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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 TRANSACTION

CONSTRUCTION OF SECOND 82,000 DWT BULK CARRIER

The Board is pleased to announce that on 15 December 2009, Super Grace entered into the Shipbuilding Contract, as the Buyer, with China Shipbuilding and CSSC Guangzhou Longxue, collectively as the Sellers, for the construction of the Vessel at the consideration of US\$35.2 million (equivalent to approximately HK\$274.6 million). The consideration 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 consider that the construction of the Vessel is consistent with the Group's medium-term strategy to improve the overall efficiency of the Group's fleet. The Directors also consider that it is a suitable time for the construction of a new vessel with the current construction cost level reduced to approximately 50% as compared with the highest level in 2008. The Vessel 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 transaction under the Shipbuilding Contract, aggregated with the transaction set forth in the Company's announcement dated 30 October 2009 pursuant to Rule 14.22 of the Listing Rules, constitutes a discloseable 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 5% but do not exceed 25%. Accordingly, the Company is required to issue this announcement pursuant to Rule 14.33 of the Listing Rules.

BACKGROUND INFORMATION

The Board is pleased to announce that on 15 December 2009, Super Grace entered into the Shipbuilding Contract, as the Buyer, with China Shipbuilding and CSSC Guangzhou Longxue, collectively as the Sellers, for the construction of the Vessel at the consideration of US\$35.2 million (equivalent to

approximately HK\$274.6 million). The consideration 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 CONTRACT

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

Date: 15 December 2009

Parties: Buyer: Super Grace
Sellers: China Shipbuilding and CSSC Guangzhou Longxue

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

Consideration: US\$35.2 million (equivalent to approximately HK\$274.6 million), subject to adjustment in accordance with the terms of the Shipbuilding Contract.

The Directors confirm that the amount of consideration was determined after arm's length negotiations 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 Shipbuilding Contract:

The total consideration may be reduced according to detailed formula specified in the Shipbuilding Contract or the Buyer may cancel the Shipbuilding Contract in the following situations:–

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

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

Payment schedule:

The consideration shall be payable by the Buyer according to the following schedule:–

- First installment – 5% of the consideration, i.e. US\$1,760,000 (equivalent to approximately HK\$41.2 million), shall be payable within five Business Days after the date on which the Buyer receives the Refund Guarantee;
- Second installment – 10% of the consideration, i.e. US\$3,520,000 (equivalent to approximately HK\$27.5 million), shall be payable on or before 31 January 2010;
- Third installment – 25% of the consideration, i.e. US\$8,800,000 (equivalent to approximately HK\$68.6 million), shall be payable within five Business Days immediately after the commencement of construction of the Vessel, but shall not be paid earlier than 11 June 2010;
- Fourth installment – 20% of the consideration, i.e. US\$7,040,000 (equivalent to approximately HK\$54.9 million), shall be payable within five Business Days after keel-laying of the first section of the Vessel;
- Fifth installment – 20% of the consideration, i.e. US\$7,040,000 (equivalent to approximately HK\$54.9 million), shall be payable within five Business Days after the launching of the Vessel; and
- Sixth installment – 20% of the consideration, i.e. US\$7,040,000 (equivalent to approximately HK\$54.9 million), subject to any adjustment thereto in accordance with the terms of the Shipbuilding Contract, shall be payable upon the delivery of the Vessel.

Time and place of delivery of the Vessels:

The Vessel shall be delivered on or before 31 July 2011 at Guangzhou, China.

Refund Guarantee:

The Sellers shall deliver to the Buyer, within 30 days following the execution of the Shipbuilding Contract, the Refund Guarantee pursuant to which a bank appointed by the Sellers shall guarantee the refund of the amount paid by the Buyer to the Sellers in the event the Shipbuilding Contract is cancelled in accordance with its terms and the Sellers fail to refund to the Buyer.

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

FINANCING FOR THE CONSTRUCTION OF THE VESSEL

The Buyer intends to arrange for bank borrowings to finance the payment of not less than 65% of the consideration under the Shipbuilding Contract, while the remaining portion of the consideration shall be funded by internal financial resources of the Group.

REASONS FOR ENTERING INTO THE SHIPBUILDING CONTRACT

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 a vessel under similar terms and conditions as set forth in the Company's announcement dated 30 October 2009. The construction of the Vessel is therefore consistent with the Group's medium-term strategy. The Directors consider that it is a suitable time for construction of another vessel as the current construction cost has reduced to approximately 40% as compared with the construction cost of similar vessel in October 2008 and 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.

In addition, as the Group's trading volume continues to increase, the addition of two vessels, including the Vessel, 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 Buyer and the Company

The Buyer is a limited liability company incorporated in the British Virgin Islands on 25 January 2008 and a wholly-owned subsidiary of the Company. The Buyer is a special purpose vehicle incorporated for the acquisition of the 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 transaction under the Shipbuilding Contract, aggregated with the transaction set forth in the Company's announcement dated 30 October 2009 pursuant to Rule 14.22 of the Listing Rules, constitutes a discloseable 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 5% but do not exceed 25%. Accordingly, the Company is required to publish this announcement pursuant to the requirements of Rule 14.33 of the Listing Rules.

The Directors (including the independent non-executive Directors) confirm that the terms and conditions of the Shipbuilding Contract 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 Contract and the benefits that may be obtained from the Vessel, the Directors (including the independent non-executive Directors) further confirm that the Shipbuilding Contract and the construction of the Vessel are 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 for a Saturday or a Sunday or other public holiday in New York;
“Buyer” or “Super Grace”	Super Grace Enterprises Limited, a limited liability company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company;
“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;
“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;
“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;
“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;
“Refund Guarantee”	the irrevocable guarantee issued by a bank appointed by the Sellers to the Buyer for the refund to the Buyer of an amount up to US\$28,160,000 (equivalent to approximately HK\$219.6 million), representing the first to the fifth installments of the consideration under the Shipbuilding Contract, if and when the same or any part thereof becomes repayable to the Buyer by the Sellers in accordance with the terms of the 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”	the shipbuilding contract dated 15 December 2009 and entered into between the Buyer and the Sellers for the construction of the Vessel;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“US\$” United States dollars, the lawful currency of the United States of America; and

“Vessel” the 82,000 DWT bulk carrier to be constructed by the Sellers pursuant to the terms and conditions of the Shipbuilding Contract.

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

Hong Kong, 15 December 2009

* *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.