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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)

MAJOR TRANSACTION
IN RELATION TO THE DISPOSAL OF A VESSEL

THE DISPOSAL

On 10 March 2021 (after trading hours), the Vendor (being an indirect wholly owned subsidiary of the Company) entered into the MOA with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire the Vessel at a total cash consideration of US\$14.9 million (equivalent to approximately RMB96,951,000). The Vessel is a bulk carrier built in 2011 with 45,263 gross tonnage. The principal terms and conditions of the MOA are set out in this announcement.

IMPLICATIONS UNDER THE LISTING RULES

As certain applicable percentage ratio set forth under Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As far as the Directors are aware after making all reasonable enquiries, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the MOA and the transactions contemplated thereunder. Mr. XU, Fortune Pearl, Mr. Xu Da and Ms. WANG, who beneficially owns 14,229,610 Shares, 1,085,000,000 Shares, 93,135,251 Shares and 100,000,000 Shares respectively, represents approximately 0.57%, 43.51%, 3.74% and 4.01% in the issued share capital of the Company respectively as at the date of MOA, and who have an aggregate interest of approximately 51.83% of the issued share capital of the Company, have indicated that they will provide written shareholders' approval for the Disposal. Fortune Pearl is wholly owned by Mr. XU. Mr. Xu Da is the son of Mr. XU. Ms. WANG is an executive Director of the Company and had worked with Mr. XU closely for more than twenty years. Subject to the Stock Exchange's approval, the Shareholders' written approval from Mr. XU, Fortune Pearl, Mr. Xu Da and Ms. WANG, who constitute a closely allied group of shareholders under Rule 14.45 of the Listing Rules, will be accepted under Rule 14.44 of the Listing Rules in lieu of holding a general meeting of the Company to approve the Disposal.

A circular containing further information in relation to the Disposal and other information as required by the Listing Rules is expected to be despatched to the Shareholders on or before 30 March 2021 for information purposes.

Completion of the Disposal is subject to the fulfillment of the conditions precedent as set out under the section headed "Conditions Precedent" in this announcement. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors are reminded to exercise caution in dealing in the securities of the Company.

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Principal terms of the MOA are as follows:

MEMORANDUM OF AGREEMENT

Date

10 March 2021 (after trading hours)

Parties

Vendor: Super Grace Enterprises Limited

Purchaser: Dia Yuan International Shipping Co., Limited or its guaranteed nominees

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).

Assets to be disposed of

Pursuant to the MOA, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Vessel named "SUPER GRACE" with the following particulars:

- (1) Flag and Place of Registration: Hong Kong, the PRC
- (2) IMO Number: 9576272
- (3) Classification Society: China Classification Society
- (4) Class Notation: CSA Bulk Carrier
- (5) Year of Build: 2011
- (6) Gross Tonnage/Net Tonnage: 45,263/26,562

Consideration

The Consideration for the Disposal is US\$14.9 million (equivalent to approximately RMB96,951,000), which shall be paid in cash by the Purchaser to the Vendor in the following manner:

- (i) a deposit in the sum of US\$1.49 million (equivalent to approximately RMB9,695,100), representing 10% of the Consideration, shall be payable by the Purchaser to the Deposit Holder Account within three (3) Banking Days after the signing of the MOA and setup of the Deposit Holder Account;
- (ii) the remaining balance of the Consideration in the sum of US\$13.41 million (equivalent to approximately RMB87,255,900), representing 90% of the Consideration, and all other sums shall be payable by the Purchaser to the Deposit Holder Account two (2) Banking Days prior to the Vessel's delivery date; and
- (iii) the full amount of the Consideration maintained at the Deposit Holder Account shall be released to the bank account of the Vendor in full and free of any bank charges on the Vessel's delivery date and not later than three (3) Banking Days after the date that notice of readiness for delivery has been given in accordance with the MOA.

The Consideration has been determined taking into account recent sale and purchase transactions of vessels of comparable size and year of build in the market, and after arm's length negotiations between the Purchaser and the Vendor, with reference to and/or after taking into consideration the following factors:

- (i) the net asset value of the Vessel attributable to the Vendor of approximately US\$16.61 million as per management accounts of the Vendor as at 28 February 2021; and
- (ii) the factors set out in paragraph headed "Reasons for and Benefits of the Disposal and Use of Proceeds".

Condition Precedent

The Disposal shall be subject to Shareholders' approval in a general meeting of the Company, or if accepted by the Stock Exchange, by written shareholders' approval from Mr. XU, Fortune Pearl, Mr. Xu Da and Ms. WANG, which together hold approximately 51.83% of the issued share capital of the Company, approving the Disposal.

Completion and delivery

Pursuant to the MOA, the Vessel shall be delivered and taken over safely afloat at a safe and accessible berth or anchorage in the PRC in the Vendor's option on or before 20 June 2021 following the condition above being satisfied in full, or such other date as the Purchaser and the Vendor may agree in writing. In the event that the Purchaser and the Vendor are unable to agree on an extension of the delivery date, the Purchaser shall have the option to cancel the MOA pursuant to its terms and conditions.

Prior to the intended delivery date, the Vendor shall keep the Purchasers well informed of the Vessel's itinerary and shall provide the Purchaser thirty (30), twenty (20), fifteen (15), ten (10), five (5) and three (3) days' notice of the date the Vendor intend to tender notice of readiness for delivery and of the intended place of delivery. The Purchaser shall take over the Vessel within three (3) Banking Days after the notice of readiness for delivery has been given.

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 British Virgin Islands with limited liability, which is principally engaged in shipping transportation and holding and operation of the Vessel. The Vessel is the principal asset of the Vendor, which is an indirect wholly owned subsidiary of the Company.

Set out below is the financial information of the Vendor for the financial years ended 31 December 2019 (audited) and 31 December 2020 (unaudited):

	For the years ended	
	31 December	31 December
	2020	2019
	US\$	US\$
	(unaudited)	(audited)
Total Assets	21,392,243	19,434,032
Total Liabilities	726,088	220,829
Net Asset Value	20,666,155	19,213,203
Net Current Assets	3,977,105	1,798,142
Turnover	4,210,973	4,111,190
Profit before taxation	1,735,736	1,433,042
Net profit after taxation	1,729,250	1,433,042

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands with limited liability, which is principally engaged in shipping transportation.

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

REASONS FOR AND BENEFITS OF THE DISPOSAL

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.

As the second-hand bulk carrier market is gradually improving, the Directors consider that the Disposal represent an opportunity to dispose of the Vessel at a reasonable price which will enable the Group to improve its liquidity position and lower the gearing ratio thus enhancing the Group's overall financial position. The price is considered reasonable with reference to the recent reported market sales of second hand bulk carriers with similar class and size in the international market.

The Disposal also enables the Group to reallocate the financial resources for and direct its focus on the coal business of the Group which the Directors consider has growth potential and its long-term prospects is expected to be promising.

In view of the above, the Directors are of the view that the terms of the Disposal are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The Group intends to use the net sale proceeds from the Disposal to repay certain bank borrowings of the Group.

FINANCIAL EFFECTS OF THE DISPOSAL

Based on the unaudited net assets value of the Vessel as at 31 December 2020, it is estimated that the Group will record an impairment loss of approximately US\$1.87 million (before tax and expenses) for the year ended 31 December 2020. The above estimation is based on the difference between the net proceeds expected to be obtained from the Disposal in the amount of US\$14.74 million (being the Consideration less the estimated direct cost arising from the Disposal in the sum of approximately US\$0.16 million) and the unaudited net asset value of the Vessel in the amount of US\$16.61 million as at 28 February 2021. After the impairment loss, the amount of the loss on the Disposal is estimated to be minimal for the year ending 31 December 2021.

Shareholders should note that the actual amount of the loss on the Disposal to be recognised in the consolidated financial statements of the Company for the year ending 31 December 2021 will be subject to the net asset value of the Vessel as at the Completion and therefore may be different from the amount estimated above.

Shareholders should note that the above figures are for illustrative purpose only. The actual impairment loss and loss 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 ended 31 December 2020 and for the year ending 31 December 2021.

LISTING RULES IMPLICATIONS OF THE DISPOSAL

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DEFINITIONS

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

“Banking Day(s)”	a day or days on which banks are open in USA, PRC, Hong Kong and Macau
“Board”	the board of Directors
“Company”	China Qinfu Group Limited, a company incorporated in the Cayman Islands with limited liabilities, the Shares of which are listed on main board of the Stock Exchange (Stock Code: 866)
“Completion”	completion of the Disposal pursuant to the terms and conditions under the MOA on or before 20 June 2021 (or as the Vendor and the Purchaser may otherwise agree in writing)
“Consideration”	the aggregate consideration in the sum of US\$14.9 million for the Disposal
“Deposit Holder Account”	the bank account of an international reputable law firm in Hong Kong to be nominated by the Vendor which shall hold the funds in trust on behalf of the parties in accordance with the MOA
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Vessel by the Vendor to the Purchaser pursuant to the terms and conditions under the MOA

“Fortune Pearl”	Fortune Pearl International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. XU
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	any person(s) or other company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors knowledge, information and belief, are third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“MOA”	memorandum of agreement dated 10 March 2021 entered into between the Vendor and the Purchaser in respect of the Disposal.
“Mr. XU”	Mr. XU Jihua, a substantial Shareholder and a controlling Shareholder (as defined under the Listing Rules)
“Mr. Xu Da”	Chairman and an executive director of the Board and the son of Mr. XU
“Ms. WANG”	Ms. Wang Jianfei, an executive director of the Company
“PRC”	the People’s Republic of China
“Purchaser”	Dia Yuan International Shipping Co., Limited, a company incorporated in the British Virgin Islands with limited liability or its guaranteed nominees
“RMB”	Renminbi, the lawful currency of the PRC
“Vendor”	Super Grace Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability whose principal business is shipping transportation

“Share(s)”	ordinary share of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USA”	The United States of America
“US\$”	the United States Dollars, the lawful currency of the USA
“Vessel”	the bulk carrier named “SUPER GRACE”, being the subject of the Disposal, which is 100% owned by the Vendor
“%”	per cent

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

Guangzhou, 10 March 2021

As at the date of this announcement, the Board comprises Mr. XU Da, Mr. BAI Tao and Ms. WANG Jianfei as the executive Directors, and Mr. LAU Sik Yuen, Prof. SHA Zhenquan and Mr. JING Dacheng as the independent non-executive Directors.