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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  
RELATING TO THE DISPOSAL OF A VESSEL**

On 4 June 2018 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the MOA with the Purchaser, under which the Vendor agreed to sell and the Purchaser agreed to buy a vessel at a total consideration of USD17,450,000 (equivalent to approximately RMB112,017,000).

As one of the applicable percentage ratios in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

**INTRODUCTION**

On 4 June 2018 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the MOA with the Purchaser, under which the Vendor agreed to sell and the Purchaser agreed to buy a vessel at a total consideration of USD17,450,000 (equivalent to approximately RMB112,017,000).

**MEMORANDUM OF AGREEMENT**

A summary of the principal terms of the MOA are set out below:–

**Date:**

4 June 2018 (after trading hours)

**Parties:**

- (1) Vendor: Oriental Wise Group Limited
- (2) Purchaser: Kassian Maritime Navigation Agency Limited

**Assets to be disposed of:**

Pursuant to the MOA, the Buyer has agreed to buy and the Vendor has agreed to sell a vessel named MV “ORIENTAL WISE” with the following particulars (the “Vessel”):

- (1) Flag: Hong Kong
- (2) IMO Number: 9576260
- (3) Classification Society: China Classification Society
- (4) Class Notation: Bulk carrier
- (5) Year of Build: 2011
- (6) Gross Tonnage/Net Tonnage: 45,263/26,562

**Consideration:**

USD17,450,000 (equivalent to approximately RMB112,017,000) which to be settled in cash by the Purchaser to Vendor at Completion. The consideration was determined by reference to recent sale and purchase transactions of vessels of comparable size and year of build in the market, and after arm’s length negotiation on normal commercial terms between the parties.

**Payment terms:**

The balance of the consideration is payable in the following manner:

- (i) A deposit of 10% of purchase price shall be paid within 3 banking days after the signing of the MOA.
- (ii) Remaining balance of the purchase price by the Buyer to the Vendor shall be paid in full upon delivery of the Vessel.

**Completion and delivery:**

Pursuant to the MOA, the latest date for Completion is 29 June 2018. The delivery should be arranged at a safe and accessible berth or anchorage at Singapore, Japan or China in the Vendor’s option. The Directors currently expect that the Completion and delivery of the Vessel will take place on or before 29 June 2018.

**INFORMATION ON THE GROUP AND THE VENDOR**

The Group is principally engaged in coal mining, purchase and sales, filtering, storage, blending of coal and shipping transportation.

The Vendor is a company incorporated in the BVI with limited liability, which is principally engaged in shipping transportation. It is an indirect wholly-owned subsidiary of the Company.

## INFORMATION ON THE PURCHASER

The Company understands that the Purchaser is a company incorporated in the Liberia with limited liability, which is principally engaged in shipping transportation.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

## FINANCIAL INFORMATION OF THE VESSEL

The net results (both before and after taxation) attributable to the Vessel for the two year ended 31 December 2016 and 2017, which were prepared in accordance with Hong Kong Financial Reporting Standards, were as follows:

	<b>Year ended 31 December 2016 (RMB'000) (audited)</b>	<b>Year ended 31 December 2017 (RMB'000) (audited)</b>
(Loss)/profit before taxation	(96,075)	7,347
Net (loss)/profit after taxation	(96,075)	7,347

The unaudited net assets value of the Vessel as at 30 April 2018 were approximately RMB99,340,000.

## REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

The Group is principally engaged in the coal operation business involving coal mining, purchase and sales, filtering, storage, blending of coal in the PRC and shipping transportation. The Group has been focusing its resource on the coal operation which accounted for the major portion of the Group's revenue during the financial year ended 31 December 2017.

Under the revitalizing second-hand bulk carrier market, the Directors consider that the Disposal is a good opportunity for the Group to improve the Group's financial position. The Group intends to use the net sale proceeds from the Disposal to repay certain bank borrowings of the Group.

The Directors believe that the terms of the MOA are fair and reasonable and in the interests of the Shareholders as a whole.

## FINANCIAL EFFECT OF THE DISPOSAL

The Group expects to record a gain from the Disposal (before tax and expenses) of approximately RMB11,557,000. It is estimated by the Group based on the difference between the amount of the net proceed RMB110,897,000, the Consideration of RMB112,017,000 less the associated estimated direct cost of the Disposal of approximately RMB1,120,000, and the unaudited net asset value of the Vessel RMB99,340,000 as at 30 April 2018 upon the Disposal.

**Shareholders should note that the above figures are for illustrative purpose only. The actual gain on the Disposal may be different from the above and the accounting treatment of the Disposal will be subject to further review by the Group's auditors upon finalisation of the consolidated financial statements of the Group for the year ending 31 December 2018.**

## **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements but exempt from Shareholders' approval requirement under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“BVI”	the British Virgin Islands
“China”	the People's Republic of China
“Company”	China Qinfa Group Limited, a company incorporated in Cayman Islands with limited liability and whose shares are listed on the main board of the Stock Exchange of Hong Kong Limited (stock code: 00866)
“Completion”	completion of the Disposal pursuant to the terms of the MOA
“Directors”	director(s) of the Company
“Disposal”	the disposal of the Vessel by the Vendor to the Purchaser under the MOA
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“MOA”	memorandum of agreement dated 4 June 2018 entered into between the Vendor and the Purchaser in respect of the Disposal after trading hours

“Purchaser”	Kassian Maritime Navigation Agency Limited, a company incorporated in Liberia with limited liability
“RMB”	Renminbi, the lawful currency of China
“Shareholders”	the holder(s) of the shares of the Company
“USD”	United States dollars, the lawful currency of United States of America
“Vendor”	Oriental Wise Group Limited, a company incorporated in the British Virgin Islands with limited liability whose principal business is shipping transportation

By Order of the Board of  
**China Qinfa Group Limited**  
Mr. XU Da  
*Chairman*

Hong Kong, 4 June 2018

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