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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)**

**INSIDE INFORMATION**  
**ARBITRATION**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

Guangfa Energy, a wholly-owned subsidiary of the Company, as purchaser and the Vendors entered into the Agreements dated 17 November 2010 and 26 October 2011 respectively to acquire 32% and 48% equity interest in the Huameiao Energy Group, which controls the Chongsheng Coal Mine, the Fengxi Coal Mine and the Xingtao Coal Mine. The Huameiao Energy Group has been actively producing coal and is generating significant operating cash flow for the Group since the Acquisition. According to the Agreements, the Vendors agreed and represented that the mineable coal reserves of the Chongsheng Coal Mine, the Fengxi Coal Mine and the Xingtao Coal Mine shall not be less than the Minimum Level.

During the production, the mining team of the Huameiao Energy Group has doubted that whether the Coal Reserves based on PRC Standard of the Chongsheng Coal Mine, the Fengxi Coal Mine and the Xingtao Coal Mine meet the Minimum Level. For clarification of doubts, the Huameiao Energy Group appointed a qualified Independent Third Party in the PRC to evaluate the Coal Reserves based on PRC Standard. The result was available in December 2020 recently and the management of the Group is convinced that the original Coal Reserves based on PRC Standard in 2011 may be significantly less than the Minimum Level agreed by the Vendors in the Agreements.

According to the Coal Reserves based on PRC Standard as at 30 September 2020, the mineable coal reserves were in total 38,950,000 tons. It is consisted of 9,480,000 tons, 9,250,000 tons and 20,220,000 tons for Chongsheng Coal Mine, Fengxi Coal Mine and Xingtao Coal Mine respectively. After adding back the raw coal production since 2011, the original Coal Reserves based on PRC Standard were 93,915,409 tons. Concerning the material variance between the original Coal Reserves based on PRC Standard of the Chongsheng Coal Mine, Fengxi Coal Mine and Xingtao Coal Mine and the Minimum Level, the Group has initiated to file an application of the Arbitration. The Proposed Compensation by the respondents consists of the refund on a part of Consideration RMB3,029,168,853, levies RMB300,000,000 and miscellaneous fee RMB2,750,000. The Company will make further announcement on the significant development of the abovementioned arbitration as and when appropriate.

The Board would like to advise that the disclosure of coal reserves under annual reports of the Group is in accordance with JORC Code. Since there is no direct comparison between the mineable coal reserves based on PRC Standard and proven reserves based on JORC Code, the Group will shortly engage qualified Independent Third Parties to produce Competent Person's Reports, Valuation Reports and amount of Coal Reserves based on JORC Code for the Chongsheng Coal Mine, Fengxi Coal Mine and Xingtao Coal Mine. The Company will make proper disclosure on the result of the Coal Reserves based on JORC Code as and when appropriate.

Currently all business operations of the Group remain normal. The Group produced more than 10 million tons of raw coal during the year 2019. Assuming stable production scale, the current level of mineable coal reserves is sufficient to support the production level of the Group for the next three to four years. Moreover, the Group is actively developing its Indonesia projects to sustain the long-term growth of the Group.

However, it is possible that the change of Coal Reserves based on JORC Code for the Chongsheng Coal Mine, Fengxi Coal Mine and Xingtao Coal Mine may have material impact on the financial position of the Group. The material impact on the impairment of coal mining rights and fixed assets of the Huameiao Energy Group will be assessed by the management and will be audited by the Group's auditors upon finalization of the consolidated financial statements of the Group as at 31 December 2020. **Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

## DEFINITIONS

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

“Acquisition”	the acquisition of a total of 80% (32% and 48% respectively) equity interest in Huameiao Energy by the Guangfa Energy pursuant to the Agreements;
“Agreements”	the agreements dated 17 November 2010 and 26 October 2011 entered into between the Guangfa Energy and the Vendors for the purpose of the Acquisition;
“Arbitration”	an arbitration where the Guangfa Energy is an applicant and the Vendors are the respondents;
“Board”	the board of Directors;
“Chongsheng Coal”	山西朔州平魯區華美奧崇升煤業有限公司 (Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Company Limited*), a limited liability company established on 21 March 1998 with a mining right under the laws of the PRC and a wholly-owned subsidiary of Huameiao Energy;
“Chongsheng Coal Mine”	the coal mine with the mining right held by Chongsheng Coal;
“Coal Reserves based on JORC Code”	level of coal reserves in accordance with JORC and is presented in the annual report of the Group;
“Coal Reserves based on PRC Standard”	level of coal reserves in accordance with coal industrial standard in PRC;
“Company”	China Qinfra Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange;
“Competent Person’s Report”	have the meaning as defined in Chapter 18 of the Listing Rules;

“Consideration”	the consideration payable by the Company to the Vendors for the Acquisition under the Agreements;
“Director(s)”	director(s) of the Company;
“Fengxi Coal”	山西朔州平區華美奧馮西煤業有限公司 (Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Company Limited*), a limited liability company established on 16 March 1998 under the laws of the PRC and a wholly-owned subsidiary of the Huameiao Energy;
“Fengxi Coal Mine”	the coal mine with the mining right held by Fengxi Coal;
“Group”	the Company and its subsidiaries;
“Guangfa Energy”	朔州市廣發能源投資有限公司 (Shuozhou Guangfa Energy Investment Company Limited*), a limited liability company established on 1 September 2010 under the laws of the PRC and a wholly-owned subsidiary of the Company;
“Huameiao Energy”	山西華美奧能源集團有限公司 (Shanxi Huameiao Energy Group Company Limited*), a limited liability company established on 12 January 2004 under the laws of the PRC and a partially-owned subsidiary of the Company. As at the date of this announcement, Huameiao Energy is owned as to 80% by Guangfa Energy, 10% by Mr. JIN, 5% by Ms. GUAN and 5% by Huiyong Jinyuan Energy;
“Huameiao Energy Group”	Huameiao Energy and its subsidiaries including Xingtao Coal, Fengxi Coal and Chongsheng Coal;
“Huiyong Jinyuan Energy”	山西匯永金源能源技術有限責任公司 (Shanxi Huiyong Jinyuan Energy Technology Company Limited*), a limited liability company established on 4 August 2008 under the laws of the PRC, a non-controlling shareholder of the Huameiao Energy and one of the Vendors of the Acquisition;

“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;
“JORC”	the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, as published by the Joint Ore Reserves Committee;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Minimum Level”	Minimum level of mineable coal reserves* (可採煤層儲量) of 290 million tons agreed by the Vendors on the Chongsheng Coal Mine, Fengxi Coal Mine and Xingtiao Coal Mine in the Agreements;
“Ms. GUAN”	關革俠 (GUAN Gexia), a non-controlling shareholder of the Huameiao Energy and one of the Vendors of the Acquisition;
“Mr. JIN”	靳衛國 (JIN Huiguo), a non-controlling shareholder of the Huameiao Energy and one of the Vendors of the Acquisition;
“Ms. SUO”	索娜 (SUO Na), one of the Vendors of the Acquisition;
“PRC”	The People’s Republic of China;
“Proposed Compensation”	proposed total compensation of RMB3,331,918,853 under the Arbitration;
“RMB”	Renminbi yuan, the lawful currency of China;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Valuation Reports”	have the meaning as defined in Chapter 18 of the Listing Rules;
“Vendors”	Huiyong Jinyuan Energy, Ms. GUAN, Mr. JIN and Ms. SUO;

“Xingtao Coal”	山西朔州平魯區華美奧興陶煤業有限公司 (Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Company Limited*), a limited liability company established on 22 February 2010 under the laws of the PRC and a wholly-owned subsidiary of the Huameiao Energy;
“Xingtao Coal Mine”	the coal mine with the mining right held by Xingtao Coal;
“%”	per cent.

\* *English translation for identification only*

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

Guangzhou, 28 December 2020

*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. LAU Sik Yuen, Prof. SHA Zhenquan and Mr. JING Dacheng as the independent non-executive Directors.*