秦發集團
QINFA GROUP

中國秦發集團有限公司
CHINA QINFA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 866)

VERY SUBSTANTIAL DISPOSAL
CONNECTED TRANSACTION
AND
RESUMPTION OF TRADING

Financial adviser to China Qinfa Group Limited

Alliance Capital Partners Limited
同人融資有限公司

The Vendor and the Purchaser entered into the Agreement dated 25 April 2016 (as supplemented by a supplemental agreement dated 11 July 2016) pursuant to which the Vendor conditionally agreed to the Disposal at a Consideration of RMB176,740,000, out of which (i) RMB154,700,000 will be set off against an equivalent amount due to the Disposal Group by the Remaining Group; and (ii) the remaining RMB22,040,000 will be payable in cash by the Purchaser to the Vendor.

The Disposal Company is established in Hong Kong and is a wholly owned subsidiary of the Group. As at the date of this announcement, the Group held the entire equity interest of the Disposal Company. The principal activities of the Disposal Company are investment holding and the trading of coal. The principal activities of the Disposal Group are coal mining and operation, sales of coal (collectively "**Coal Business**") and shipping business in the PRC ("**PRC Shipping Business**"). The principal assets of the Disposal Group include coal mines, shipping vessels and coal exchange center located in the PRC.

As at the date of this announcement, Mr. XU and his associates are interested in approximately 43.93% of the issued share capital of the Company and Mr. XU owns 100% equity interest in the Purchaser. By virtue of Mr. XU's interests in the Company and the Purchaser, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios for the Disposal exceed 75%, the Disposal also constitutes a very substantial disposal of the Company under Rule 14.06 of the Listing Rules. Accordingly, the Completion is conditional on, amongst others, the approval by the Independent Shareholders at the EGM.

As additional time is needed to prepare the financial information of the Disposal Group for the six month ended 30 June 2016, a circular containing, among other things, (i) further details of the Disposal; (ii) a Competent Person's Report in accordance with the requirements of Chapter 18 of the Listing Rules; (iii) a notice of the EGM; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (vi) other relevant information, including the financial information of the Group and the Disposal Group, as well as pro forma financial information of the Group, will be despatched to the Shareholders on or before 25 August 2016.

INTRODUCTION

The Vendor and the Purchaser entered into the Agreement dated 25 April 2016 (as supplemented by a supplemental agreement dated 11 July 2016) pursuant to which the Vendor conditionally agreed to the Disposal at a Consideration of RMB176,740,000, out of which (i) RMB154,700,000 will be set off against an equivalent amount due to the Disposal Group by the Remaining Group; and (ii) the remaining RMB22,040,000 will be payable in cash by the Purchaser to the Vendor.

PRINCIPAL TERMS OF THE AGREEMENT

1. Date

25 April 2016 (as supplemented by a supplemental agreement dated 11 July 2016)

2. Parties:

Vendor: Qinfa Investment Limited (秦發投資有限公司); and

Purchaser: Bo Hai Investment Limited (渤海投資有限公司).

The Purchaser is a company wholly-owned by Mr. XU, the ultimate controlling shareholder of the Company. The principal activity of the Purchaser is investment holding.

Assets to be disposed of:

Pursuant to the Agreement, the Vendor agreed to sell the entire equity interest of the Disposal Company to the Purchaser (i) free from any Encumbrances and (ii) with all rights, including dividend rights, attached or accruing to them on and from the Completion Date and all liabilities (including tax liabilities).

As at the date of this announcement, the Vendor is interested in 100% of the equity interest in the Disposal Company. Upon Completion, the Vendor will cease to hold any equity interests in the Disposal Company, and the Disposal Company will cease to be subsidiary of the Group and the results of the Disposal Group will no longer be consolidated into the consolidated financial statements of the Group.

3. Consideration:

The Consideration for the Disposal to be paid by the Purchaser to the Vendor is RMB176,740,000, out of which (i) RMB154,700,000 will be set off against an equivalent amount due to the Disposal Group by the Remaining Group; and (ii) the remaining RMB22,040,000 will be payable in cash by the Purchaser to the Vendor.

The Consideration was determined based on normal commercial terms and after arm’s length negotiations between the Purchaser and the Vendor, after taking into consideration the following factors, among other things:

(i) the deteriorating financial performance of the Coal Business of the Disposal Group;

(ii) the net liabilities of the Disposal Group attributable to the equity shareholders of the Company of approximately RMB5,019,605,000 based on its unaudited management accounts as at 31 December 2015 after taking into account the impairments of the coal mining rights, property, plant and equipment of the coal mines and vessels of the Disposal Group;

(iii) the operating cash outflow before changes in working capital, gross loss, as well as loss before interest, tax, depreciation and amortisation of the Disposal Group for the year ended 31 December 2015; and

(iv) the amount due from the Remaining Group to the Disposal Group as at the date of the Agreement.

4. Conditions Precedent

Completion is conditional upon the following:

(a) the approval of the Independent Shareholders of the Company to the entry of the Agreement and the transactions contemplated thereunder at an extraordinary general meeting to be convened by the Company having been obtained by the Company in accordance with the Listing Rules;

(b) the full discharge and release of all corporate guarantees granted by the Company in favour of third parties in relation to loans or financing granted to all Disposal Group Members by these third parties;

(c) the discharge of (i) the mortgage created by Super Grace Enterprises Limited over all rights, title and interest over a vessel known as "Super Grace" of approximately 82,000 tons gross with IMO Number 9576272 owned by it with Official Number "HK-3307", and (ii) the mortgage created by Oriental Wise Group Limited over all rights, title and interest over a vessel known as "Oriental Wise" of approximately 82,000 tons gross with IMO Number 9576260 owned by it with Official Number "HK-3085", respectively, in favour the Export-Import Bank of China; and

(d) the Purchaser having obtained all necessary consent, approval, permission and/or waiver for this agreement and the transactions contemplated thereunder.

The Vendor may, at its sole and absolute discretion, waive in writing the condition (d) as mentioned above. In the event the Conditions Precedent set out above are not satisfied or waived on or before 31 December 2016 or such other date as the Vendor and the Purchaser may agree, the Agreement shall cease and terminate, and thereafter neither party shall have any obligations and liabilities hereunder save for any antecedent breaches of the terms of the Agreement.

Completion

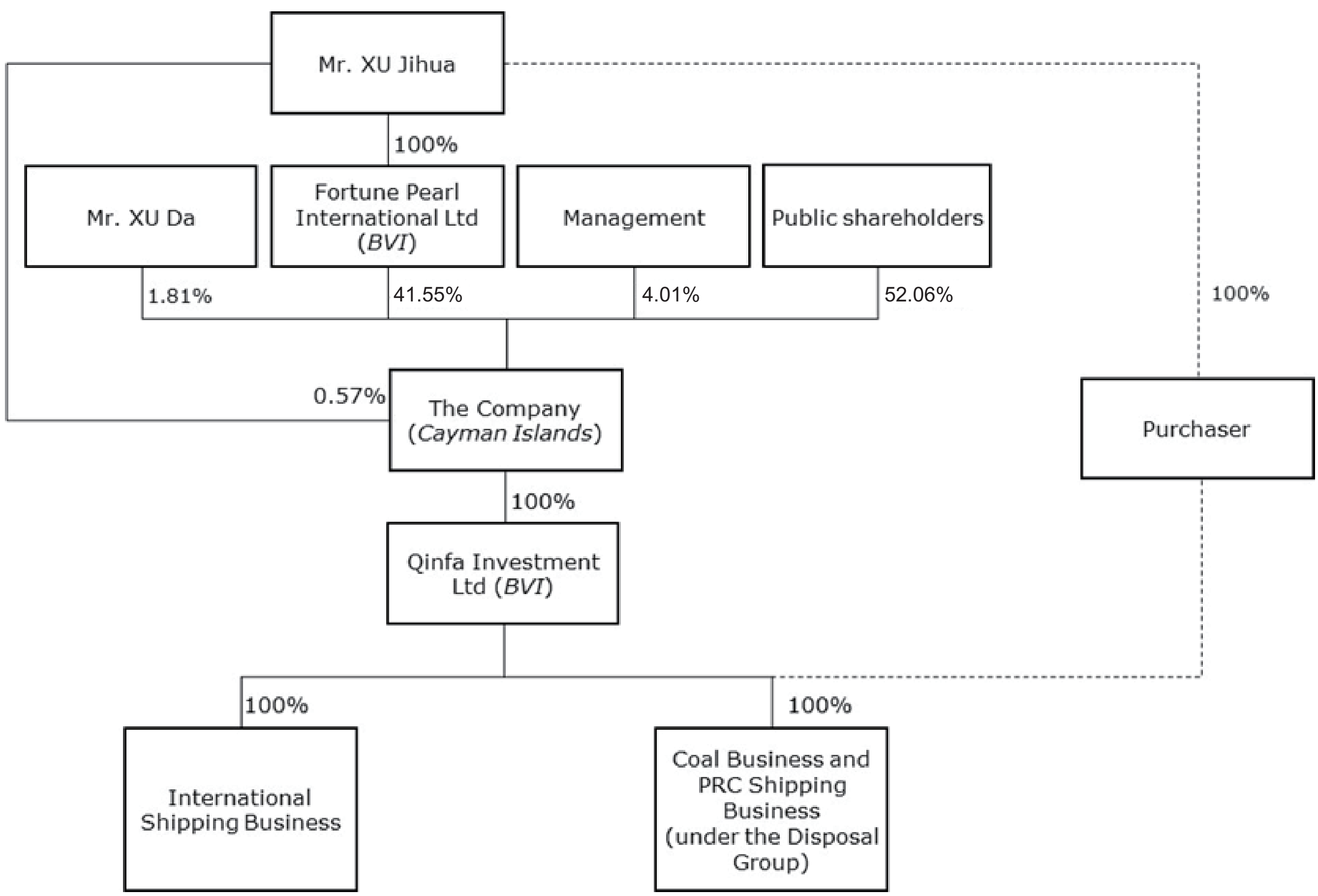
Completion shall take place on the Completion Date.

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

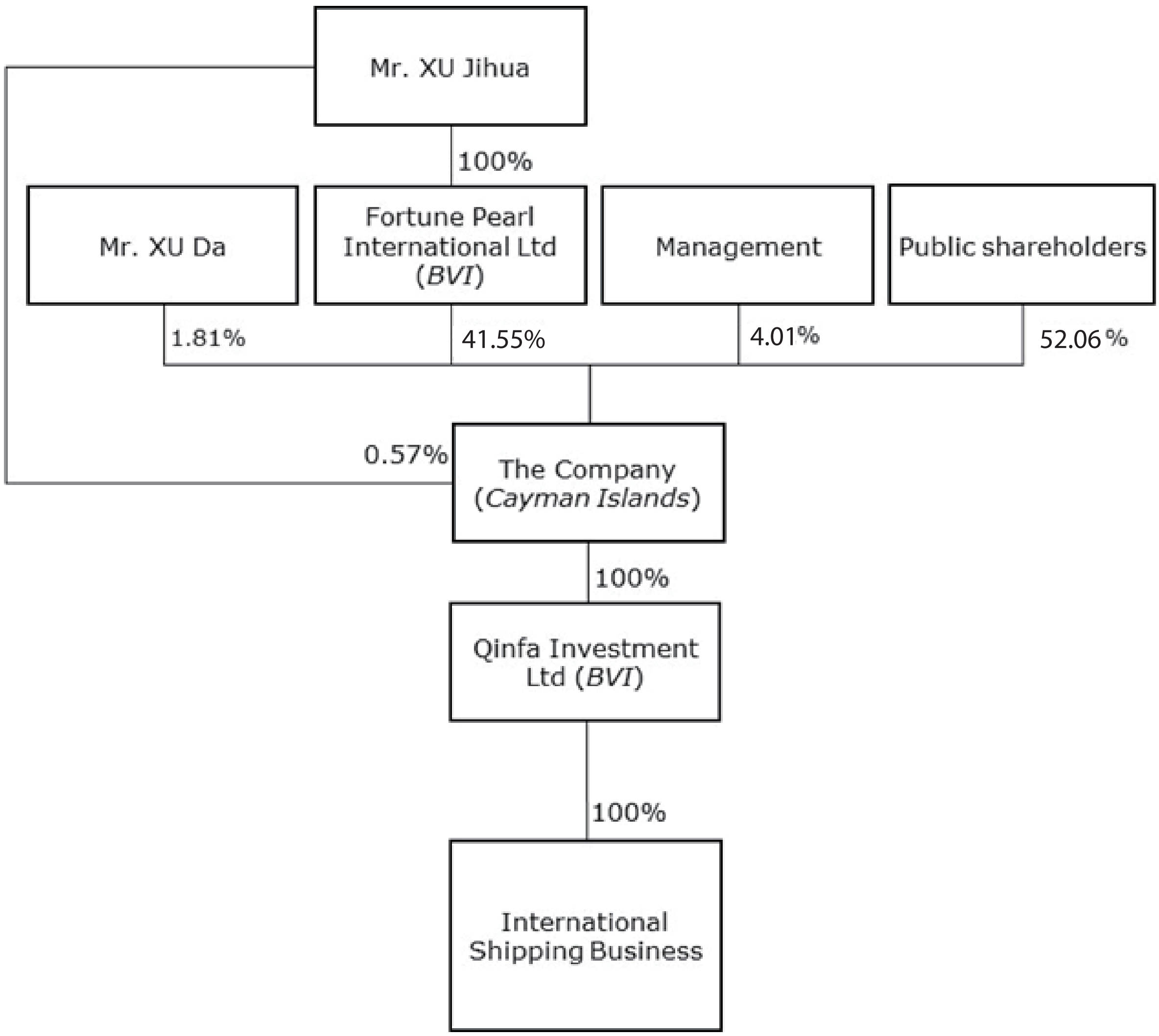
As at 31 December 2015, certain loan of the Disposal Group and an associate were secured by the corporate guarantee granted by the Company in favour of the banks. As at the date of this announcement, such corporate guarantee granted for 54.1% of the loan balances of the Disposal Group as at 31 December 2015 has been released.

GROUP REORGANISATION

A summary of the structure of the Group comprising the Disposal Group as at the date of this announcement is set out below:



A summary of the structure of the Group immediately after the implementation of the Group Reorganisation is set out below:



INFORMATION OF THE GROUP AND THE DISPOSAL GROUP

The Group

The Company was incorporated in the Cayman Islands on 4 March 2008 as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 3 July 2009.

The principal activities of the Group was coal mining, purchase and sales, filtering, storage, blending of coal and shipping business.

The Disposal Group

As at the date of this announcement, the Group held the entire equity interest of the Disposal Company. The Disposal Company was established in Hong Kong and is a wholly owned subsidiary of the Group. The principal activities of the Disposal Company are investment holding and trading of coal and the principal activities of the Disposal Group are Coal Business and PRC Shipping Business. The principal assets of the Disposal Group include coal mines, shipping vessels and coal exchange center located in the PRC.

FINANCIAL SUMMARY OF THE GROUP AND THE DISPOSAL GROUP

The financial information as extracted from (i) the consolidated financial statements of the Group as stated in the Annual Report, and (ii) the unaudited combined financial statements of the Disposal Group for each of the three years ended 31 December 2015 is set out below:

The Group	**For the year ended 31 December**		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from continuing operations	10,830,133	6,449,446	1,377,207
Gross profit/(loss) from continuing operations	1,063,016	(203,274)	(676,678)
Loss before taxation from continuing operations	(14,605)	(1,176,823)	(8,033,305)
Loss after taxation from continuing operations	(136,080)	(1,291,240)	(6,927,780)
Total assets	18,546,277	14,881,169	5,310,782
Net assets/(liabilities)	3,690,638	2,366,342	(4,629,396)

The Disposal Group	**For the year ended 31 December**		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	10,770,958	6,379,424	1,295,015
Gross profit/(loss)	1,058,396	(240,476)	(708,767)
Profit/(loss) before taxation	136,005	(1,110,666)	(7,988,132)
Loss after taxation	(46,037)	(1,254,498)	(6,882,607)
Total assets	16,870,148	13,043,231	5,328,725
Net assets/(liabilities)	3,279,837	1,995,699	(4,875,180)

The financial performance of the Group has been declining significantly over the last three years. For the year ended 31 December 2015, the Group recorded a significant loss after taxation, which was more than five times of the loss after taxation recorded for the year ended 31 December 2014. This was mainly due to the loss in Coal Business and impairment loss of the coal mining rights, property, plant and equipment of coal mines and vessels for the PRC Shipping Business of the Disposal Group. Such impairment loss also led to a substantial decrease in total assets of the Group as at 31 December 2015. The Group had net assets of approximately RMB2,366 million as at 31 December 2014, but turned into net liabilities of approximately RMB4,629 million as at 31 December 2015.

FINANCIAL EFFECTS OF THE DISPOSAL

It is expected that the Group will record a gain of approximately RMB5,157,842,000 from the Disposal, the details of which are set out as follows:

	RMB'000
Consideration of the Disposal	176,740
Less:	
Estimated direct expenses in relation to the Disposal	(4,606)
Release of exchange reserve of the Disposal Group as at 31 December 2015	(33,897)
Add:	
Net liabilities of the Disposal Group attributable to equity shareholders of the Company as at 31 December 2015	5,019,605
Estimated gain on the Disposal as at 31 December 2015	5,157,842

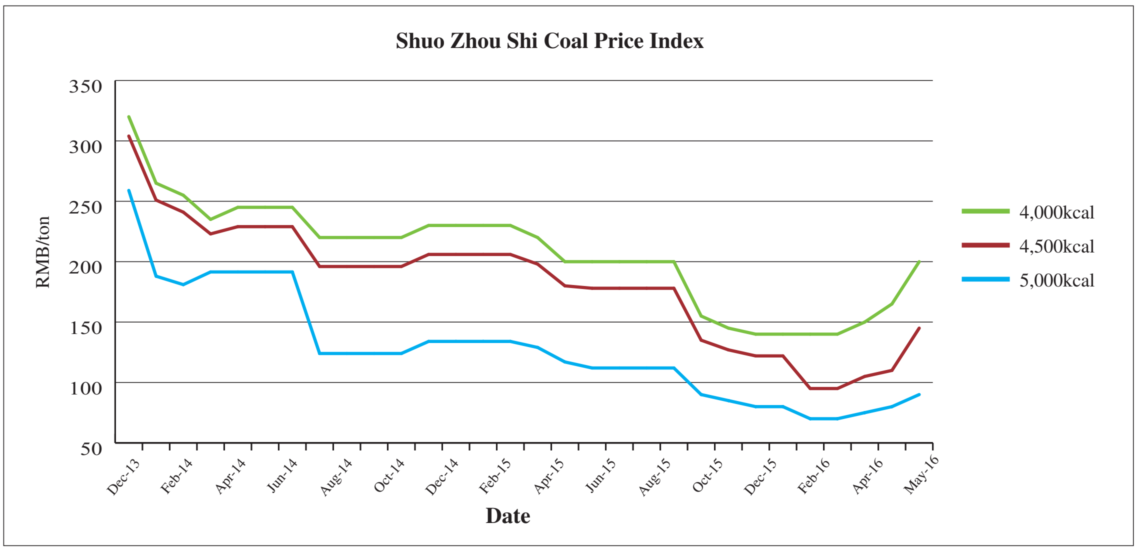
REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group intends to focus on higher profitability business by considering the possibilities of restructuring the business through selling a group of subsidiaries that are engaged in Coal Business and PRC Shipping Business, so that the value of the Group can be better reflected after such a sale transaction. The Directors consider that the Disposal provides an opportunity to dispose of the loss making business of the Group and to take away the uncertainty of the Coal Business faced by the Group.

Coal Business

i. Unfavourable Coal Business

China's GDP growth has been decelerating which significantly affected the demand for coal-consuming products. The domestic coal prices have then been following a severe downward trend. According to the Shuo Zhou Shi Coal Price Index (朔州市煤炭價格指數), a historical low price of RMB80 per tonne, RMB122 per tonne, and RMB140 per tonne for 4000 kcal coal, 4500 kcal coal and 5000 kcal coal respectively have been recorded at the end of 2015. As at 31 May 2016, the coal prices have rebounded to RMB90 per tonne, RMB145 per tonne, and RMB200 per tonne for 4000 kcal coal, 4500 kcal coal and 5000 kcal coal respectively which, however, still represented a decrease of approximately 65.3%, 52.3% and 37.5% respectively since 2013.



Source: website of Shuo Zhou Shi Industrial Bureau (www.szmtgy.gov.cn)

China's severe air pollution challenges have led to policies and regulations to restrict coal use in coastal China and to accelerate the increase of alternative energy technologies. According to China's Energy Development Strategy Action Plan (2014-2020), specific targets have been set out for the purpose of reducing coal's share in primary energy consumption to 62% and increasing non-fossil energy's share to 15% by 2020 and to 20% by 2030. Moreover, the PRC authorities imposed certain policies to enhance coal quality, which may lead to incur additional maintenance and improvement expenses for the Coal Business of the Group.

ii. High fixed cost and huge loss of Coal Business

The selling price of coal was generally lower than the mining and selling cost of coal for the past 2 financial years. However, since the Group has to incur substantial cost to restart the mining of coal if shutting down the operation temporarily, the Company has yet to shut down the mining operation for the past few years and is waiting for the turnaround of the Coal Business. While the Company has not yet seen any significant sign of turnaround to profit for the Coal Business, if the Company continues to run the mining business, it may require approximately RMB48 million additional capital expenditure for the year ending 31 December 2016, and may continue to record gross loss for the Group. Moreover, keeping a huge lost making asset in the Group would restrict the Group's ability to obtain financing through either debt and/or equity. This, in turn, restricts the Group from implementing plans which would otherwise assist the Group to turn around sooner.

While there was a significant portion of revenue contributed by the Coal Business, which accounted for 98.8%, 97.6% and 88.6% of the total revenue of the Group from continuing operations for each of the three years ended 31 December 2015, due to high fixed cost for coal production as well as the impairment recognised for the coal mining rights and the property, plant and equipment of the coal operations, substantial loss before taxation under the Coal Business of RMB7,402 million was recognised for the year ended 31 December 2015. Such amount represented more than 6 times of the revenue generated from the Coal Business. The Directors consider that such business would no longer contribute long term benefits to the Shareholders as a whole.

iii. Deteriorating financial performance of the Coal Business

Affected by the decrease in coal prices in the recent years, the Group's Coal Business recorded a significant decrease in revenue for each of the three years ended 31 December 2015. For the year ended 31 December 2014, the Coal Business segment recorded a turnover of RMB6,292 million, representing a decrease of 41.2% compared with the turnover of RMB10,699 million for the year ended 31 December 2013. The decline was mainly attributable to the decrease of 33.70% in coal handling and trading volume of the Group, which represented approximately 8.10 million tonnes, as compared to the corresponding period in 2013. During the year ended 31 December 2015, the Coal Business segment recorded a turnover of approximately RMB1,220 million, representing a decrease of approximately 80.6% compared with the year ended 31 December 2014. The decline was mainly attributable to the decrease in approximately 75.2% of the coal handling and trading volume as compared to the corresponding period in 2014.

PRC Shipping Business

i. Unfavourable PRC Shipping Business

With reference to the report issued by the International Monetary Fund in January 2016, China is estimated to grow at a rate of 6.9% in 2015, which is 0.4 % lower than the growth rate of 7.3% in 2014. It is also projected that the growth rate in 2016 would be 6.3%, a drop of 0.6% compared to the growth rate in 2015. Given the slow-down in economic growth in China, the overall demand in the shipping market in China is weakened, which causes loss making in the PRC Shipping Business.

ii. Vessels of PRC Shipping Business

The vessels used by the Group in the PRC Shipping Business have been operating for over 18 years on average. These vessels require high maintenance and repair expenses, and have lower fuel efficiency, which results in lower gross profit margin. Hence, the Directors consider that the PRC Shipping Business of the Disposal Group may not be able to bring in significant economic benefits to the Group.

In addition, the PRC vessels are pledged to certain banks in the PRC together with other fixed assets of the Disposal Group for a total of approximately RMB1,514 million bank borrowings as at 31 December 2015, which were used by the Disposal Group. Significant portion of the revenue from the PRC Shipping Business come from the Coal Business. In this connection, the Directors consider that it is reasonable to dispose of the PRC Shipping Business together with the Coal Business in the PRC.

iii. ***Deteriorating financial performance of the PRC Shipping Business***

Regarding the revenue generated from the PRC Shipping Business, the Group recorded revenue of approximately RMB47 million for the year ended 31 December 2014, representing a decrease of approximately 41.3% compared with revenue of approximately RMB80 million for the year ended 31 December 2013 and a revenue of approximately RMB31 million for the year ended 31 December 2015, representing a decrease of approximately 34.0% compared with the corresponding period in 2014. The decreasing trend was in line with the slow-down in the overall economic growth in China and the weakening demand in the shipping market in the PRC.

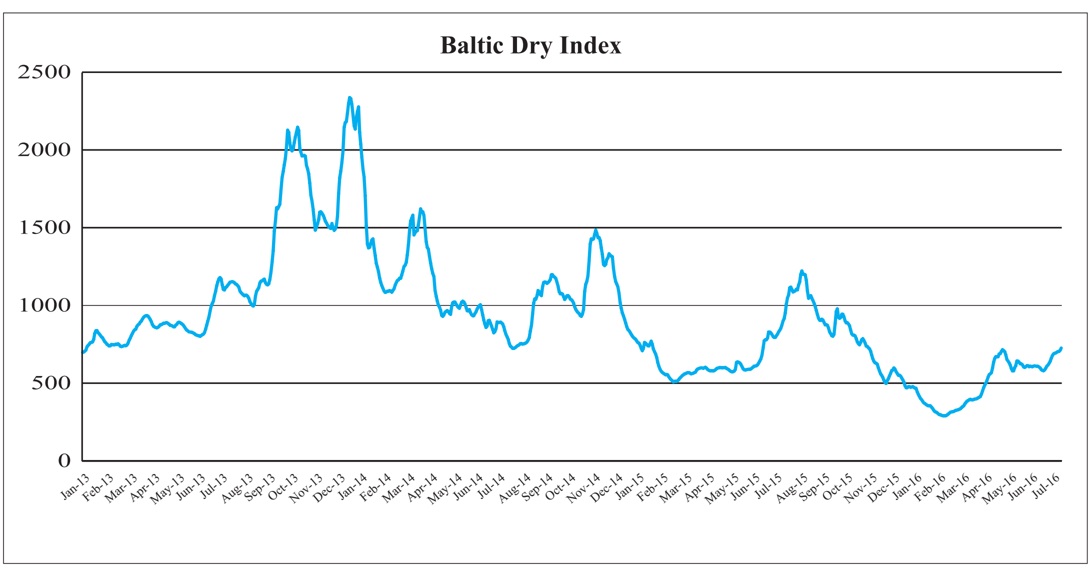
In this connection, the Directors consider that it is reasonable to dispose of the PRC Shipping Business together with the Coal Business in the PRC.

International Shipping Business of the Group after the Disposal

The Directors are of the view that the International Shipping Business is the most profitable segment among others before the Disposal.

Upon Completion, the Group will cease to have any interest in the Disposal Group, and the Group will no longer be engaged in the Coal Business and PRC Shipping Business. The Group will then be principally engaged in provision of international shipping services ("**International Shipping Business**") and the major assets of the Remaining Group will be vessels for such business. The International Shipping Business has been established since the date of listing.

i. ***Improving operating environment for the Remaining Group***



Source: Bloomberg, extracted on the date of this announcement

The Directors consider that International Shipping Business, like other trade-related international businesses, is inevitably sensitive to the global economy. In particular, the performance of the Remaining Group is correlated to the level indicated by the Baltic Dry Index ("**BDI**"), which is in line with the industry norm. The average BDI had been dropping by approximately 8.4% and approximately 35.0% for each of the two years ended 31 December 2015 respectively.

The Directors are aware of signs which indicate that the BDI has shown an increasing trend in the first five months of 2016. The index has seen the lowest of 290 points at the beginning of the year and rebounded to 726 points as at 13 July 2016. The Remaining Group's existing two vessels have an expected life expectancy of 30 years each and the Directors expect that they will continue to serve the Group in the foreseeable future.

ii. Reasons for retaining the International Shipping Business

A substantial amount of the net assets of the Remaining Group is related to the vessels used in the International Shipping Business.

The vessels owned by the Remaining Group has been operating for only less than 5 years. They have the highest loading volume capacity of an aggregate of 164,000 tonnes amongst all the vessels in the Group. The modern vessels can also benefit the Remaining Group with low fuel costs, as well as repair and maintenance costs.

Furthermore, the vessels used for International Shipping Business have been chartered to external customers comprising several multinational charterers, large ship operators and shipping companies for many years. The Directors believe the long-standing relationship with those customers is attributable to its reliable services and integrity in conducting business, both of which are the essence of the enterprise culture.

iii. Renewed business model of the Remaining Group

The Company seeks to increase its revenues and profits over the next few years through strengthening its International Shipping Business. The Company expects to adopt the following strategies:

Firstly, the Company intends to strengthen the existing relationship with its key customers as well as broaden the customer base by seeking new customers. The Company also aims to enhance its marketing and branding activities and develop the after-sales initiatives in order to better serve the existing customers and to seek new customers in the market.

Secondly, the Company intends to capture the appropriate time to place order for construction of new vessels, for instance, at times where the vessel price is relatively low but market displays potential growth. This enables the Group to procure new vessels at lower costs. After the Disposal, the Group can largely improve the financial position (including the profitability and net asset position) and maintain business under going concern after the Disposal. It is believed that the improved gearing ratio after the Disposal may enhance the Group's fund raising ability and financial resources to expand the shipping teams and purchase vessels. By expanding the number of vessels, the Company aims at maintaining a stable business volume that can generate steady cash flow and increase market share.

Moreover, in addition to the chartering services provided by the vessels, the Remaining Group will also enter into chartering contracts with external vessel providers to enlarge the shipping team and capitalise on the Group's customer network and expertise.

The Directors consider that the Disposal is in the best interests of the Company and the Shareholders as a whole due to the following factors and reasons:–

(a) the Disposal is for the purpose of maximising shareholders' value. The Directors are of the view that the Group will be able to improve from net liability position to net asset position after the Disposal;

(b) prior to the Disposal, the Group has going concern issues which bars the Group from further fund raising activities. Lacking the support from the PRC government, the Directors are of the view that the Coal Business is unlikely to continue to contribute profit to the Group. The carving out of the Coal Business and PRC Shipping Business is a process which helps the Group to restructure its business and rebuild a more solid platform for future growth;

(c) the Company has been engaged in International Shipping Business before its listing on the Stock Exchange of Hong Kong in July 2009. The Disposal is the restoration of the Group's original business model from the vertically integrated model it adopted since 2012;

(d) the Directors consider that sufficient working capital can be maintained for the operation of the International Shipping Business. However, in the event that the Disposal cannot be proceeded, the Group may have very tight working capital and continue to have significant amount of liabilities. This will adversely affect the Group's operations; and

(e) the Group intends to further strengthen its business of the Remaining Group after the Disposal, but it would be difficult to do it currently as the overall financial performance would be materially dragged down by the Coal Business, barring the Group from any fund raising activities in supporting the business of the Remaining Group.

Non-competition and undertaking from the Controlling Shareholder

The Purchaser and Mr. XU have confirmed that they have no intention to engage in International Shipping Business and the Remaining Group's International Shipping Business will be continued without renting the vessels from the Disposal Group.

As mentioned above, the Company is expected to record a gain of RMB5,157,842,000 upon Completion. The sale proceeds of the Disposal will be used for the funding of working capital by the Remaining Group. The Directors consider that the terms of the Disposal, which are determined after arm's length negotiations among the parties to the Agreement, are on normal commercial terms and are fair and reasonable, and the Disposal is in the interests of the Company and its shareholders as a whole.

Mr. XU, the Controlling Shareholder of the Company, is committed to support the Remaining Group, and undertakes not to reduce his shareholding interest in the Company for 12 months from the date of Completion. The Company would like to maintain the possible fund raising means for expanding the International Shipping Business if necessary.

In case the Remaining Group requires funding to acquire new vessels, the Controlling Shareholder will provide financial assistance for not more than RMB100 million for acquisition of vessels. In addition to the finance assistance provided by the Controlling Shareholder, should there be any shortfall of the funding for acquisition of new vessels, the Company intends to seek bank or debt financing.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. XU and his associates are interested in approximately 43.93% of the issued share capital of the Company and Mr. XU owns 100% equity interest in the Purchaser. By virtue of Mr. XU's interests in the Company and the Purchaser, the Disposal constitutes a connected transaction for the Company under the Chapter 14A Listing Rules. As one or more of the applicable percentage ratios for the Disposal exceed 75%, the Disposal also constitutes a very substantial disposal of the Company under Rule 14.06 of the Listing Rules. Accordingly, Completion is conditional on, amongst others, the approval by the Independent Shareholders at the EGM.

Mr. XU and his associates, which together hold 1,095,364,861 Shares, representing approximately 43.93% of the issued shares of the Company as at the date of this announcement, are required to abstain from voting in respect of any resolution that would be proposed to approve the Transaction at the EGM. The votes casted on the resolution regarding the Transaction at the EGM will be taken by poll.

An Independent Board Committee will be formed to consider the Transaction and give a recommendation to the Independent Shareholders in respect of the Transaction. An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders.

As additional time is needed to prepare the financial information of the Disposal Group for the six month ended 30 June 2016, a circular containing, among other things, (i) further details of the Disposal; (ii) a Competent Person's Report in accordance with the requirements of Chapter 18 of the Listing Rules; (iii) a notice of the EGM; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (vi) other relevant information, including the financial information of the Group and the Disposal Group, as well as pro forma financial information of the Group, will be despatched to the Shareholders on or before 25 August 2016.

The Completion of the Disposal is subject to the fulfilment 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 when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:00 a.m. on 1 April 2016. An application has been made to the Stock Exchange for the resumption of trading in Shares with effect from 9:00 a.m. on 15 July 2016.

DEFINITIONS

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

"Agreement"	the conditional agreement dated 25 April 2016 (as supplemented by a supplemental agreement dated 11 July 2016) entered into between the Vendor and Purchaser in relation to the Disposal
"Board"	the board of Directors
"Business Day"	a day other than a Saturday, Sunday or public holiday in Hong Kong
"Coal Business"	services included coal mining and operation, sales of coal in the PRC, which is one of the principal activities performed by the Group prior to the Disposal
"Company"	China Qinfa Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"Complete" or "Completion"	completion of the Disposal pursuant to the terms and conditions under the Agreement
"Completion Date"	2 Business Days after the satisfaction of the last Conditions Precedent and in any event, no later than 31 December 2016
"Competent Person's Report"	has the meaning as defined in Chapter 18 of the Listing Rules
"Conditions Precedent"	conditions precedent set out in paragraph headed "Conditions Precedent"
"Consideration"	RMB176,740,000, out of which (i) RMB154,700,000 will be set off against an equivalent amount due to the Disposal Group by the Remaining Group; and (ii) the remaining RMB22,040,000 will be payable in cash by the Purchaser to the Vendor
"Director(s)"	director(s) of the Company
"Disposal"	the proposed disposal of entire issued equity interest in the Disposal Group by the Company

“Disposal Company”	Hong Kong Qinfa International Trading Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Group
“Disposal Group”	the Disposal Company and its subsidiaries
“Disposal Group Member”	any of the Disposal Company and its subsidiaries
“EGM”	an extraordinary general meeting of the Company to be held to approve the Disposal
“Encumbrance”	any mortgage, lien, charge, pledge, assignment by way of security, security interest, title retention, preferential right or trust arrangement, claim, covenant, profit á prendre, easement or other security arrangement or any other arrangement having the same effect
“Group”	the Company and its subsidiaries
“HK$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. HUANG Guosheng, Mr. LAU Sik Yuen and Mr. XING Zhiying, established to give advice to the Independent Shareholders on the terms of the Sale and Purchase Agreement
“Independent Financial Adviser”	the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement
“Independent Shareholder”	Shareholders other than the Vendor and its associates (as defined in the Listing Rules)
“International Shipping Business”	international shipping business, which is one of the principal activities performed by the Group. Such business is proposed to be retained in the listing entity
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Mr. XU”	Mr. XU Jihua, an executive Director and a controlling Shareholder (as defined under the Listing Rules)

"PRC"	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Shipping Business"	shipping services in the PRC, which is one of the principal activities performed by the Group prior to the Disposal
"Purchaser"	Bo Hai Investment Limited, a company incorporated in the British Virgin Islands with limited liability, which is directly wholly-owned by Mr. XU
"RMB"	Renminbi, the lawful currency of the PRC
"Remaining Group"	the Group other than the Disposal Group
"Share(s)"	share(s) of HK$0.10 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Transaction"	the proposed disposal of entire issue equity interest in the Disposal Company by the Company in accordance with the terms and conditions of the Agreement
"Vendor"	Qinfa Investment Limited (秦發投資有限公司), a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
"Zhuhai Qinfa"	Zhuhai Qinfa Logistics Co., Ltd (珠海秦發物流有限公司), a company established in the PRC and a wholly owned subsidiary of the Disposal Company
"%"	per cent.

By the order of the Board
China Qinfa Group Limited
XU Jihua
Chairman

Hong Kong, 14 July 2016

As at the date of this announcement, the Board comprises Mr. XU Jihua, Ms. WANG Jianfei, Mr. XU Da 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.