

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 TRANSACTION
ACQUISITION OF 70% EQUITY INTEREST IN PT SUMBER DAYA ENERGI

Reference is made to the announcement of the Company dated 3 January 2020 (“**Announcement**”). Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

The Board is pleased to announce that on 6 August 2020 (after trading hours), PT Qinfa Mining, a wholly-owned subsidiary of the Company, entered into the conditional sale and purchase agreement (the “**CSPA**”) in relation to proposed acquisition of 70% shareholding of SDE (the “**Proposed Acquisition**”) at an aggregate consideration of Indonesian Rupiah 385 million. Upon completion of the Proposed Acquisition, SDE will become a non-wholly owned subsidiary of the Company. Due to the change of transaction structure, PT Qinfa Mining proposed to directly acquire shareholding of SDE instead of New Mining Company B as disclosed in the Announcement.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Proposed Acquisition, in aggregate with the Deposit Fund, exceed 5% but are less than 25%, the transaction contemplated under the CSPA constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

CONDITIONAL SALE AND PURCHASE AGREEMENT

DATE:

Conditions of CSPA:

Completion of the Proposed Acquisition is conditional upon the following:

- (i) SDE has obtained approval from the relevant government authorities of the Republic of Indonesia, including but not limited to obtaining recommendation from the Governor of South Kalimantan (if required), approval on the change of ownership from Minister of Energy and Natural Resources and approval from the Investment Coordinating Board for the adjustment of Mining Business License B in the purpose of foreign investment;
- (ii) The Sellers have delivered to PT Qinfra Mining the proof of payment of SDE's tax up to 2019 taxation year;
- (iii) Fulfillment of statutory and regulatory compliance required for PT Qinfra Mining and its affiliation, including but not limited to the Stock Exchange, in the event that such requirement is mandatory under Listing Rules and subject to the approval from the shareholders of the Company, if applicable.

Deposit

Pursuant to the Heads of Agreement B, PT Qinfra Mining agrees to deposit to SDE the Deposit Fund in sum of US\$5 million. Due to the change of acquisition target from New Mining Company B to SDE, the Deposit Fund is/was received by Kokos Jiang, which will be deemed as part of WM's entitlement of 15% the total saleable coal production of SDE. The First Deposit Fund was made by PT Qinfra Mining to Kokos Jiang to his designated bank account on 13 March 2020. The second deposit in the amount of US\$1 million shall be made by PT Qinfra Mining to Kokos Jiang within five business days from the date of the CSPA.

In the event the Proposed Acquisition could not be completed on or before 31 December 2020 for any reasons, Kokos Jiang must return the Deposit Fund to PT Qinfra Mining within 14 days from the date of notification from PT Qinfra Mining.

In the event Kokos Jiang is unable or fails to refund the Deposit Fund to PT Qinfra Mining, PT Qinfra Mining shall be entitled to immediately exercise the execution of the pledged shares under the SDE Shares Pledge Agreement. Every legal entitlement and ownership of the pledged shares, to the extent transfer of ownership to PT Qinfra Mining is allowed by laws and regulations, shall be transferred to and owned by PT Qinfra Mining. Notwithstanding the above, Kokos Jiang and PT Qinfra Mining may agree on any other manner to recover the Deposit Fund from Kokos Jiang. After the Deposit Fund has been fully settled, the parties agree that the CSPA is deemed automatically terminated.

Subject of the Proposed Acquisition:

Pursuant to the CSPA, PT Qinfa Mining agrees to acquire 70% shareholding of SDE. SDE is the holder of Mining Business License B.

FINANCIAL INFORMATION OF SDE

The financial information of SDE is as follow:

	F r the evid ded 30 A ri 2020 Indonesian Rupiah (unaudited)	F r the ear ed ded 31 Dece ber 2019 Indonesian Rupiah (audited)	F r the ear ed ded 31 Dece ber 2018 Indonesian Rupiah (audited)
Total Assets	61,596,235,631	39,782,022,071	39,898,040,199
Total Liabilities	59,556,320,000	32,575,145,044	32,570,145,044
Revenue	–	–	–
Net loss	766,087,241	121,018,127	45,899,645

The financial information of SDE approximately in RMB is as follow:

	F r the evid ded 30 A ri 2020 RMB (unaudited)	F r the ear ed ded 31 Dece ber 2019 RMB (audited)	F r the ear ed ded 31 Dece ber 2018 RMB (audited)
Total Assets	29,356,000	18,959,600	19,014,900
Total Liabilities	28,383,800	15,524,900	15,522,600
Revenue (<i>note</i>)	–	–	–
Net loss	365,108	57,676	21,875

Note: SDE has not commenced any operating activities during the period/years and no revenue was recorded.

S b a' d be' efi' Ob iga' a' d be' efi'

PT Qinfa Mining is responsible for the subsequent investment on the coal mine exploration and development of SDE. PT Qinfa Mining will provide its best effort and support to assist SDE to reach a coal mine with the designed three million metric ton of raw coal minimum capacity within 48 months from the date of completion of the Proposed Acquisition.

WM, represented by Kokos Jiang, will provide its best effort to assist SDE to obtain any government approval and land acquisition.

In any case if SDE cannot commence production within 48 months from the date of completion of the Proposed Acquisition, 70% of shareholding in SDE will be sold back to WM at par value.

As agreed under the Heads of Agreement B, WM will only entitle to 15% of total saleable coal of SDE's production instead of dividend from SDE. 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 SDE in connection with the 15% of total saleable coal.

INFORMATION ON THE GROUP AND SDE

The Group is principally engaged in coal mining, purchase and sales, filtering, storage, blending of coal and shipping transportation. PT Qinfa Mining is a limited liability company established in Indonesia and an indirect wholly-owned subsidiary of the Company. The scope of business of PT Qinfa Mining includes trading of coal.

SDE is a company duly registered and established in Indonesia with limited liability, which is principally engaged in coal trading. SDE is the holder of Mining Business License B in respect of coal mine located in Sungai Durian, Kotabaru, South Kalimantan, Indonesia with area of approximately 184.92 square kilometers. The coal mine is also surrounded by area that is proved to be rich in coal resources owned by a listed entity in Indonesia. Although certain drillings have been conducted on the coal mine by SDE, the result is not yet verified by independent third party. The Group has performed certain verification on existing exploration results. The Directors consider that acquisition of the shareholding of SDE under the CSPA before incurring further cost of exploration of the coal mine will safeguard the benefit of the Group.

The CSPA contains certain representations and warranties given by the Sellers including (i) the legal capacity of the Sellers and being sole beneficial owners; and (ii) the Sellers shall indemnify and hold harmless the Buyers in the event there are any claims and unsettled obligations before signing of Heads of Agreement B and any non-operational obligation of SDE before signing of CSPA; and (iii) any unsettled tax liabilities of SDE on or before the date of completion of share transfer will be fully responsible by the Sellers. The Group has conducted due diligence review on legal, financial and tax aspects with satisfactory result. The Directors are in the view that the interest of the Group is safeguarded under the warranties given by the Sellers.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Proposed Acquisition gives PT Qinfa Mining opportunity to obtain Mining Business License B with relatively low cost due to remote location and undeveloped status of the relevant coal mine. Coal mine of SDE has the potential to be developed into an advanced underground coal mine with large scale production output. The Company has been actively seeking possible investment opportunities in Indonesia since 2019. The Proposed Acquisition will enable the Company to export mature exploration technology and to expand the overseas market. Should the Proposed Acquisition 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 terms of the Proposed Acquisition are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Proposed Acquisition, in aggregate with the Deposit Fund, exceed 5% but are less than 25%, the transaction contemplated under the CSPA constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

By Order of the Board of
Chi a Qi fa Gr Li i
Mr. XU Da
Chairman

Guangzhou, 7 August 2020

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