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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)

**PROPOSED RATIFICATION OF GRANT OF SHARE OPTIONS
UNDER EXISTING SHARE OPTION SCHEME**

AND

**PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME AND
TERMINATION OF EXISTING SHARE OPTION SCHEME**

PROPOSED RATIFICATION OF GRANT OF SHARE OPTIONS

On 30 April 2015, the Board resolved to grant share options to certain grantees to subscribe for a total of 157,500,000 Shares under the Existing Share Option Scheme. Nonetheless, owing to the Company's oversight, a total of 66,393,369 options were granted beyond the 2015 Available Scheme Mandate. In this regard, the Company would like to seek Shareholders' approval at the Annual General Meeting to ratify the grant of the 2015 Options (excluding those 2015 Options that had lapsed).

**PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME AND
TERMINATION OF THE EXISTING SHARE OPTION SCHEME**

The Existing Share Option Scheme was conditionally adopted by the Company on 12 June 2009 and is valid for a period of 10 years from the date of its adoption. Therefore, the Existing Share Option Scheme will expire on 11 June 2019. In order to provide the Company with the flexibility of granting share options to the Directors and employees as incentives or rewards for their contribution or potential contribution to the Group, the Board proposes to seek Shareholders' approval at the Annual General Meeting to adopt the New Share Option Scheme and terminate the Existing Share Option Scheme.

GENERAL

A circular of the Company containing, among other things, (i) details of the ratification of grant of 2015 Options; (ii) details of the adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme; and (iii) the notice of the Annual General Meeting will be despatched to the Shareholders in accordance with the requirements of the Listing Rules.

PROPOSED RATIFICATION OF GRANT OF SHARE OPTIONS

Reference is made to the announcement of the Company dated 30 April 2015 in respect of the grant of options under the Existing Share Option Scheme. On 30 April 2015, the Board resolved to grant share options to subscribe for a total of 157,500,000 Shares (the “**2015 Options**”) at the exercise price of HK\$0.485 per Share to certain grantees as rewards for their contribution to the Group and as incentives for their continuing effort in the Group.

The 2015 Options are valid for a period of 10 years from 30 April 2015 to 29 April 2025 (the “**Option Period**”). The 2015 Options may be exercisable at any time during the Option Period subject to the following vesting periods:

- (a) in respect of the period from 30 April 2015 to 29 April 2016, 40% of the total number of 2015 Options granted to him;
- (b) in respect of the period from 30 April 2016 to 29 April 2017, 30% of the total number of 2015 Options granted to him; and
- (c) in respect of the period from 30 April 2017 to 29 April 2018, 30% of the total number of 2015 Options granted to him.

As at the date of grant of the 2015 Options, the Company was entitled to grant options to subscribe for Shares not exceeding 91,106,631 Shares (the “**2015 Available Scheme Mandate**”). Nonetheless, owing to the Company’s oversight, the Company had granted the 2015 Options to subscribe for a total of 157,500,000 Shares, which exceeded the 2015 Available Scheme Mandate. As a result, a total of 66,393,369 options under the 2015 Options were granted beyond the 2015 Available Scheme Mandate. In this regard, the Company would like to seek Shareholders’ approval at the Annual General Meeting to ratify the grant of the 2015 Options (excluding those 2015 Options that had lapsed). The grant of the 2015 Options in excess of the 2015 Available Scheme Mandate is subject to (a) the Shareholders passing an ordinary resolution to approve and ratify the grant of the 2015 Options (excluding those 2015 Options that had lapsed) at the Annual General Meeting; and (b) the Stock Exchange granting the listing of, and permission to deal in, the Shares to be issued thereunder. As at the date of this announcement, 2015 Options to subscribe for a total of 35,000,000 Shares had lapsed and none of the 2015 Options had been exercised or cancelled. As a result, 122,500,000 2015 Options remained outstanding as at the date of this announcement.

Details of the entitlements to the 2015 Options are set out as follows:

Name of grantees	Number of share options granted
<i>Independent non-executive Directors</i>	
HUANG Guosheng	500,000
LAU Sik Yuen	500,000
XING Zhiying	500,000

Name of grantees	Number of share options granted
<i>Executive Directors</i>	
FUNG Wai Shing ¹	20,000,000
LIU Jinghong ¹	2,000,000
<i>Sub-total:</i>	<i>23,500,000</i>
<i>Employees²</i>	
FAN Zaiqiu (樊在秋) ³	20,000,000
CHEN Peng (陳鵬) ³	2,000,000
LIU Bo (劉波) ³	2,000,000
CUI Yin (崔寅) ³	2,000,000
DU qiang (杜強) ³	2,000,000
GUO Aidong (郭艾東) ³	2,000,000
XU Xiangguo (徐向國) ³	2,000,000
LIANG Weilin (梁衛林) ³	1,000,000
LEUNG Wai Dong (梁偉東) ³	2,000,000
YU Tao (于濤)	18,000,000
LAN Tian (藍天)	2,000,000
ZHANG Zhitao (張志濤)	2,000,000
ZHAI Yifeng (翟依峰)	2,000,000
XU Peihua (許培華)	2,000,000
WANG Liqiang (王立強)	1,000,000
BI Zhiguo (畢治國)	1,000,000
ZHANG Zhenmei (張振梅)	10,000,000
CAO Yu (曹宇)	10,000,000
DAI Dongwu (戴東武)	10,000,000

Name of grantees	Number of share options granted
CHEN Yunpeng (陳雲鵬)	10,000,000
LIU Yufeng (劉宇峰)	10,000,000
LU Yong (盧勇)	10,000,000
MA Lingyan (馬凌艷)	10,000,000
XIN Xiaoyu (辛曉宇)	1,000,000
<i>Sub-total:</i>	<i>134,000,000</i>
Total:	157,500,000

Notes:

1. Mr. FUNG Wai Shing and Mr. LIU Jinghong were employees of the Group when the relevant 2015 Options were granted to them on 30 April 2015. They were appointed as executive Director with effect from 12 April 2017.
2. The 24 individuals were employees as at the date of grant of the 2015 Options, who are independent from directors, chief executive or substantial shareholders of the Company, or an associate (as defined in the Listing Rules) of any of them and are independent of the Company, its connected persons and their associates.
3. These individuals had resigned, and thus the 2015 Options granted to them had lapsed as at the date of this announcement.
4. The total number of Shares to be issued upon exercise of the 2015 Options granted to each grantee as shown in the table above did not exceed 1% of the Company's then total number of issued Shares.

As at the date of this announcement, the following grantees of the 2015 Options also held options granted under the pre-IPO share option scheme of the Company and/or options granted under the Existing Share Option Scheme on 17 January 2012:

Name of grantees	Number of share options granted under the pre-IPO share option scheme	Number of share options granted under the Existing Share Option Scheme on 17 January 2012
Yu Tao (于濤)	400,000	1,482,228
Zhang Zhenmei (張振梅)	400,000	—
Cao Yu (曹宇)	400,000	1,482,228
DAI Dongwu (戴東武)	1,200,000	—

Name of grantees	Number of share options granted under the pre-IPO share option scheme	Number of share options granted under the Existing Share Option Scheme on 17 January 2012
CHEN Yunpeng (陳雲鵬)	800,000	370,557
LU Yong (盧勇)	800,000	741,114
MA Lingyan (馬凌艷)	400,000	—

During the difficult slack period of coal price from 2014 to 2016, the Company intended to motivate and retain the key management team members by way of grant of the 2015 Options, which was subject to vesting periods for three years up to 29 April 2018. Save for nine individuals who had resigned, the remaining grantees are still working for the Group. Therefore, it will be unfair to those grantees who continue to serve the Group notwithstanding the difficult operation environment in the past few years, if the 2015 Options granted to them were cancelled. In addition, the Company also needs the validity of the 2015 Options to retain and reinforce the loyal employment relationship of the grantees with the Group. In view of the above, the Company considers that the ratification of grant of the 2015 Options is in the best interest of the Company and the Shareholders as a whole.

Mr. FUNG Wai Shing, Mr. LIU Jinghong, Mr. HUANG Guosheng, Mr. LAU Sik Yuen and Mr. XING Zhiying had abstained from voting in respect of the ratification of the grant of 2015 Options at the relevant Board meeting. Save for Mr. FUNG Wai Shing, who held 25,000,000 Shares, representing approximately 1.0% of the issued share capital of the Company as at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the grantees of the 2015 Options held any Shares as at the date of this announcement. Mr. FUNG Wai Shing and his associates, and other grantees of the 2015 Options and their associates, to the extent they hold any Shares, shall abstain from voting in favour of the relevant resolution approving and ratifying the grant of the 2015 Options at the Annual General Meeting. Further details about the ratification of the grant of 2015 Options will be contained in the circular to be despatched to the Shareholders.

PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME

The Existing Share Option Scheme

The Existing Share Option Scheme was conditionally adopted by the Company on 12 June 2009 and is valid for a period of 10 years from the date of its adoption. Therefore, the Existing Share Option Scheme will expire on 11 June 2019. According to the terms of the Existing Share Option Scheme, the Company may by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Existing Share Option Scheme, and in such event no further options can be granted under the Existing Share Option Scheme. In view of (a) the expiration of the Existing Share Option Scheme on 11 June 2019 and (b) no further options can be granted

pursuant to the Existing Share Option Scheme after its expiration even if the scheme mandate limit under the Existing Share Option Scheme is refreshed, the Board proposes to take the opportunity to adopt the New Share Option Scheme and simultaneously terminate the Existing Share Option Scheme at the Annual General Meeting. The rules of the Existing Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its expiration or otherwise as may be required in accordance with the rules of the Existing Share Option Scheme. Options granted prior to such expiration shall continue to be valid and exercisable in accordance with the rules of the Existing Share Option Scheme. As at the date of this announcement, there were 127,687,798 options granted but not yet exercised under the Existing Share Option Scheme.

The New Share Option Scheme

In order to provide the Company with the flexibility of granting share options to the Directors and employees as incentives or rewards for their contribution or potential contribution to the Group, the Directors proposed to adopt the New Share Option Scheme. The terms of the New Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. A summary of the principal terms of the New Share Option Scheme will be contained in the circular to be despatched to the Shareholders.

The adoption of the New Share Option Scheme is conditional upon (i) the passing of an ordinary resolution by the Shareholders approving the adoption of the New Share Option Scheme; and (ii) the Stock Exchange granting the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of options which may be granted under the New Share Option Scheme.

GENERAL

A circular of the Company containing, among other things, (i) details of the ratification of grant of 2015 Options; (ii) details of the adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme; and (iii) the notice of the Annual General Meeting will be despatched to the Shareholders in accordance with the requirements of the Listing Rules.

DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company to be convened and held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 27 June 2018 at 11:00 a.m. or any adjournment thereof (as the case may be)
“Board”	the board of Directors
“Company”	China Qinfa Group Limited (中國秦發集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability whose Shares are listed on the main board of the Stock Exchange (stock code: 00866)
“Directors”	the directors of the Company

“Existing Share Option Scheme”	the existing share option scheme of the Company adopted on 12 June 2009
“Group”	the Company and its subsidiaries
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“New Share Option Scheme”	the new share option scheme proposed to be adopted at the Annual General Meeting
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Guangzhou, 25 April 2018

As at the date of this announcement, the Board comprises Mr. XU Da, Mr. BAI Tao, Ms. WANG Jianfei, Mr. FUNG Wai Shing and Mr. Liu Jinghong as the executive Directors and Mr. HUANG Guosheng, Mr. LAU Sik Yuen and Mr. XING Zhiying as the independent non-executive Directors.