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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 TRANSACTIONS**  
**IN RELATION TO THE PROPOSED ACQUISITION OF 70%**  
**SHAREHOLDING INTEREST IN NEW MINING COMPANIES**

The Board is pleased to announce that on 12 May 2021 (after trading hours), Qinfa Overseas, a wholly-owned subsidiary of the Company, entered into five Heads of Agreements in relation to the acquisition of 70% shareholding interest in five New Mining Companies, which will be established by the Sellers pursuant to the terms of the Heads of Agreements. Each New Mining Companies will be transferred one Mining Business License in Kotabaru Regency, South Kalimantan, Indonesia from the Sellers. The aggregate consideration of the Proposed Acquisitions is IDR 1,925 million.

**LISTING RULES IMPLICATIONS**

One of the applicable percentage ratios for the Proposed Acquisitions, when aggregated with the Previous Transactions which were conducted within 12 months of the Proposed Acquisitions, exceeds 5% but are less than 25% and all the other applicable percentage ratios are less than 5%. As such, the Proposed Acquisitions, when aggregated with the Previous Transactions, constitute discloseable transaction of the Company under Chapter 14 of the Listing Rules, and are therefore subject to the reporting and announcement requirements of the Listing Rules, but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

**The Board wishes to emphasize that the Proposed Acquisitions contemplated under the Heads of Agreements are subject to the fulfillment of the conditions under the Heads of Agreements. Shareholders of the Company and investors are advised to exercise caution when dealing in the shares of the Company.**

## **BACKGROUND**

Reference are made to the announcements of the Company dated 3 January 2020 and 7 August 2020. PT Qinfia Mining, a wholly-owned subsidiary of the Company, entered into the conditional sale and purchase agreement in relation to acquisition of 70% shareholding of SDE, which is the holder of mining business license in respect of coal mine located in Sungai Durian, Kotabaru, South Kalimantan, Indonesia with area of approximately 184.92 square kilometers. The completion under the SDE conditional sale and purchase agreement is still under process. SDE will be owned by PT Qinfia Mining, WM and PT Linta Timur Investama as to 70%, 25% and 5% after completion, respectively. According to the SDE conditional sale and purchase agreement, WM is entitled to 15% of total saleable coal production instead of dividend payment from SDE. Kokos Jiang is shareholder of WM with 99% shareholding interest.

There are five more Coal Mines located beside SDE coal mine area, which are held indirectly by Kokos Jiang and his relative. In order to secure the possible coal reserves nearby and increase the feasibility of SDE development and the mines in the Kotabaru Regency, the Company negotiated with Kokos Jiang for opportunities to co-develop and further acquisition of all five Mining Business Licenses for the Coal Mines. On 12 May 2021 (after trading hours), the Board is pleased to announce, Qinfia Overseas, a wholly-owned subsidiary of the Company, entered into further five Heads of Agreements with details below.

## **HEADS OF AGREEMENT C**

Date: 12 May 2021

Buyers: Qinfia Overseas

Sellers: IME

As at the date of this announcement, IME is owned by Kokos Jiang and Amirah Rukmamaya Hadyanisa Harrydanni as to approximately 99.8181% and 0.1818%, respectively. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Kokos Jiang and Amirah Rukmamaya Hadyanisa Harrydanni are third parties that are independent of the Company and connected persons of the Company. IME is a company duly registered and established under the laws of the Republic of Indonesia, which is represented by Amirah Rukmamaya Hadyanisa Harrydanni in her capacity as the sole director. The business activities of IME are mining of various materials such as coal, iron ore, uranium, copper, nickel, gold and silver etc.

## **Subject matter**

The parties intend to cooperate in conducting coal mining business through New Mining Company C. IME is the holder of the Mining Business License C for a coal mine located in Kelumpang Hulu and Hampang District, Kotabaru Regency, South Kalimantan, Indonesia with area of approximately 33.05 square kilometers. Under the Heads of Agreement C, it is contemplated that IME shall transfer the Mining Business License C to New Mining Company C, a company to be established and owned by IME as to 95% and an individual third party as to 5% at establishment.

At completion, IME shall transfer its 70% shareholding interest in New Mining Company C to Qinfa Overseas or its nominee at par, after which New Mining Company C will be owned by Qinfa Overseas or its nominee, IME and the individual third party (independent of the Group and the connected persons of the Company) as to 70%, 25% and 5%, respectively.

## **HEADS OF AGREEMENT D**

Date: 12 May 2021

Buyers: Qinfa Overseas

Sellers: PBJs

As at the date of this announcement, PBJs is owned by Kokos Jiang and Lindawaty as to approximately 99.9999% and 0.0001%, respectively. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Kokos Jiang and Lindawaty are third parties that are independent of the Company and connected persons of the Company. PBJs is a company duly registered and established under the laws of the Republic of Indonesia, which is represented by Kokos Jiang in his capacity as the sole director. The business activities of PBJs are mining of various materials such as coal, iron ore, uranium, copper, nickel, gold and silver etc.

## **Subject matter**

The parties intend to cooperate in conducting coal mining business through New Mining Company D. PBJs is the holder of the Mining Business License D for a coal mine located in Kelumpang Hulu District, Kotabaru Regency, South Kalimantan, Indonesia with area of approximately 170.94 square kilometers. Under the Heads of Agreement D, it is contemplated that PBJs shall transfer the Mining Business License D to New Mining Company D, a company to be established and owned by PBJs as to 95% and an individual third party as to 5% at establishment.

At completion, PBJS shall transfer its 70% shareholding interest in New Mining Company D to Qinfra Overseas or its nominee at par, after which New Mining Company D will be owned by Qinfra Overseas or its nominee, IME and the individual third party (independent of the Group and the connected persons of the Company) as to 70%, 25% and 5%, respectively.

## **HEADS OF AGREEMENT E**

Date: 12 May 2021

Buyers: Qinfra Overseas

Sellers: PLKK

As at the date of this announcement, PLKK is owned by Very Wintara and Tju Lie as to approximately 97.32% and 2.68%, respectively. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Very Wintara, who is a relative of Kokos Jiang, and Tju Lie are third parties that are independent of the Company and connected persons of the Company. PLKK is a company duly registered and established under the laws of the Republic of Indonesia, which is represented by Very Wintara in his capacity as the sole director. The business activities of PLKK are hazardous and toxic materials and waste management.

### **Subject matter**

The parties intend to cooperate in conducting coal mining business through New Mining Company E. PLKK is the holder of the Mining Business License E for a coal mine located in Kelumpang Hulu District, Kotabaru Regency, South Kalimantan, Indonesia with area of approximately 90.41 square kilometers. Under the Heads of Agreement E, it is contemplated that PLKK shall transfer the Mining Business License E to New Mining Company E, a company to be established and owned by PLKK as to 95% and an individual third party as to 5% at establishment.

At completion, PLKK shall transfer its 70% shareholding interest in New Mining Company E to Qinfra Overseas or its nominee at par, after which New Mining Company E will be owned by Qinfra Overseas or its nominee, IME and the individual third party (independent of the Group and the connected persons of the Company) as to 70%, 25% and 5%, respectively.

## **HEADS OF AGREEMENT F**

Date: 12 May 2021

Buyers: Qinfa Overseas

Sellers: TME

As at the date of this announcement, TME is owned by Kokos Jiang and Angela Ningsih as to approximately 99.9998% and 0.0002%, respectively. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Kokos Jiang and Angela Ningsih are third parties that are independent of the Company and connected persons of the Company. TME is a company duly registered and established under the laws of the Republic of Indonesia, which is represented by Kokos Jiang and Iman Dermawan in their capacity as the directors. The business activities of TME are mining of various materials such as coal, iron ore, uranium, copper, nickel, gold and silver etc.

### **Subject matter**

The parties intend to cooperate in conducting coal mining business through New Mining Company F. TME is the holder of the Mining Business License F for a coal mine located in Kelumpang Tengah and Hulu District, Kotabaru Regency, South Kalimantan, Indonesia with area of approximately 169 square kilometers. Under the Heads of Agreement F, it is contemplated that TME shall transfer the Mining Business License F to New Mining Company F, a company to be established and owned by TME as to 95% and an individual third party as to 5% at establishment.

At completion, TME shall transfer its 70% shareholding interest in New Mining Company F to Qinfa Overseas or its nominee at par, after which New Mining Company F will be owned by Qinfa Overseas or its nominee, TME and the individual third party (independent of the Group and the connected persons of the Company) as to 70%, 25% and 5%, respectively.

## **HEADS OF AGREEMENT G**

Date: 12 May 2021

Buyers: Qinfa Overseas

Sellers: VPE

As at the date of this announcement, VPE is owned by Kokos Jiang and Meina as to approximately 99.9998% and 0.0002%, respectively. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Kokos Jiang and Meina are third parties that are independent of the Company and connected persons of the Company. VPE is a company duly registered and established under the laws of the Republic of Indonesia, which is represented by Kokos Jiang in his capacity as the sole director. The business activities of VPE are mining of various materials such as coal, iron ore, uranium, copper, nickel, gold and silver etc.

### **Subject matter**

The parties intend to cooperate in conducting coal mining business through New Mining Company G. VPE is the holder of the Mining Business License G for a coal mine located in Kelumpang Tengah and Hulu District, Kotabaru Regency, South Kalimantan, Indonesia with area of approximately 91.38 square kilometers. Under the Heads of Agreement G, it is contemplated that VPE shall transfer the Mining Business License G to New Mining Company G, a company to be established and owned by VPE as to 95% and an individual third party as to 5% at establishment.

At completion, VPE shall transfer its 70% shareholding interest in New Mining Company G to Qinfa Overseas or its nominee at par, after which New Mining Company G will be owned by Qinfa Overseas or its nominee, IME and the individual third party (independent of the Group and the connected persons of the Company) as to 70%, 25% and 5%, respectively.

### **COOPERATION UNDER THE HEAD OF AGREEMENTS**

After completion of Heads of Agreements, Qinfa Overseas or its nominee shall be responsible for contributing funding and providing manpower, tools, equipment and technologies to undertake the mining of New Mining Companies. The Sellers of each of the Heads of Agreements shall reserve the rights and benefit of 15% of the saleable coal production from the respective Coal Mines instead of dividend from New Mining Companies. Such entitlement is subject to deduction of all taxes, duties, levies, including but not limited to income tax, value added tax and royalty borne by New Mining Companies in connection with the 15% of total saleable coal from the respective Coal Mines.

The Sellers will not receive any benefits from the profits generated by New Mining Companies until the mining activity reaches production, which shall be implemented as follows:

- (a) Each shareholders of the New Mining Companies will receive the dividend in accordance with the proportion of the ownership of the respective shares. In the event that the portion of dividend to be obtained by the Sellers of the New Mining Companies is larger than the the Sellers' portion of 15% from the total saleable coal, the Sellers agrees that it shall not receive such additional divided portion. In the event that the portion of dividend to be obtained by the Sellers is less than the the Sellers' portion of 15% from the total saleable coal, Qinfa Overseas will not deem it as Qinfa Overseas's receivables to the Sellers.
- (b) The Sellers are entitled to 15% of total saleable coal after the Coal Mines can produce saleable coal through a sale and purchase scheme, which will be delivered at the mine mouth, to be sold by the Sellers independently and subject to (i) proceed of such sale shall be used for refund the Total Deposit Fund and (ii) deduction of all relevant expenses incurred by the Sellers. Qinfa Overseas shall allow the Sellers to use New Mining Companies' hauling road facility while the Sellers shall bear the responsibility to pick up and transport the coal from the mine mouth at its own costs.

Qinfa Overseas has the right to appoint 4 directors and the Sellers have the right to appoint 1 director for each of the New Mining Companies. Qinfa Overseas has the right to appoint 2 commissioners and the Sellers have the right to appoint 1 commissioner for each of the New Mining Companies.

## **PROJECT INVESTMENT**

After Qinfa Overseas has become the shareholder of New Mining Companies, and the coal potential in the coal mine under the Mining Business Licenses meets the requirements such as annual plan to carry out the Mining Works, Qinfa Overseas through New Mining Companies will provide its best effort to reach the designed 3 million metric ton raw coal capacity.

Qinfa Overseas and New Mining Companies may seek financing from third parties, and the Sellers will provide full support to Qinfa Overseas, in their capacity as minority shareholders of New Mining Companies, to grant applicable approval and sign relevant documents needed for such financing.

If Qinfa Overseas deems necessary, Qinfa Overseas through New Mining Companies will invest in a barge terminal and the hauling road from the mining area of Mining Business Licenses to the barge terminal to support the coal production's inland transportation.



## **MINING BUSINESS LICENSES**

IME has obtained Mining Business License C based on Decree of Kotabaru Regent No. 545/15/IUPOP/D.PE/2014, which was obtained on 14 May 2014 and valid for 10 years until 14 May 2024.

PBJS has obtained Mining Business License D on Decree of Kotabaru Regent Number 545/10/IUPOP/D.PE/2014, which was obtained on 14 May 2014 and valid for 10 years until 14 May 2024.

PLKK has obtained Mining Business License E based on Decree of Kotabaru Regent No. 545/14/IUPOP/D.PE/2014, which was obtained on 14 May 2014 and valid for 10 years until 14 May 2024.

TME has obtained Mining Business License F based on Decree of Kotabaru Regent No. 545/09/IUPOP/D.PE/2014, which was obtained on 14 May 2014 and valid for 10 years until 14 May 2024.

VPE has obtained Mining Business License G based on Decree of Kotabaru Regent Number 545/12/IUPOP/D.PE/2014, which was obtained on 14 May 2014 and valid for 10 years until 14 May 2024.

According to legal opinion from Indonesian lawyer, the extension of mining business licenses could be applied for up to 20 years under Indonesian laws and regulation.

The Sellers and Qinfa Overseas agree to use their best endeavors to obtain any permits and/or government recommendations required by New Mining Companies to carry out the Mining Works.

Kokos Jiang and the Sellers shall provide full support to New Mining Companies for obtaining approval of the transfer of Mining Business Licenses and New Mining Companies' shareholding transfer in accordance with laws and regulations. They shall be responsible for undertaking the necessary actions/steps and bear the cost for the purpose of extension/renewal of Mining Business Licenses in a timely manner, in accordance with laws and regulations.

Qinfa Overseas shall be responsible for the technical supports required to the permits and/or government recommendations matters.



## CONSIDERATION

Acquisition target	Shareholding percentage	Consideration in IDR	Consideration in HK\$
New Mining Company C	70%	385,000,000	211,637
New Mining Company D	70%	385,000,000	211,637
New Mining Company E	70%	385,000,000	211,637
New Mining Company F	70%	385,000,000	211,637
New Mining Company G	70%	385,000,000	211,637

The consideration for the Proposed Acquisition was determined on normal commercial terms between Qinfra Overseas and each of the Sellers after arm's length negotiations. The consideration was determined primarily with reference to the share capital of the New Mining Companies to be set up. During 2020, the Group has been conducting extensive drilling and exploration on the mining area of SDE. The result of exploration is so far satisfactory. SDE's area is approximately 184.92 square kilometers, and the consideration of SDE is IDR 385,000,000 and deposit fund USD5 million. Considering the Coal Mines' area is 554.78 square kilometers in total and its consideration is IDR 1,925,000,000 and deposit fund of US\$5 million in total. It is considered that the consideration and Total Deposit Fund to be paid are considered fair and reasonable and in the interests of the Company and its shareholders as a whole.

## DEPOSIT

Pursuant to the Heads of Agreements, Qinfra Overseas agrees to deposit US\$1 million for each Heads of Agreement to the Sellers that are US\$5 million in total (the "**Total Deposit Fund**"), which Qinfra Overseas will be refunded either from 15% saleable coal entitlement of WM from SDE or 15% saleable coal entitlement of each of the Sellers from relevant New Mining Companies. Total Deposit Fund shall be separately provided subject to the following conditions of the Heads of Agreements:

- (i) the Mining Business License has been registered in MODI System;
- (ii) the Sellers Shares Pledge Agreements (not applicable for TME and PLKK) and New Company Shares Pledge Agreements have been entered into;
- (iii) TME has provided the report of drilling;

- (iv) Each of Kokos Jiang, the Sellers has provided the Statement Letter of Undertaking Obligation and Total Deposit Fund to Qinfa Overseas;
- (v) Kokos Jiang has pledged 99% shareholding of WM to Qinfa Overseas; and
- (vi) WM has pledged 25% of SDE Shares to Qinfa Overseas under SDE Shares Pledge Agreement.

In the event that the Sellers fails to fulfil any of its obligation on the conditions under the Heads of Agreements as set out below (including failure to transfer the Mining Business Licenses to New Mining Companies within six months from the date of the Heads of Agreements or failure in transfer 70% shareholding of New Mining Companies to Qinfa Overseas within 6-9 months of the date of the Conditional Sale and Purchase Agreements (or within any extended period as may be agreed by Qinfa Overseas in writing)), the Sellers must return the Total Deposit Fund to Qinfa Overseas within 14 days from the date of notification from Qinfa Overseas.

In the event the Sellers are unable or fails to refund the Total Deposit Fund, the same shall be treated as a debt (the “**Loan**”) and Qinfa Overseas shall be entitled to immediately demand the repayment from Kokos Jiang and the Sellers or exercise the execution of the pledged shares under the Sellers Shares Pledge Agreement, the New Company Shares Pledge Agreements and WM Shares Pledge Agreement. Every legal entitlement and ownership of the pledged shares, to the extent transfer of ownership to Qinfa Overseas is allowed by laws and regulations, shall be transferred to and owned by Qinfa Overseas. Notwithstanding the above, the Sellers and Qinfa Overseas may agree on any other manner to recover the Loan from the Sellers. After the Loan has been fully settled, the parties agree that the Heads of Agreements are deemed automatically terminated.

## **CONDITIONS UNDER THE HEADS OF AGREEMENT**

Pursuant to the Heads of Agreements, the parties will enter into the Proposed Acquisitions contemplated under the Heads of Agreements and execute any other required documents if the following conditions are fulfilled:

- (a) shareholders of the Sellers remained as the legal owner of the Sellers and will carry out the Heads of Agreements;
- (b) Qinfa Overseas has provided its written approval for the draft of deed of establishment of New Mining Companies;
- (c) the Sellers and an individual third party have established New Mining Companies;

- (d) the SDE Shares Pledge Agreement has been executed between WM and Qinfra Overseas after the completion of SDE conditional sale and purchase agreement;
- (e) the WM Shares Pledge Agreement has been executed between Kokos Jiang and Qinfra Overseas;
- (f) the Sellers Shares Pledge Agreement has been executed between shareholders of the Sellers and Qinfra Overseas (not applicable for TME and PLKK);
- (g) the New Mining Companies Shares Pledge Agreements has been executed between the Sellers and Qinfra Overseas;
- (h) Statement Letter of Undertaking Obligation by Kokos Jiang and the Sellers has been executed, which stating that the Sellers' obligations and liabilities, including refund of the Total Deposit Fund, will be borne by Kokos Jiang and the Sellers;
- (i) the Sellers has registered its Mining Business Licenses to MODI System;
- (j) TME has provided to Qinfra Overseas: (i) the report of drilling activity performed in the site; and (ii) a statement letter from the Sellers who conducted the said drilling that the drilling report is true and accurate, in the form agreed by Qinfra Overseas;
- (k) the Sellers and New Mining Companies has complied with any formal requirements to be made under the prevailing laws and regulations for the purpose of transfer of the Mining Business Licenses to New Mining Companies and for the purpose of New Mining Companies shareholding transfer from the Sellers to Qinfra Overseas;
- (l) the Sellers and New Mining Companies has received necessary approval and recommendation from the relevant government authority of the Republic of Indonesia to transfer the Mining Business Licenses ownership to New Mining Companies and New Mining Companies' shareholding transfer from the Sellers to Qinfra Overseas pursuant to the prevailing laws and regulations, whereas the Mining Business Licenses has been legally registered under the name of New Mining Companies;
- (m) as long as Qinfra Overseas satisfies with the due diligence result, the transfer of Mining Business Licenses from the Sellers to the New Mining Companies and the execution of the Conditional Sale and Purchase Agreements must be completed and to be signed no later than 6 months after date of Heads of Agreements;

- (n) New Mining Companies' shareholding transfer from the Sellers to Qinfa Overseas must be completed within 6-9 months after the signing of the Conditional Sale and Purchase Agreements. The status of New Mining Companies will be changed to a foreign investment company; and
- (o) fulfillment of statutory and regulatory compliance required for Qinfa Overseas and its affiliation, including but not limited to the Stock Exchange, in the event that such requirement is mandatory under the Listing Rules and subject to the approval from the Shareholders of the Company, if applicable.

## **SUBSEQUENT OBLIGATIONS OF THE SELLERS**

The Sellers and Kokos Jiang, on Kokos Jiang's expenses, will be responsible for obtaining the extension of Mining Business Licenses in a timely manner.

The Sellers will facilitated land acquisition from any landowners located in specific area within the mining area for the purpose of carrying out the drilling performed by Qinfa Overseas as required for due diligence purpose. All of the costs and expenses for such land acquisition shall be fully borne by Qinfa Overseas.

## **CONDITIONAL SALE AND PURCHASE AGREEMENTS**

As long as Qinfa Overseas satisfies with due diligence result, the transfer of the Mining Business Licenses from the Sellers to New Mining Companies and execution of the conditional sale and purchase agreement must be completed and to be signed no later than 6 months of the date of the Heads of Agreements, where its provisions must be made in accordance with the terms of the Heads of Agreements.

The Sellers and the shareholders of the Sellers agree that Qinfa Overseas, on its sole discretion, is entitled to appoint its affiliation under the Group to receive the transferred shares, to enter the Conditional Sale and Purchase Agreements, to receive the pledged shares and/or to invest in New Mining Companies. The said Qinfa Overseas's affiliation would have the same rights as Qinfa Overseas under the Heads of Agreements.

## **EXCLUSIVITY**

As of the date of the Heads of Agreements and until (i) the termination of the relevant Heads of Agreements or (ii) the date on which Qinfa Overseas has been formally registered as a shareholder in the relevant New Mining Companies, whichever earlier (the "**Exclusive Period**"), the Sellers (as the case may be) must act in a good faith to implement the relevant Heads of Agreements and provide full access to Qinfa Overseas and any appointed parties by it to visit the site, conduct drilling in the mining area of the site, collect any documents, gather information and data required by Qinfa Overseas for the purpose of the implementation of the relevant Heads of Agreements and the transactions contemplated thereunder.

During the Exclusive Period, save for the transactions contemplated under the Heads of Agreements, unless approved in writing by Qinfa Overseas, the other parties to the Heads of Agreements are prohibited to sell, agree or to negotiate with any parties to sell the shares, assets, ownership, or business of the Sellers, including to sell or enter into sale and purchase of coal agreement which related to the Mining Business Licenses. In any case of breach to this clause during the Exclusive Period, Qinfa Overseas will take over and dispose 25% shares of SDE owned by WM as compensation.

## **FINANCIAL INFORMATION OF THE NEW MINING COMPANIES**

There are no financial information on the New Mining Companies yet since the New Mining Companies are not yet set up.

## **INFORMATION ON THE GROUP, IME, PBJS, PLKK, TME AND VPE**

The Group is principally engaged in coal mining, purchase and sales, filtering, storage, blending of coal and shipping transportation. Qinfa Overseas is a limited liability company established in Hong Kong and an indirect wholly-owned subsidiary of the Company. The scope of business of Qinfa Overseas is investment holding.

IME is a company duly registered and established in Indonesia with limited liability, which is principally engaged in material mining. IME is the holder of the Mining Business License C in respect of the Coal Mine C located in Kelumpang Hulu and Hampang District, Kotabaru Regency, South Kalimantan Province, Indonesia with area of approximately 33.05 square kilometers.

PBJS is a company duly registered and established in Indonesia with limited liability, which is principally engaged in material mining. PBJS is the holder of the Mining Business License C in respect of the Coal Mine D located in Kelumpang Hulu District, Kotabaru Regency, South Kalimantan Province, Indonesia with area of approximately 170.94 square kilometers.

PLKK is a company duly registered and established in Indonesia with limited liability, which is principally engaged in material mining. PLKK is the holder of the Mining Business License E in respect of a coal mine the Coal Mine E located in Kelumpang Hulu District, Kotabaru Regency, South Kalimantan Province, Indonesia with area of approximately 90.41 square kilometers.

TME is a company duly registered and established in Indonesia with limited liability, which is principally engaged in material mining. TME is the holder of the Mining Business License F in respect of a coal mine the Coal Mine F located in Kelumpang Tengah and Hulu, Kotabaru Regency, South Kalimantan Province, Indonesia with area of approximately 169 square kilometers.

VPE is a company duly registered and established in Indonesia with limited liability, which is principally engaged in material mining. VPE is the holder of the Mining Business License G in respect of a coal mine the Coal Mine G located in Kelumpang Tengah and Kelumpang Hulu, Kotabaru Regency, South Kalimantan Province, Indonesia with area of approximately 91.38 square kilometers.

## **REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTIONS UNDER THE HEADS OF AGREEMENTS**

The Proposed Acquisition of shareholding interest and investment in the New Mining Companies will give Qinfra Overseas the opportunity to obtain Mining Business Licenses with relatively low cost due to remote location and undeveloped status of the relevant Coal Mines. Through preliminary exploration of SDE coal mining area, the result is so far satisfactory and positive. After conducting further due diligence work on exploration, the Coal Mines subject to the Mining Business Licenses may have the potential to be developed into an advanced underground coal mine with large scale production output. The Company has been actively expanding into Indonesia since 2020. The Proposed Acquisitions under the Heads of Agreements will enable the Company to export mature exploration technology, and to expand the overseas market. The funding of the consideration, the Total Deposit Fund and the project development is mainly from internal resource. Should the Proposed Acquisitions proved to be successful, the mining expertise of the Company and the natural resources of Indonesia shall create a synergy that sustains future growth of the Group.

The Directors are of the view that the proposed transactions under the Heads of Agreements are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

One of the applicable percentage ratios for the Proposed Acquisitions, when aggregated with the Previous Transactions which were conducted within 12 months of the Proposed Acquisitions, exceeds 5% but are less than 25% and all the other applicable percentage ratios are less than 5%. As such, the Proposed Acquisitions, when aggregated with the Previous Transactions, constitute discloseable transaction of the Company under Chapter 14 of the Listing Rules, and are therefore subject to the reporting and announcement requirements of the Listing Rules, but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

**The Board wishes to emphasize that the Proposed Acquisitions contemplated under the Heads of Agreements are subject to the fulfillment of the conditions under the Heads of Agreements.**

**Shareholders of the Company and investors are advised to exercise caution when dealing in the shares of the Company.**

## DEFINITIONS

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

“Board”	the board of Directors of the Company
“Coal Mine C”	IME is the holder of the Mining Business License C in respect of the coal mine
“Coal Mine D”	PBJS is the holder of the Mining Business License D in respect of the coal mine
“Coal Mine E”	PLKK is the holder of the Mining Business License E in respect of the coal mine
“Coal Mine F”	TME is the holder of the Mining Business License F in respect of the coal mine
“Coal Mine G”	VPE is the holder of the Mining Business License G in respect of the coal mine
“Coal Mines”	Coal Mine C, Coal Mine D, Coal Mine E, Coal Mine F and Coal Mine G
“Company”	China Qinfa Group Limited (中國秦發集團有限公司) (Stock code: 866), a company incorporated in the Cayman Islands with limited liability with all the Shares listed on the Stock Exchange
“Conditional Sale and Purchase Agreement C”	the conditional sale and purchase agreement in respect of the sale and purchase of 70% shareholding interest in New Mining Company C to be entered into between Qinfa Overseas and IME subject to the fulfillment of the conditions set out in the Heads of Agreement C
“Conditional Sale and Purchase Agreement D”	the conditional sale and purchase agreement in respect of the sale and purchase of 70% shareholding interest in New Mining Company D to be entered into between Qinfa Overseas and PBJS subject to the fulfillment of the conditions set out in the Heads of Agreement D



“Conditional Sale and Purchase Agreement E”	the conditional sale and purchase agreement in respect of the sale and purchase of 70% shareholding interest in New Mining Company E to be entered into between Qinfa Overseas and PLKK subject to the fulfillment of the conditions set out in the Heads of Agreement E
“Conditional Sale and Purchase Agreement F”	the conditional sale and purchase agreement in respect of the sale and purchase of 70% shareholding interest in New Mining Company F to be entered into between Qinfa Overseas and TME subject to the fulfillment of the conditions set out in the Heads of Agreement F
“Conditional Sale and Purchase Agreement G”	the conditional sale and purchase agreement in respect of the sale and purchase of 70% shareholding interest in New Mining Company G to be entered into between Qinfa Overseas and VPE subject to the fulfillment of the conditions set out in the Heads of Agreement G
“Conditional Sale and Purchase Agreements”	the Conditional Sale and Purchase Agreement C, the Conditional Sale and Purchase Agreement D, the Conditional Sale and Purchase Agreement E, the Conditional Sale and Purchase Agreement F and the Conditional Sale and Purchase Agreement G
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the directors of the Company
“Group”	the Company and its subsidiaries
“Heads of Agreement C”	the heads of agreement dated 12 May 2021 entered into amongst Qinfa Overseas, IME, Kokos Jiang, Amirah Rukmamaya Hadyanisa Harrydanni and WM in relation to the proposed acquisition of shareholding interest and proposed investment in New Mining Company C
“Heads of Agreement D”	the heads of agreement dated 12 May 2021 entered into amongst Qinfa Overseas, PBJs, Kokos Jiang, Lindawaty and WM in relation to the proposed acquisition of shareholding interest and proposed investment in New Mining Company D

“Heads of Agreement E”	the heads of agreement dated 12 May 2021 entered into amongst Qinfa Overseas, PLKK, Very Wintara, Tju Lie and WM in relation to the proposed acquisition of shareholding interest and proposed investment in New Mining Company E
“Heads of Agreement F”	the heads of agreement dated 12 May 2021 entered into amongst Qinfa Overseas, TME, Kokos Jiang, Angela Ningsih and WM in relation to the proposed acquisition of shareholding interest and proposed investment in New Mining Company F
“Heads of Agreement G”	the heads of agreement dated 12 May 2021 entered into amongst Qinfa Overseas, VPE, Kokos Jiang, Meina and WM in relation to the proposed acquisition of shareholding interest and proposed investment in New Mining Company G
“Heads of Agreements”	the Heads of Agreement C, the Heads of Agreement D, the Heads of Agreement E, the Heads of Agreement F and the Heads of Agreement G
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“IDR”	Indonesian Rupiah, the lawful currency of the Republic of Indonesia
“IME”	PT Indonesia Multi Energi, a company established under the laws of Republic of Indonesia, which is owned by Kokos Jiang and Amirah Rukmamaya Hadyanisa Harrydanni as to approximately 99.8181% and 0.1818%, respectively
“IME Shares Pledge Agreement”	the shares pledge agreement to be executed between Kokos Jiang, Amirah Rukmamaya Hadyanisa Harrydanni and Qinfa Overseas, pursuant to which the share certificates that constitute all shareholding interest in IME owned by Kokos Jiang and Amirah Rukmamaya Hadyanisa Harrydanni are pledged to Qinfa Overseas until the fulfillment of the conditions under the Heads of Agreement C
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mining Business License C”	the mining business license of a coal mine located in Kelumpang Hulu and Hampang District, Kotabaru Regency, South Kalimantan, Indonesia
“Mining Business License D”	the mining business license of a coal mine located in Kelumpang Hulu District, Kotabaru Regency, South Kalimantan, Indonesia
“Mining Business License E”	the mining business license of a coal mine located in Kelumpang Hulu District, Kotabaru Regency, South Kalimantan, Indonesia
“Mining Business License F”	the mining business license of a coal mine located in Kotabaru Regency, South Kalimantan, Indonesia
“Mining Business License G”	the mining business license of a coal mine located in Kelumpang Tengah and Hulu District, Kotabaru Regency, South Kalimantan, Indonesia
“Mining Business Licenses”	Mining Business License C, Mining Business License D, Mining Business License E, Mining Business License F and Mining Business License G
“Mining Works”	construction and production of coal mining in the mining area, including but not limited to mining system, materials handling system, additional facilities that will be constructed, and related management and production works for the underground coal mining.
“MODI System”	Minerba One Data Indonesia System managed by the Ministry of Energy of Mineral Resources
“New Company C Shares Pledge Agreement”	the shares pledge agreement to be executed between IME and Qinfa Overseas, pursuant to which the share certificates that constitute 70% shareholding interest in New Mining Company C owned by IME are pledged to Qinfa Overseas until the fulfilment of the conditions under the Heads of Agreement C
“New Company D Shares Pledge Agreement”	the shares pledge agreement to be executed between PBJS and Qinfa Overseas, pursuant to which the share certificates that constitute 70% shareholding interest in New Mining Company D owned by PBJS are pledged to Qinfa Overseas until the fulfilment of the conditions under the Heads of Agreement D

“New Company E Shares Pledge Agreement”	the shares pledge agreement to be executed between PLKK and Qinfra Overseas, pursuant to which the share certificates that constitute 70% shareholding interest in New Mining Company E owned by PLKK are pledged to Qinfra Overseas until the fulfilment of the conditions under the Heads of Agreement E
“New Company F Shares Pledge Agreement”	the shares pledge agreement to be executed between TME and Qinfra Overseas, pursuant to which the share certificates that constitute 70% shareholding interest in New Mining Company F owned by TME are pledged to Qinfra Overseas until the fulfilment of the conditions under the Heads of Agreement F
“New Company G Shares Pledge Agreement”	the shares pledge agreement to be executed between VPE and Qinfra Overseas, pursuant to which the share certificates that constitute 70% shareholding interest in New Mining Company G owned by VPE are pledged to Qinfra Overseas until the fulfilment of the conditions under the Heads of Agreement G
“New Company Shares Pledge Agreements”	New Company C Shares Pledge Agreement, New Company D Shares Pledge Agreement, New Company E Shares Pledge Agreement, New Company F Shares Pledge Agreement and New Company G Shares Pledge Agreement
“New Mining Companies”	New Mining Company C, New Mining Company D, New Mining Company E, New Mining Company F and New Mining Company G
“New Mining Company C”	a company to be established under the laws of Republic of Indonesia and to be owned by IME as to 95% and an individual third party as to 5% at establishment
“New Mining Company D”	a company to be established under the laws of Republic of Indonesia and to be owned by PBJs as to 95% and an individual third party as to 5% at establishment
“New Mining Company E”	a company to be established under the laws of Republic of Indonesia and to be owned by PLKK as to 95% and an individual third party as to 5% at establishment
“New Mining Company F”	a company to be established under the laws of Republic of Indonesia and to be owned by TME as to 95% and an individual third party as to 5% at establishment

“New Mining Company G”	a company to be established under the laws of Republic of Indonesia and to be owned by VPE as to 95% and an individual third party as to 5% at establishment
“PBJS”	PT Persada Berau Jaya Sakti, a company established under the laws of Republic of Indonesia, which is owned by Kokos Jiang and Lindawaty as to approximately 99.9999% and 0.0001%, respectively
“PBJS Shares Pledge Agreement”	the shares pledge agreement to be executed between Kokos Jiang, Lindawaty and Qinfa Overseas, pursuant to which the share certificates that constitute all shareholding interest in PBJS owned by Kokos Jiang and Lindawaty are pledged to Qinfa Overseas until the fulfillment of the conditions under the Heads of Agreements D
“PLKK”	PT Pengelola Limbah Kutai Kartanegara, a company established under the laws of Republic of Indonesia, which is owned by Very Wintara, who is a family member of Kokos Jiang, and Tju Lie as to approximately 97.32% and 2.68%, respectively
“Previous Transactions”	The conditional sale and purchase agreement in relation to proposed acquisition of 70% shareholding of SDE by PT Qinfa Mining dated 7 August 2020 and the heads of agreement in relation to proposed acquisition of 70% shareholding of SPE between Kokos Jiang and PT Qinfa Mining dated 3 January 2020
“Proposed Acquisitions”	the proposed acquisition of 70% shareholding in the New Mining Companies pursuant to the Heads of Agreements entered between Qinfa Overseas and the Sellers
“Qinfa Overseas”	Qinfa Overseas Investment Limited, a company established under the laws of Hong Kong and a wholly-owned subsidiary of the Company
“SDE”	PT Sumber Daya Energi, a company established under the laws of Republic of Indonesia, which is owned by Kokos Jiang and Heri Irawan as to approximately 99.82% and 0.18%, respectively

“SDE Shares Pledge Agreement”	the shares pledge agreement to be executed between WM and Qinfra Overseas, pursuant to which the share certificates that constitute 25% shareholding interest in SDE owned by WM are pledged to Qinfra Overseas until the fulfillment of the conditions under the Heads of Agreements
“Sellers”	IME, PBJs, PLKK, TME and VPE
“Sellers Shares Pledge Agreements”	IME Shares Pledge Agreement, PBJs Shares Pledge Agreement and VPE Shares Pledge Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Shareholders”	holders of the Shares
“Shares”	shares of HK\$0.1 each in the share capital of the Company
“SPE”	PT Sugico Pendragon Energi, a company established under the laws of Republic of Indonesia, which is owned by Kokos Jiang and Inneke Wiratirana as to approximately 99.82% and 0.18%, respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Total Deposit Funds”	Upon the fulfillment of the certain conditions for the deposit fund under the Heads of Agreements, Qinfra Overseas agrees to deposit to the Sellers a sum of US\$5 million which the Qinfra Overseas will be refunded either from 15% saleable coal entitlement of WM from SDE or 15% saleable coal entitlement of each of the Sellers from relevant New Mining Companies
“TME”	PT Tansri Madjid Energi, a company established under the laws of Republic of Indonesia, which is owned by Kokos Jiang and Angela Ningsih as to approximately 99.9998% and 0.0002% respectively
“VPE”	PT Vipronity Power Energy, a company established under the laws of Republic of Indonesia, which is owned by Kokos Jiang and Heri Irawan as to approximately 99.9998% and 0.0002% respectively

“VPE Shares Pledge Agreement”	the shares pledge agreement to be executed among Kokos Jiang, Heri Irawan and Qinfa Overseas, pursuant to which the share certificates that constitute all shareholding interest in VPE owned by Kokos Jiang and Heri Irawan are pledged to Qinfa Overseas until the fulfillment of the conditions under the Heads of Agreements G
“US\$”	United States Dollars, the Lawful currency of the United States of America
“WM”	PT Widyanusa Mandiri, a company established under the laws of Republic of Indonesia, which is owned by Kokos Jiang and Heri Irawan as to approximately 99% and 1%, respectively
“WM Shares Pledge Agreement”	the shares pledge agreement to be executed between Kokos Jiang and Qinfa Overseas, pursuant to which the share certificates that constitute 99% shareholding interest in WM owned by Kokos Jiang are pledged to Qinfa Overseas until the fulfillment of the conditions under the Heads of Agreements
“%”	per cent.

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

Guangzhou, 13 May 2021

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