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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)

SUPPLEMENTARY ANNOUNCEMENT
DISCLOSEABLE AND CONNECTED TRANSACTIONS
NEW HEADS OF AGREEMENTS IN RELATION TO
THE ACQUISITION OF MINING BUSINESS LICENSE C AND
MINING BUSINESS LICENSE G AND
REDUCTION OF SHAREHOLDING INTEREST IN
NEW MINING COMPANY C AND NEW MINING COMPANY G

Reference is made to the announcement of the Company dated 30 October 2023 in relation to the entering into of New Heads of Agreements regarding the acquisition of Mining Business License C and Mining Business License G and reduction of shareholding interest in New Mining Company C and New Mining Company G (the “**Announcement**”). Unless the context requires otherwise, capitalized terms used herein shall bear the same meanings as defined in the Announcement.

The Board wishes to provide the supplemental information in relation to the New Heads of Agreements.

REASONS FOR AMENDING CERTAIN TERMS OF THE HEADS OF AGREEMENT C AND HEADS OF AGREEMENT G

Pursuant to the original terms of the Heads of Agreement C and the Heads of Agreement G, the Sellers are entitled to 15% of total saleable coal production instead of the dividend payment from IMJ or VSE (as the case may be). As disclosed in the Announcement, by entering into the New Heads of Agreements, the parties agreed to amend certain terms of the Heads of Agreement C and the Heads of Agreement G, with the effect that if the completion of the transactions contemplated under the New Heads of Agreement C or New Heads of Agreement G (as the case may be) is fully successful according to the terms and conditions set out therein:

- a) Inneke Wiratirana, IME or VPE (as the case may be), heirs of Kokos Jiang and Eric Wiratirana are no longer entitled to 15% portion of saleable coal in IMJ or VSE (as the case may be) according to the Heads of Agreement C or Heads of Agreement G (as the case may be); and
- b) Initiative Energy or Veneration Energy (as the case may be) and Qinfa Overseas release heirs of Kokos Jiang and IME or VPE (as the case may be) from the obligation to return the deposit fund of USD1,000,000 in accordance with the Heads of Agreement C or Heads of Agreement G (as the case may be) and Qinfa Overseas will deem the deposit fund debt as repaid.

The Group has conducted an extensive exploration in the coal mining area of SDE, which has yielded satisfactory results. Based on the latest results of the exploration in the coal mining area of SDE, which is located in Kotabaru Regency, the same regency where Coal Mine C and Coal Mine G are located, the Board is of the view that releasing the respective Seller's obligations to return the deposit fund of USD1,000,000 in exchange for modifying the entitlement rights of the Sellers from 15% stake in the total saleable coal production in IMJ or VSE (as the case may be) to dividend payment in proportion to the 30% shareholding interest in IMJ or VSE (as the case may be) to be held by the relevant SPV (which will be ultimately held by Inneke Wiratirana and Eric Wiratirana) is in the interest of the Company and the Shareholders as a whole, having considered (i) the potential economic benefit as it is expected that the difference between the 15% of total saleable coal and the dividend payment would exceed the deposit fund; and (ii) the potential improvement of the profit margin of IMJ and VSE under such modified entitlement right arrangement.

As disclosed in the Announcement, in light of foreign ownership limitation, the Group will reduce its shareholding interests in IMJ and VSE from 75% to 70% under the New Heads of Agreements. As advised by the Minister of Energy and Mineral Resources in Indonesia, the transfer of Mining Business License C and Mining Business License G from the Sellers to IMJ and VSE will not be approved by the Minister of Energy and Mineral Resources in Indonesia unless the Group's shareholding interests in IMJ and VSE be reduced from 75% to 70%. Without the Mining Business License C and Mining Business License G, the shareholding interests in IMJ and VSE would have no value. As such, having considered that (i) the benefit brought about by modifying the entitlement right arrangement as mentioned above would not be realized if the transfer of Mining Business License C and Mining Business License G failed; (ii) IMJ and VSE currently do not have any assets and they will be of no value if the transfer of mining business licenses cannot complete; (iii) the Group has to make capital contribution of its 70% shareholding interests in IMJ and VSE only upon completion of the transfer of Mining Business License C and Mining Business License G; and (iv) in the event that the transfer of Mining Business License C or Mining Business License G (as the case may be) failed, the relevant Seller shall make compensation to the Group in the amount of IDR500,000,000 and shall return the deposit fund in the amount of USD1,000,000 to the Group for IMJ or VSE (as the case may be), the Directors (including the independent non-executive Directors) are of the view that the above arrangement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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

Guangzhou, 7 November 2023

As at the date of this announcement, the Board comprises Mr. XU Da, Mr. BAI Tao and Mr. ZHAI Yifeng as the executive directors, and Prof. SHA Zhenquan, Mr. JING Dacheng and Mr. Ho Ka Yiu Simon as the independent non-executive directors.