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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: 866)

MAJOR TRANSACTION
CONSTRUCTION OF TWO 82,000 DWT BULK CARRIERS

The Board is pleased to announce that on 15 May 2010, Harbour Well entered into the First Shipbuilding Contract as the Buyer with the Sellers for the construction of the First Vessel at the consideration of US\$34.5 million (equivalent to approximately HK\$269.1 million). On the same date, Merit Sino entered into the Second Shipbuilding Contract as the Buyer with the Sellers for the construction of the Second Vessel at the consideration of US\$34.5 million (equivalent to approximately HK\$269.1 million). The aggregate consideration pursuant to the Shipbuilding Contracts is US\$69.0 million (equivalent to approximately HK\$538.2 million), and will be funded partly by bank borrowings and partly by internal financial resources of the Group. The consideration payable by the Group will not affect the use of the net proceeds from the Global Offering.

The Directors believe that the Construction is consistent with the Group's medium-term strategy to improve the overall efficiency of the Group's fleet. The Directors also consider that is a suitable time for the construction of two new vessels with the current construction cost level reduced to approximately 50% as compared with the highest level in 2008. The Vessels can enhance the Group's ability to control its ship transportation cost and mitigate the risks faced by the Group on the fluctuations in the ship transportation cost.

The Construction, aggregated with the transactions set forth in the Company's announcements dated 30 October 2009 and 15 December 2009, respectively, pursuant to Rule 14.22 of the Listing Rules, constitutes a major transaction (as such term is defined under the Listing Rules) for the Company under the Listing Rules as one or more of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) exceed 25% but do not exceed 75%, and is subject to approval by the Shareholders. Since no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Construction, written shareholders' approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. Fortune Pearl has given its written approval on the Construction. Accordingly, no extraordinary general meeting of the Company will be convened for the purpose of approving the Construction.

A circular containing, among other things, further information on the Construction will be despatched to the Shareholders for information only as soon as practicable in accordance with the requirements of the Listing Rules.

BACKGROUND INFORMATION

The Board is pleased to announce that on 15 May 2010, Harbour Well entered into the First Shipbuilding Contract as the Buyer with the Sellers for the construction of the First Vessel at the consideration of US\$34.5 million (equivalent to approximately HK\$269.1 million). On the same date, Merit Sino entered into the Second Shipbuilding Contract as the Buyer with the Sellers for the construction of the Second Vessel at the consideration of US\$34.5 million (equivalent to approximately HK\$269.1 million). The aggregate consideration pursuant to the Shipbuilding Contracts is US\$69.0 million (equivalent to approximately HK\$538.2 million), and will be funded partly by bank borrowings and partly by internal financial resources of the Group. The consideration payable by the Group will not affect the use of the net proceeds from the Global Offering.

THE SHIPBUILDING CONTRACTS

The following table sets forth the common detailed terms of each Shipbuilding Contract:–

Date:	15 May 2010
Parties:	Sellers: China Shipbuilding and CSSC Guangzhou Longxue Buyer: Harbour Well for the First Shipbuilding Contract, and Merit Sino for the Second Shipbuilding Contract

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of China Shipbuilding and CSSC Guangzhou Longxue and their respective ultimate beneficial owners is an Independent Third Party.

Consideration:	The consideration under each Shipbuilding Contract is US\$34.5 million (equivalent to approximately HK\$269.1 million), subject to adjustment in accordance with the terms thereof.
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The Directors confirm that the amount of consideration was determined after arm's length negotiation between the parties with reference to the current market price for the construction of a similar vessel in China.

Reduction of the consideration or cancellation of the relevant Shipbuilding Contract:

Pursuant to each Shipbuilding Contract, the consideration may be adjusted or the relevant Buyer may cancel the relevant Shipbuilding Contract in the following situations:

- if the relevant Vessel cannot be delivered to the relevant Buyer for more than a certain period after the agreed delivery date;
- the full operating speed of the relevant Vessel is less than the agreed and the designed speed of the relevant Vessel by a certain amount;
- the level of fuel consumption of the relevant Vessel exceeds the agreed and the designed fuel consumption of the relevant Vessel by a certain percentage; or
- the actual DWT of the relevant Vessel is less than the agreed and the designed DWT of the relevant Vessel by a certain figure.

If the relevant Buyer cancels the relevant Shipbuilding Contract in accordance with the terms thereof, the Sellers shall refund the full amount of all sums paid by the relevant Buyer under the relevant Shipbuilding Contract together with interest at the agreed rate from the respective payment date(s) to the date of remittance.

Payment schedule:

Each Buyer shall pay the relevant consideration according to the following schedule:–

- First installment – 10% of the consideration, i.e. US\$3.45 million (equivalent to approximately HK\$26.9 million), shall be paid within five Business Days after the relevant Buyer has received the relevant Refund Guarantee;
- Second installment – 20% of the consideration, i.e. US\$6.9 million (equivalent to approximately HK\$53.8 million), shall be paid within five Business Days after the commencement of construction of the relevant Vessel;
- Third installment – 20% of the consideration, i.e. US\$6.9 million (equivalent to approximately HK\$53.8 million), shall be paid within five Business Days after keel-laying of the first section of the relevant Vessel;
- Fourth installment – 20% of the consideration, i.e. US\$6.9 million (equivalent to approximately HK\$53.8 million), shall be paid within five Business Days after launching of the relevant Vessel; and

- Fifth installment – 30% of the consideration, i.e. US\$10.35 million (equivalent to approximately HK\$80.7 million), subject to any adjustment thereto in accordance with the terms of relevant Shipbuilding Contract, shall be paid concurrently with delivery of the relevant Vessel.

Time and place of delivery of the Vessels: The First Vessel shall be delivered on or before 31 March 2012 and the Second Vessel shall be delivered on or before 30 September 2012, both at Guangzhou, China.

Refund Guarantee: The Sellers shall deliver to each Buyer, within 30 days following the execution of the relevant Shipbuilding Contract, the relevant Refund Guarantee pursuant to which the Sellers' banker guarantees the refund of the amount paid by the relevant Buyer to the Sellers in the event the relevant Shipbuilding Contract is cancelled in accordance with its terms and the Sellers fail to refund to the relevant Buyer.

Guarantee by the Company: Upon signing of the relevant Shipbuilding Contract, the relevant Buyer shall provide to the Sellers an irrevocable and unconditional letter of guarantee issued by the Company in favour of the Sellers to guarantee the relevant Buyer's payment obligation for the second installment of the consideration for the construction of the relevant Vessel.

FINANCING FOR THE CONSTRUCTION OF THE VESSELS

The Group intends to arrange for bank borrowings to finance the payment of about 70% of the aggregate consideration under the Shipbuilding Contracts, while the remaining portion of the consideration shall be funded by internal financial resources of the Group. The consideration payable by the Group will not affect the use of the net proceeds from the Global Offering.

REASONS FOR ENTERING INTO THE SHIPBUILDING CONTRACTS

The Group has been working on improving the overall efficiency of its fleet by constructing new vessels and in this regard, has commissioned the construction of two vessels under similar terms and conditions as set forth in the Company's announcements dated 30 October 2009 and 15 December 2009, respectively. The Construction is therefore consistent with the Group's medium-term strategy. The Directors consider that it is a suitable time for construction of two vessels as the current construction cost has reduced to approximately 50% as compared with the highest level in 2008. Based on the analysis of historical data, the Directors consider that the current vessel construction cost is reasonable. Besides, the Group plans to dispose of one of its existing old vessels within 2010, although no concrete plan or agreement has been reached yet.

As the Group's trading volume continues to increase, the addition of two vessels to the Group's fleet will enhance the Group's ability to control its ship transportation cost and mitigate the risks faced by the Group on the fluctuations in the ship transportation cost.

GENERAL INFORMATION

Information on the Sellers

China Shipbuilding was established under the laws of the PRC as a limited liability company on 13 August 1982 with a registered capital of RMB195 million, and its principal business is the import and export business and trading of vessels.

CSSC Guangzhou Longxue was established under the laws of the PRC as a limited liability company on 25 May 2006 with a registered capital of RMB2.72 billion, and its principal business is technical design, building and repairing of ships; technical design, manufacturing and repairing of electric machinery, ordinary machinery and steel structures; wholesale and retail trade (excluding provisions for control of national policy, the franchise project); import and export of goods and technology (excluding ones prohibited by the PRC government).

Information on the Buyers and the Company

Harbour Well is a limited liability company established in the British Virgin Islands on 12 March 2010 and is a wholly-owned subsidiary of the Company. Merit Sino is a limited liability company established in the British Virgin Islands on 6 April 2010 and is a wholly-owned subsidiary of the Company. Each of Harbour Well and Merit Sino is a special purpose vehicle incorporated for the acquisition of the relevant Vessel.

The Company is an investment holding company with its shares listed on the Stock Exchange. The Group is principally engaged in the coal operation business involving purchase and sales, filtering, storage, blending, shipping and transportation of coal.

LISTING RULES IMPLICATIONS

The Construction, aggregated with the transactions set forth in the Company's announcements dated 30 October 2009 and 15 December 2009, respectively, pursuant to Rule 14.22 of the Listing Rules, constitutes a major transaction (as such term is defined under the Listing Rules) for the Company as one or more of the applicable percentage ratios (as defined under the Listing Rules) exceed 25% but do not exceed 75%, and is subject to approval by the Shareholders. Since no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Construction, written shareholders' approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. Fortune Pearl, a Shareholder holding 593 million Shares and approximately 57.16% of the issued share capital of the Company, has given its written approval on the Construction. Accordingly, no extraordinary general meeting of the Company will be convened for the purpose of approving the Construction.

A circular containing, among other things, further information on the Construction will be despatched to the Shareholders for information only as soon as practicable in accordance with the requirements of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Shipbuilding Contracts are fair and reasonable and negotiated on an arm's length basis upon normal commercial terms. Having considered the terms and conditions of the Shipbuilding Contracts and the benefits that may be obtained from the Construction, the Directors (including the independent non-executive Directors) further confirm that the Construction is in the interest of the Group and the Shareholders as a whole.

DEFINITIONS

In this announcement, the capitalised terms used herein shall have the following meanings:–

“ Board ”	the board of Directors;
“ Business Day ”	any day except a Saturday or a Sunday or other public holiday in any New York;
“ Buyer ”	each of Harbour Well and Merit Sino, and collectively the Buyers;
“ China ” or “ PRC ”	The People's Republic of China which excludes, for the purpose of this announcement, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan;
“ China Shipbuilding ”	中國船舶工業貿易公司 (China Shipbuilding Trading Company, Limited*), a limited liability company established under the laws of the PRC and an Independent Third Party;
“ Company ”	China Qinfa Group Limited (中國秦發集團有限公司) (Stock code: 00866), a company incorporated under the laws of the Cayman Islands with limited liability with all of its Shares listed on the Stock Exchange;
“ Construction ”	the construction of the Vessels pursuant to the terms and conditions of the Shipbuilding Contracts;
“ CSSC Guangzhou Longxue ”	廣州中船龍穴造船有限公司 (CSSC Guangzhou Longxue Shipbuilding Co., Ltd.*), a limited liability company established under the laws of the PRC and an Independent Third Party;
“ Directors ”	the directors of the Company;
“ DWT ”	deadweight tonnage, a measure of how much weight a ship is carrying;
“ First Shipbuilding Contract ”	the shipbuilding contract dated 15 May 2010 and entered into between Harbour Well and the Sellers for the construction of the First Vessel;

“First Vessel”	the 82,000 DWT bulk carrier to be constructed by the Sellers pursuant to the terms and conditions of the First Shipbuilding Contract;
“Fortune Pearl”	Fortune Pearl International Limited, a company incorporated in the British Virgin Islands and holds approximately 57.16% of the issued share capital of the Company;
“Global Offering”	the initial public offering of the Shares as defined in the Company’s prospectus dated 19 June 2009;
“Group”	the Company and its subsidiaries;
“Harbour Well”	Harbour Well Limited, a limited liability company incorporated on 12 March 2010 under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company;
“Independent Third Party(ies)”	third party(ies) who is/are independent of the Company, the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules;
“Listing Rules”	The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“Merit Sino”	Merit Sino International Limited (譽華國際有限公司), a limited liability company incorporated on 6 April 2010 under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company;
“Refund Guarantee”	the irrevocable guarantee issued by the Sellers’ bank to each Buyer for the refund to the relevant Buyer of an amount up to US\$24.15 million (equivalent to approximately HK\$188.4 million), representing the first to the fourth installments of the consideration under the relevant Shipbuilding Contract, if and when the same or any part thereof becomes repayable to the relevant Buyer by the Sellers in accordance with the terms of the relevant Shipbuilding Contract;
“Second Shipbuilding Contract”	the shipbuilding contract dated 15 May 2010 and entered into between Merit Sino and the Sellers for the construction of the Second Vessel;
“Second Vessel”	the 82,000 DWT bulk carrier to be constructed by the Sellers pursuant to the terms and conditions of the Second Shipbuilding Contract;
“Sellers”	China Shipbuilding and CSSC Guangzhou Longxue;

“Shares”	shares of HK\$0.1 each in the share capital of the Company;
“Shareholders”	holders of the Shares;
“Shipbuilding Contract”	each of the First Shipbuilding Contract and the Second Shipbuilding Contract, and collectively the Shipbuilding Contracts;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“Vessel”	each of the First Vessel and the Second Vessel, and collectively the Vessels;

By order of the Board of
China Qinfra Group Limited
XU Ji Hua
Chairman of the Board

Hong Kong, 15 May 2010

* *English translation for identification only.*

Unless otherwise specified, translations of US\$ into HK\$ in this announcement are based on the rates of HK\$7.8 = US\$1.0. No representation is made that any amounts in US\$ and HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

As at the date of this announcement, the Board comprises Mr. XU Jihua, Ms. WANG Jianfei, Ms. LIU Xiaomei and Mr. WENG Li as the executive Directors, and Dr. CHEN Wenjing, Mr. HUANG Guosheng and Mr. LAU Sik Yuen as the independent non-executive Directors.