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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 AND CONNECTED TRANSACTION
REDUCTION OF SHAREHOLDING INTEREST
IN NEW MINING COMPANY A**

Reference is made to the announcements of China Qinfa Group Limited (the “**Company**”) dated 3 January 2020, 13 May 2021, 3 January 2022, 30 October 2023 and 7 November 2023 in relation to the proposed acquisition of mining business licenses as contemplated under the New Heads of Agreements and Heads of Agreements (the “**Announcements**”). Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

REDUCTION OF SHAREHOLDING INTEREST IN NEW MINING COMPANY A

As disclosed in the announcements of the Company dated 3 January 2020 and 3 January 2022, the Group entered into the Heads of Agreement A (as amended and supplemented by the Addendum A), pursuant to which New Mining Company A, namely PT Suprema Marulabo Energi (“**SME**”), owned as to 75% and 25% by the Group and Inneke Wiratirana, respectively, would be established and the Mining Business License A shall be transferred from SPE to SME within a specific period.

During the vetting process of obtaining approval for the transfer of the Mining Business License A to SME, the Minister of Energy and Mineral Resources in Indonesia advised that the foreign ownership in SME shall be limited to 70%. As such, Splendid Energy Investment Limited (“**Splendid Energy**”), the wholly-owned subsidiary of the Company, entered into the sale and purchase agreement (the “**Transfer Agreement**”) with a new company (the “**Seller Controlled Entity**”), which is owned as to 99% by Inneke Wiratirana and as to 1% by Eric Wiratirana, to restructure the transaction and reduce its shareholding interest in SME from 75% to 70%. Pursuant to the Transfer Agreement, Splendid Energy shall transfer 5% shareholding interest in SME to the Seller Controlled Entity.

Pursuant to the Heads of Agreement A (as amended and supplemented by the Addendum A), the seller of the Mining Business License A shall be entitled to 15% of total saleable coal production instead of dividend payment from SME. Notwithstanding the reduction of the Group's shareholding interest in SME, the Group's entitlement to 85% of the total saleable coal production of SME shall remain unchanged. Save for the reduction of the Group's shareholding interest in SME, the other terms and conditions of the Heads of Agreement A (as amended and supplemented by the Addendum A) remain unchanged and in full force and effect in all respects.

Upon completion of the Heads of Agreement A (as amended and supplemented by the Addendum A and Transfer Agreement), SME, which will hold the Mining Business License A, will become 70% non-wholly-owned subsidiary of the Company.

Reasons for reducing the Group's shareholding interest in SME

The Group is principally engaged in coal mining, purchase and sales, filtering, storage and blending of coal. As advised by the Minister of Energy and Mineral Resources in Indonesia, the transfer of Mining Business License A from SPE to SME will not be approved by the Minister of Energy and Mineral Resources in Indonesia unless the Group's shareholding interests in SME be reduced from 75% to 70%. Without the Mining Business License A, the Group's shareholding interests in SME would have no value. As such, having considered that (i) SME currently does not have any assets and will be of no value if the transfer of Mining Business License A cannot complete; (ii) the Group has to make capital contribution of its 70% shareholding interests in SME only upon completion of the transfer of Mining Business License A; and (iii) the Group's entitlement to 85% of the total saleable coal production of SME shall remain unchanged, 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.

Listing Rules Implications

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transaction contemplated under the Heads of Agreement A (as amended and supplemented by the Addendum A and the Transfer Agreement), when aggregated with the transactions contemplated under the other Heads of Agreements (as amended and supplemented by the other Addendums and the New Heads of Agreements), exceeds 5% but all are less than 25%, the transaction contemplated under the Heads of Agreement A (as amended and supplemented by the Addendum A and the Transfer Agreement) constitutes a discloseable transaction under Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement requirements under the Listing Rules.

As at the date of this announcement, heirs of Kokos Jiang (including Inneke Wiratirana) own 25% equity interest in SDE, which is a non-wholly owned subsidiary of the Company. As SDE does not fall within the ambit of insignificant subsidiaries under Rule 14A.09 of the Listing Rules, the Seller Controlled Entity, which is owned as to 99% by Inneke Wiratirana and as to 1% by Eric Wiratirana (brother of Inneke Wiratirana), is regarded as a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

As such, the transaction contemplated under the Transfer Agreement also constitutes connected transaction under Chapter 14A of the Listing Rules. As (i) the Board (including the independent non-executive Directors) has approved the transaction contemplated under the Transfer Agreement; and (ii) the independent non-executive Directors have confirmed that the terms of the transaction contemplated under the Transfer Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the transaction contemplated under the Transfer Agreement is subject to reporting and announcement requirements but exempt from circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

As none of the Directors has a material interest in the Transfer Agreement, no Director is required to abstain from voting on the Board resolution(s) approving the Transfer Agreement and the transaction contemplated thereunder.

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

Guangzhou, 17 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.