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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 AND CONNECTED TRANSACTION
IN RELATION TO THE DISPOSAL OF 60% OF THE EQUITY INTEREST
IN ZHUHAI QINFA PORT CO., LIMITED**

THE DISPOSAL

On 26 June 2015 (after trading hours), the Seller (the wholly owned subsidiary of the Company) entered into the Disposal Agreement with the Purchaser, pursuant to which the Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 60% of the equity interest in the Disposal Company at a total cash consideration of RMB350 million. The principal terms and conditions of the Disposal Agreement are set out in this announcement.

As at the date of this announcement, the Seller is interested in 60% of the equity interest in the Disposal Company. Upon Completion, the Seller will cease to hold any equity interest of the Disposal Company, and the Disposal Company will cease to be subsidiary of the Company and the results of the Disposal Company will no longer be consolidated into the consolidated financial statements of the Group.

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.

Since (i) no Shareholder is required to abstain from voting on the resolution to be proposed at the extraordinary general meeting (if necessary) to approve the Disposal Agreement and the transactions contemplated thereunder; and (ii) on 26 June 2015, the Company received a written approval by a closely allied group of Shareholders comprising Mr. XU, Fortune Pearl and Mr. Xu Da, together holding 1,210,229,610 Shares, representing 58.23% of the entire issued share capital of the Company in total as of the date of this announcement, approving the Disposal in lieu of holding a general meeting, no general meeting is required to be convened for the approval of the Disposal pursuant to Rule 14.44(2) of the Listing Rules. Fortune Pearl is wholly owned by Mr. XU while Mr. Xu Da is the son of Mr. XU.

The Purchaser is a wholly owned subsidiary of Zhuhai Holdings, which owns 40% of the equity interest in the Disposal Company as at the date of this announcement. As such, each of Zhuhai Holdings and the Purchaser is a connected person at subsidiary level of the Group. Accordingly, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Board has approved the Disposal Agreement and the transactions contemplated thereunder. In addition, the Directors (including all the independent non-executive Directors) have confirmed that the terms of the Disposal Agreement are fair and reasonable, the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Pursuant to Rule 14A.101 of the Listing Rules, the Disposal is only subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 20 July 2015 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.

On 26 June 2015 (after trading hours), the Seller entered into the Disposal Agreement with the Purchaser, pursuant to which the Seller has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, 60% of the equity interest in the Disposal Company at a total cash consideration of RMB350 million.

Principal terms of the Disposal Agreement are as follows:

THE DISPOSAL AGREEMENT

Date

26 June 2015 (after trading hours)

Parties

Seller: Hong Kong Qinfa Trading Limited (香港秦發貿易有限公司)

Purchaser: Zhuhai Port Logistics Centre Co., Limited* (珠海港物流中心有限公司)

Assets to be disposed of

Pursuant to the Disposal Agreement, the Seller agreed to sell such equity interest of the Disposal Company to the Purchaser free from all Encumbrances, with all rights now or hereafter attaching thereto (including but not limited to all the dividends or distributions which may be paid, declared or made at any time on or after the date of Completion).

* For identification only

As at the date of this announcement, the Seller is interested in 60% of the equity interest in the Disposal Company. Upon Completion, the Seller will cease to hold any equity interest of the Disposal Company, and the Disposal Company will cease to be subsidiary of the Company and the results of the Disposal Company will no longer be consolidated into the consolidated financial statements of the Group.

Consideration

The Consideration for the Disposal to be paid by the Purchaser to the Seller is RMB350 million, which shall be paid in cash by the Purchaser to the Seller in the following manner:

- (i) An amount of approximately RMB225 million (the “Deposit”), being the outstanding loan balance owing to the Pledgee, and the refundable deposit and part of the Consideration, shall be paid by the Purchaser to the Pledgee upon the signing of the Disposal Agreement for releasing the Pledge; and
- (ii) The remaining balance of approximately RMB125 million shall be payable by the Purchaser to the Seller upon the completion of registration of the transfer of 60% equity interest with the relevant government authorities in the PRC.

The Consideration was determined based on normal commercial terms and after arm’s length negotiations between the Purchaser and the Seller, with reference to and/or after taking into consideration the following factors:

- (i) the net asset value of the Disposal Company attributable to the Seller of approximately RMB324 million as per its management accounts as at 31 December 2014;
- (ii) the factors set out in paragraph headed “Reasons for and Benefits of the Disposal”; and
- (iii) the market value of the land and properties owned by the Disposal Company, based on the valuation report issued by AVISTA Valuation Advisory Limited, an Independent Third Party, with valuation date as at 30 April 2015.

In the event the Disposal Agreement ceases or terminates solely due to the fault of the Seller, the Seller shall be required to refund the Deposit with damages. In the event the Purchaser delays in paying the Consideration, the Purchaser shall be required to pay the Seller an interest at the rate of 0.01% per day.

Conditions Precedent

Completion of the Disposal Agreement is conditional upon the following conditions being satisfied:

- (i) the approvals by the relevant governmental authorities in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained;
- (ii) the consent of the Pledgee on release of the Pledge being obtained; and
- (iii) the written shareholders’ approval has been obtained from Mr. XU, Fortune Pearl and Mr. Xu Da, which together hold 58.23% of the issued share capital of the Company.

Completion

Completion shall take place on the date following all the conditions above being satisfied in full, or such other date as the Purchaser and the Seller may agree in writing.

Upon Completion, the Seller will cease to hold any equity interest of the Disposal Company, and the Disposal Company will cease to be subsidiary of the Company and the results of the Disposal Company will no longer be consolidated into the consolidated financial statements of the Group.

INFORMATION OF THE DISPOSAL COMPANY

The Disposal Company is a sino-foreign joint venture company established in the PRC and an indirect non-wholly owned subsidiary of the Company. As at the date of this announcement, the Company indirectly held 60% equity interest of the Disposal Company. The principal activities of the Disposal Company include the operation of a terminal in Gaolan Port Economic Zone as a coal port to provide port loading and discharging services. The principal asset of the Disposal Company is the coal terminal which is located in Zhuhai City, the PRC. Trial operation of the coal port has been started in 2014.

Set out below is the unaudited financial information of the Disposal Company for the two years ended 31 December 2014, which were prepared in accordance with the International Financial Reporting Standards:

	For the years ended	
	31 December 2014	31 December 2013
	<i>RMB' million</i>	<i>RMB' million</i>
	(unaudited)	(unaudited)
Total Assets	1,999	1,737
Total Liabilities	1,459	1,168
Net Asset Value	540	569
Net Current Liabilities	303	330
Turnover	40	–
Loss before taxation and extraordinary items	37	–
Net loss after taxation and extraordinary items	37	–

INFORMATION OF THE PURCHASER

The Purchaser is the wholly owned subsidiary of Zhuhai Holdings. Each of them is a company established under the laws of the PRC with limited liability and a wholly state-owned enterprise. The Purchaser is principally engaged in goods transportation, storage services and property development. As at the date of this announcement, Zhuhai Holdings owns 40% of the equity interest in the Disposal Company.

As at the date of this announcement, Zhuhai Holdings, has already signed a confirmation letter renouncing its right of first refusal as a shareholder to acquire the 60% equity interest of the Disposal Company from the Seller.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in three business segments as at the date of this announcement, namely coal mining and trading, shipping transportation and port business. The Disposal Company is the only investment of the Group in the port business. Over the past few years, the substantial decline in the demand of coal was caused by various factors such as slowdown in the macroeconomic growth and sluggish demand growth from downstream industries. The Directors consider that Disposal Company, whose principal activities are operating of the own terminal as a coal port to provide port loading and discharging services, has been operating in a challenging business environment. The Directors are of the view that the growth prospect of the Disposal Company is limited and it is difficult to predict any turnaround in the near future.

As at 31 December 2014, the net assets, net current liabilities and long term bank loans of the Disposal Company were approximately RMB540 million, RMB303 million and RMB1,041 million, respectively. The Directors expect that the Disposal Company's financial position is unlikely to improve in the foreseeable future.

The Directors consider that the Disposal offers a good opportunity to realise a gain and generate cash inflow for the Group. Improvement of the cash position of the Group will enable the Group to lower the gearing ratio immediately after Completion. The Disposal also enables the Group to reallocate the financial resources for and direct its focus on the business of the Group which has growth potential and its long term prospects is expected to be promising.

In view of the above, the Directors are of the view, and the independent non-executive Directors have confirmed, that the terms of the Disposal are fair and reasonable, and the Disposal is (i) on normal commercial terms and (ii) in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Based on the unaudited net assets value of the Disposal Company as at 31 December 2014, it is estimated that the Group will record a gain of approximately RMB24 million (before tax) from the Disposal after deducting the expenses, attributable to the Disposal of approximately RMB2 million. Shareholders should note that the actual amount of the gain on the Disposal to be recognised in the consolidated financial statements of the Company depends on the net asset value of the Disposal Company as at the Completion Date and therefore may be different from the amount mentioned above.

Through the Disposal, the bank borrowings of the Group will decrease by approximately RMB1,084 million, which will decrease the finance cost of the Group in near future.

Upon Completion, the Seller will cease to hold any equity interest of the Disposal Company, and the Disposal Company will cease to be subsidiary of the Company and the results of the Disposal Company will no longer be consolidated into the consolidated financial statements of the Group.

INFORMATION ON THE GROUP

Upon completion of the Disposal, the Group will be principally engaged in coal mining, trading and shipping transportation.

USE OF PROCEEDS FROM THE DISPOSAL

The net proceeds from the Disposal, after deducting the sum of approximate RMB225 million paid to the Pledgee for releasing the Pledge and the expenses attributable to the Disposal of approximately RMB2 million, are estimated to be approximately RMB123 million, and are expected to be applied as the general working capital of the Group.

LISTING RULES IMPLICATIONS OF THE DISPOSAL

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.

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DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	a day (excluding a Saturday or Sunday and any day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are open for general banking business
“Company”	China Qinfra 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 Disposal Agreement
“Consideration”	the aggregate consideration of RMB350 million for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 60% of the equity interest in the Disposal Company by the Seller to the Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	the conditional sale and purchase agreement dated 26 June 2015 in relation to the Disposal entered into between the Seller and the Purchaser
“Disposal Company”	Zhuhai Qinfra Port Co., Limited (珠海秦發港務有限公司), a company established under the laws of the PRC with limited liability and a non-wholly owned subsidiary of the Seller as at the date of this announcement
“Encumbrances”	any mortgage, charge, pledge, lien, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Fortune Pearl”	Fortune Pearl International Limited, a company incorporated in the British Virgin Islands with limited liability and directly 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 core connected persons (as defined in the Listing Rules)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Mr. XU”	Mr. XU Jihua, an executive Director and a controlling Shareholder (as defined under the Listing Rules)
“Mr. Xu Da”	an executive Director and the son of Mr. XU
“Pledge”	the equity pledge on the 60% of the equity interest in the Disposal Company in favour of the Pledgee
“Pledgee”	a financial institution in the PRC, an Independent Third Party
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administration Region of the People’s Republic of China and Taiwan
“Purchaser”	Zhuhai Port Logistics Centre Co., Limited (珠海港物流中心有限公司), a company established under the laws of the PRC with limited liability, a wholly state-owned enterprise and a wholly owned subsidiary of Zhuhai Holdings
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Hong Kong Qinfa Trading Limited (香港秦發貿易有限公司), a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“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
“Zhuhai Holdings”	Zhuhai Port Holdings Group Co., Limited (珠海港控股集團有限公司), a company established under the laws of the PRC with limited liability and a wholly stated-owned enterprise
“%”	per cent.

By the order of the Board
China Qinfa Group Limited
XU Ji Hua
Chairman

Hong Kong, 26 June 2015

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