 100%, the entering into of the Procurement Contract and the transactions contemplated thereunder constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

As far as the Directors are aware after making all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Procurement Contract and the transactions contemplated thereunder. In light of the foregoing, written shareholders' approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Company intends to obtain the written shareholders' approval in respect of the Procurement Contract from Mr. XU, Fortune Pearl and Mr. Xu Da, who hold 14,229,610 Shares, 1,183,000,000 Shares and 93,135,251 Shares respectively, representing an aggregate of 51.75% of the issued share capital of the Company as at the date of this announcement. Accordingly, no general meeting of the Company will be convened for the purpose of approving the Procurement Contract.

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, (i) details of the Procurement Contract; and (ii) other information as required under the Listing Rules shall be despatched within 15 business days after publication of this announcement (i.e. on or before 19 January 2023). As more time is required to prepare the financial information to be included in the circular, the Company will apply for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules and will make further announcement regarding the expected date of despatch of circular.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	China Qinfa Group Limited, a company incorporated in the Cayman Islands with limited liabilities, the Shares of which are listed on main board of the Stock Exchange (Stock Code: 866)
“Consideration”	the aggregate consideration in the sum of approximately RMB156 million (including VAT) for the Procurement Contract
“Director(s)”	the director(s) of the Company
“Equipment”	the equipment to be purchased by Qingdao Qinfa under the Procurement Contract, including, amongst others, shearers, conveyors, and powered roof supports

“Fortune Pearl”	Fortune Pearl International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. XU
“Group”	the Company and its subsidiaries
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. XU”	Mr. XU Jihua, a controlling Shareholder (as defined under the Listing Rules)
“Mr. Xu Da”	Chairman and an executive director of the Board and the son of Mr. XU
“PRC”	the People’s Republic of China
“Procurement Contract”	the procurement contract dated 28 December 2022 and entered into between Qingdao Qinfa and ZMJ in respect of the procurement of the Equipment
“Qinfa Energy”	Qingdao Qinfa Energy Ltd. (青島秦發能源有限公司), a company incorporated in PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Qingdao Qinfa”	Qingdao Qinfa Materials Supply Limited (青島秦發物資供應有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VAT”	PRC value-added tax

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

“%” per cent

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

Guangzhou, 28 December 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.