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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)

CAPITALISATION OF LOAN

The Board announces that on 25 December 2015 (after trading hours), the Company has entered into the Agreement with the Creditor pursuant to which the Creditor requested the full and final settlement of the Loan by capitalising the Loan in the amount of RMB48,822,613 (equivalent to approximately HK$58,480,000).

The Subscription Shares amounted to 215,000,000 new Shares, which represent (1) approximately 9.44% of the issued share capital of the Company as at the date of this announcement; and (2) approximately 8.62% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Subscription Shares will be allotted and issued under the General Mandate.

THE AGREEMENT

Date: 25 December 2015 (after trading hours)

Parties:

Debtor: the Company

Creditor: Link Beautiful Limited (聯合嘉華有限公司), a company incorporated in the British Virgin Islands with limited liability.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Creditor and its ultimate beneficial owner(s) is a third party independent of the Company and its connected persons. At the date of this announcement, the Creditor did not hold any Shares.

Information of the Loan and the issue of the Subscription Shares

On 25 December 2015, the subsidiaries of the Company owed certain bank loans to China Minsheng Banking Corp., Ltd. China Minsheng Banking Corp., Ltd signed a deed to assign the bank loans, including the Loan, to the Creditor. On 25 December 2015, the Group consolidated the Loan and novated the Loan from the subsidiaries of the Company to the Company as the principal debtor. As a result, the Loan is owed by the Company to the Creditor. Pursuant to the Agreement, the Creditor has conditionally agreed to subscribe for 215,000,000 new Shares each at a subscription price of approximately HK$0.272 per Share by capitalisation of the Loan in the amount of RMB48,822,613 (equivalent to approximately HK$58,480,000).

The Subscription Shares amounted to 215,000,000 new Shares, which represent (1) approximately 9.44% of the issued share capital of the Company as at the date of this announcement; and (2) approximately 8.62% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Subscription Shares, upon issue, will rank pari passu in all respects among themselves and with the Shares in issue as at the date of allotment and issue of the Subscription Shares.

Condition of the Agreement

Completion of the allotment and issue of the Subscription Shares is conditional upon the grant of the listing of, and permission to deal in, the Subscription Shares by the Listing Committee.

Completion of the Subscription Agreement

Completion shall take place on the day the condition has been fulfilled or such other date as may be agreed between the Company and the Creditor.

General mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under General Mandate is 415,682,797 Shares. As at the date of this announcement, the Company has allotted and issued 200,000,000 new Shares pursuant to the General Mandate on 21 December 2015. The Shares under the existing General Mandate is sufficient for the allotment and issue of the Subscription Shares. The Company has not repurchased any Shares within the 30 days prior to the date of this announcement.

Issue Price for the issue of Subscription Shares

The Issue Price of HK$0.272 in respect of the Subscription Shares represents:–

(i) a premium of approximately 6.67% over the closing price of HK$0.255 per Share as quoted on the Stock Exchange on the last trading day of the Shares immediately before the date of this announcement; and

(ii) the average closing price of approximately HK$0.272 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately before the date of this announcement.

The Issue Price was arrived at after arm's length negotiations between the Company and the Creditor with reference to the recent trading prices of the Shares as shown above. The Directors consider the Issue Price and the terms and conditions of the Agreement fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Application for listing

Application will be made to the Stock Exchange to grant the listing of, and permission to deal in, the Subscription Shares.

Shareholding structure of the Company

The shareholding structure of the Company immediately before completion of the allotment and issue of the Subscription Shares and immediately after completion of the allotment and issue of the Subscription Shares are and will be as follows:–

Shareholders	**As at the date of this announcement**		**Shareholding immediately after the allotment and issue of the Subscription Shares**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
Shareholder				
Mr. XU Jihua *(Note 1)*	1,050,229,610	46.09%	1,050,229,610	42.12%
Directors				
Ms. Wang Jianfei	100,000,000	4.39%	100,000,000	4.01%
Mr. XU Da *(Note 2)*	145,135,251	6.37%	145,135,251	5.82%
Mr. MA Baofeng	50,000,000	2.19%	50,000,000	2.01%
Mr. Bai Tao	50,000,000	2.19%	50,000,000	2.01%
The Creditor	–	–	215,000,000	8.62%
Public Shareholders	883,049,124	38.80%	883,049,124	35.42%
Total	2,278,413,985	100.00%	2,493,413,985	100.00%

Note 1: 14,229,610 Shares are directly held by Mr. Xu Jihua, the Chairman and an executive director of the Company. 1,036,000,000 Shares are held by Fortune Pearl International Limited, which is wholly-owned by Mr. Xu Jihua.

Note 2: Mr. Xu Da is the son of Mr. Xu Jihua.

Reasons for and benefit of entering into of the Agreement

The Agreement serves to convert the outstanding principal and interest of the Loan into equity capital of the Company, which will reduce the amount of borrowings of the Group and improve its financial position in an efficient and effective manner. The Directors are of the opinion that it is in the interests of the Company to preserve as much liquidity as possible in order to strengthen the Group's financial position and secure a sustainable business growth. As the Creditor is optimistic with the future of the business of the Group and is willing to accept the Subscription Shares for the settlement of the Loan, the Directors consider that the entering into of the Agreement is for the benefit of the Shareholders and the Company as a whole.

DEFINITIONS

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

"Agreement"	the debt to equity agreement dated 25 December 2015 and entered into by the Company and the Creditor in relation to the capitalisation of the Loan
"Board"	the board of Directors
"Company"	China Qinfa 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)
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Creditor"	Link Beautiful Limited (聯合嘉華有限公司, a company incorporated in the British Virgin Islands with limited liability
"Director(s)"	the director(s) of the Company
"General Mandate"	the general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 25 June 2015
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Issue Price"	the issue price of HK$0.272 per Subscription Share in respect of Subscription Shares
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan"	the loan owed by the Company to the Creditor in the amount of RMB48,822,613 (equivalent to approximately HK$58,480,000) as at the date of this announcement
"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
"RMB"	Renminbi, the lawful currency of the PRC

"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
"Subscription Share(s)"	215,000,000 new shares to be allotted and issued to the Creditor
"%"	per cent

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

Hong Kong, 27 December 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.