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中國秦發集團有限公司
CHINA QINF A GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 866)

DISCLOSEABLE TRANSACTION

**JOINT VENTURE COMPANY FOR THE
CONSTRUCTION AND OPERATION OF THE ZHUHAI TERMINAL**

Following the grant of all the Approvals, the Board is pleased to announce that the Joint Venture Agreement has become effective from 22 March 2010. The arrangements under the Joint Venture Agreement are described in the Prospectus pursuant to which the Joint Venture Company is approved to be established for the construction and operation of the Zhuhai Terminal. The Joint Venture Company will have a registered capital of RMB519.0 million (equivalent to approximately HK\$589.8 million), of which Qinfa Trading will contribute 60%, i.e. RMB311.4 million (equivalent to approximately HK\$353.9 million) and Hebei Port Group will contribute 40%, i.e. RMB207.6 million (equivalent to approximately HK\$235.9 million). Thus, the Joint Venture Company will be a non-wholly owned subsidiary of the Company and the operating results of the Joint Venture Company will be consolidated into the accounts of the Group.

The Zhuhai Terminal is described in the Prospectus as part of the Group's future plans. Hence, the funding for the establishment of the Zhuhai Terminal will be made out of the net proceeds from the Global Offering, as described in the Prospectus.

The Directors believe that the Group will enjoy the following benefits through the establishment of the Joint Venture Company and the operation of the Zhuhai Terminal:–

- the strategic location of the Zhuhai Terminal is very close to the Group's customers located in the coal consuming coastal cities of southern China which allows the Group to reduce transportation cost and respond to the customers' need quickly;
- the large berthing capacity, 100,000 DWT (construction structure: 150,000 DWT), of the Zhuhai Terminal is suitable for large vessels, such as Capesize and Panamax, for the delivery of coal, which is expected to further reduce the transportation costs;

- the Group's coal storage capacity is expected to increase by approximately 45% to approximately 2.9 million tonnes and the annual coal blending capacity is also expected to increase by approximately 100% to approximately 10.0 million tonnes; and
- the Zhuhai Terminal is expected to provide other vessels with additional terminal facilities for import and export of their goods or use the terminal as their transshipment centre, which is expected to enhance the source of port service fee income of the Group.

Pursuant to the Joint Venture Agreement, Qinfa Trading is under no contractual obligation to contribute additional amount other than its contribution to the registered capital of the Joint Venture Company. Based on the amount of the registered capital of the Joint Venture Company, the transaction under the Joint Venture Agreement constitutes a discloseable transaction (as such term is defined under the Listing Rules) for the Company under the Listing Rules as one or more of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) exceed 5% but do not exceed 25%. Accordingly, the Company is required to issue this announcement pursuant to Rule 14.33 of the Listing Rules.

The Directors (including the independent non-executive Directors) confirm that the terms and conditions of the Joint Venture Agreement are fair and reasonable and negotiated on an arm's length basis upon normal commercial terms. Having considered the terms and conditions of the Joint Venture Agreement and the benefits that may be obtained from the establishment of the Joint Venture Company, the Directors (including the independent non-executive Directors) further confirm that the Joint Venture Agreement and the establishment of the Joint Venture Company are in the interest of the Group and the Shareholders as a whole.

BACKGROUND INFORMATION

Following the grant of all the Approvals, the Board is pleased to announce that the Joint Venture Agreement has become effective from 22 March 2010. The arrangements under the Joint Venture Agreement are described in the Prospectus pursuant to which the Joint Venture Company is approved to be established for the construction and operation of the Zhuhai Terminal. The Joint Venture Company will have a registered capital of RMB519.0 million (equivalent to approximately HK\$589.8 million), of which Qinfa Trading will contribute 60%, i.e. RMB311.4 million (equivalent to approximately HK\$353.9 million) and Hebei Port Group will contribute 40%, i.e. RMB207.6 million (equivalent to approximately HK\$235.9 million). Thus, the Joint Venture Company will be a non-wholly owned subsidiary of the Company and the operating results of the Joint Venture Company will be consolidated into the accounts of the Group.

The Zhuhai Terminal is described in the Prospectus as part of the Group's future plans. Hence, the funding for the establishment of the Zhuhai Terminal will be made out of the net proceeds from the Global Offering, as described in the Prospectus.

THE JOINT VENTURE AGREEMENT

The following table sets forth the detailed terms of the Joint Venture Agreement:—

Date: 21 October 2009. The PRC legal advisers to the Company have confirmed that the Joint Venture Agreement does not constitute a legally binding agreement until all the Approvals have been granted.

Parties: Qinfa Trading and Hebei Port Group

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Hebei Port Group and its ultimate beneficial owner are Independent Third Parties.

Scope of business: The scope of business of the Joint Venture Company shall include the construction and the operation of the Zhuhai Terminal as a coal port with an annual aggregate throughput capacity of 15.0 million tonnes, which is lower than the value of 20.0 million tonnes stated in the Prospectus and was based on a preliminary feasibility report.

Term: The Joint Venture Company will operate for a term of 50 years from the date of issue of its business licence, which can be extended upon the parties' agreement and approval by the relevant government authority.

Registered capital: RMB519.0 million (equivalent to approximately HK\$589.8 million), of which Qinfa Trading will contribute 60%, i.e. RMB311.4 million (equivalent to approximately HK\$353.9 million), and Hebei Port Group will contribute 40%, i.e. RMB207.6 million (equivalent to approximately HK\$235.9 million).

Thus, the Joint Venture Company will be 60% owned by the Group and 40% owned by Hebei Port Group.

Capital contribution method and schedule: The registered capital shall be contributed by the parties in cash in the following manner:—

- the first installment of not less than 15% of the registered capital shall be contributed by the parties within three months after the issue of the Joint Venture Company's business licence; and
- the remaining registered capital shall be fully paid by the parties within two years after the issue of the Joint Venture Company's business licence.

- Total investment amount: The total investment amount of the Joint Venture Company will be approximately RMB1,500 million and shall be arranged by the Joint Venture Company. None of the parties to the Joint Venture Agreement shall be obliged to arrange for or to contribute to any further amount in addition to the amount of the registered capital of the Joint Venture Company.
- Board composition: The board of directors of the Joint Venture Company shall comprise five members, two of whom shall be nominated by Hebei Port Group and the other three shall be nominated by Qinfa Trading. Each director shall be appointed for a term of three years. The chairman of the board shall be appointed by Qinfa Group and the vice chairman of the board shall be appointed by Hebei Port Group.
- Profit/loss sharing: The parties to the Joint Venture Agreement shall be entitled to enjoy the distribution of the Joint Venture Company on a pro rata basis.
- Effectiveness: The Joint Venture Agreement provides that it shall become effective upon the Approvals being granted.

CURRENT STATUS OF THE ZHUHAI TERMINAL

As disclosed in the Prospectus, the Group entered into agreements with QPCL in 2008 pursuant to which QPCL agreed to evaluate the Zhuhai Terminal project and the possibility of making an equity investment of 40% therein. Subsequent to the date of the Prospectus, the government of the Hebei Province has initiated a series of restructuring in the management of the ports in Hebei Province. As a result, Hebei Port Group was established in 2009 which is vested with the responsibility for the management of the ports in Hebei Province, China. Although the Zhuhai Terminal is not in Hebei Province, Hebei Port Group is confirmed to be the appropriate investment vehicle for investments in similar business in other China provinces. As a result, the Group and QPCL mutually agreed to terminate the previous agreements.

As of the date hereof, the Approvals obtained for the construction and operation of the Zhuhai Terminal include the approval from 國家商務部 (Ministry of Commerce), 國家環境保護部 (Ministry of Environmental Protection), 國土資源部 (Ministry of Land and Resources), 交通運輸部 (Ministry of Transport), 國家海洋局 (State Oceanic Administration) and 國家發改委 (National Development and Reform Commission). The permits and certificates including 外商投資批准證書 (certificate of approval), 企業法人營業執照 (business registration licence), 組織機構代碼證 (organisation code certificate), 稅務登記證 (tax registration certificate) and 財政登記證 (finance registration certificate) of the Joint Venture Company have been obtained. The 外匯登記證 (foreign exchange registration certificate) of the Joint Venture Company has been granted in principle and the relevant official document is expected to be available by end of March 2010. The 港口經營許可證 (port operation permit) is expected to be available upon completion of construction work and satisfactory inspection of all terminal facilities as part of the Zhuhai Terminal.

The construction of the Zhuhai Terminal is expected to commence in the second quarter of 2010 and complete in the second quarter of 2012. The operation of the Zhuhai Terminal is expected to commence in the second quarter of 2012.

PROPOSED LAYOUT AND FACILITIES OF THE ZHUHAI TERMINAL

The proposed layout and facilities of the Zhuhai Terminal are set forth below:-

Location:	Beishunan, South Water Operation Area, Gaolangang Economic Zone, Zhuhai, Guangdong Province, the PRC, occupying a parcel of land having an area of approximately 340,000 square metres with a water frontage of approximately 700 metres
Water alignment:	Design estuary navigation waterway and turnover waterways based on the terminal design standards of 100,000 DWT vessels tidal navigation
Hydraulic structures:	Structures of one berth of 100,000 DWT (construction structure: 150,000 DWT), three berths of 3,000 DWT and one berth of 2,000 DWT (construction structure: 70,000 DWT) using the technology for long-lasting operation for 50 years
Surface storage area:	Pavement in the main access will be in high-strength concrete and the storage area will be in cast-in place concrete and the ramp areas will be made of gross hollow bricks
Construction period:	Approximately 30 months

FINANCING FOR THE CAPITAL CONTRIBUTION COMMITMENT

The Group intends to fund the capital contribution commitment to the Joint Venture Company from the net proceeds of the Global Offering as disclosed in the Prospectus.

REASONS FOR ENTERING INTO THE JOINT VENTURE AGREEMENT

The Directors believe that the Group will enjoy the following benefits through the establishment of the Joint Venture Company and the operation of the Zhuhai Terminal:-

- the strategic location of the Zhuhai Terminal is very close to the Group's customers located in the coal consuming coastal cities of southern China which allows the Group to reduce transportation cost and respond to the customers' need quickly;
- the large berthing capacity, 100,000 DWT (construction structure: 150,000 DWT), of the Zhuhai Terminal is suitable for large vessels, such as Capesize and Panamax, for the delivery of coal, which is expected to further reduce the transportation costs;

- the Group's coal storage capacity is expected to increase by approximately 45% to approximately 2.9 million tonnes and the annual coal blending capacity is also expected to increase by approximately 100% to approximately 10.0 million tonnes; and
- the Zhuhai Terminal is expected to provide other vessels with additional terminal facilities for import and export of their goods or use the terminal as their transshipment centre, which is expected to enhance the source of port service fee income of the Group.

GENERAL INFORMATION

Information on Hebei Port Group

Hebei Port Group was established under the laws of the PRC as a limited liability company on 8 July 2009 with a registered capital of RMB8,000 million. It is wholly-owned by the State and its principal business includes the development and operation of the Qinhuangdao Port (秦皇島港), Caofeidian Port (曹妃甸港) and Huanghua Port (黃驊港) in Hebei Province, China.

Information on Qinfa Trading and the Company

Qinfa Trading is a limited liability company established in Hong Kong on 15 November 2002 and is a wholly-owned subsidiary of the Company. Qinfa Trading is principally engaged in investment holding and coal trading.

The Company is an investment holding company with its shares listed on the Stock Exchange. The Group is principally engaged in the coal operation business involving purchase and sales, filtering, storage, blending, shipping and transportation of coal.

LISTING RULES IMPLICATIONS

Pursuant to the Joint Venture Agreement, Qinfa Trading is under no contractual obligation to contribute additional amount other than its contribution to the registered capital of the Joint Venture Company. Based on the amount of the registered capital of the Joint Venture Company, the transaction under the Joint Venture Agreement constitutes a discloseable transaction (as such term is defined under the Listing Rules) for the Company under the Listing Rules as one or more of the applicable percentage ratios (as defined in Chapter 14 of the Listing Rules) exceed 5% but do not exceed 25%. Accordingly, the Company is required to issue this announcement pursuant to Rule 14.33 of the Listing Rules.

The Directors (including the independent non-executive Directors) confirm that the terms and conditions of the Joint Venture Agreement are fair and reasonable and negotiated on an arm's length basis upon normal commercial terms. Having considered the terms and conditions of the Joint Venture Agreement and the benefits that may be obtained from the establishment of the Joint Venture Company, the Directors (including the independent non-executive Directors) further confirm that the Joint Venture Agreement and the establishment of the Joint Venture Company are in the interest of the Group and the Shareholders as a whole.

DEFINITIONS

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

“Approvals”	all the approvals for the establishment of the Joint Venture Company and the construction and operation of the Zhuhai Terminal, save for the 港口經營許可證 (port operation permit)
“Board”	the board of Directors;
“Capesize”	Cargo ships which are typically above 150,000 DWT
“China” or “PRC”	The People’s Republic of China which excludes, for the purpose of this announcement, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan;
“Company”	China Qinfra Group Limited (中國秦發集團有限公司) (Stock code: 00866), a company incorporated under the laws of the Cayman Islands with limited liability with all of its shares listed on the Stock Exchange;
“Directors”	the directors of the Company;
“DWT”	the deadweight of a ship expressed in tonnes, being the total weight of cargo, fuel, fresh water, stores and crew which the ship can carry
“Global Offering”	the global offering of the Shares as defined in the Prospectus;
“Group”	the Company and its subsidiaries;
“Hebei Port Group”	河北港口集團有限公司 (Hebei Port Group Company Limited*), a limited liability company established under the laws of the PRC and an Independent Third Party;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Third Party(ies)”	third party(ies) who is/are independent of the Company, the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules;

“Joint Venture Agreement”	the Joint Venture Agreement dated 21 October 2009 and entered into between Qinfa Trading and Hebei Port Group for the establishment of the Joint Venture Company and the operation of the Zhuhai Terminal;
“Joint Venture Company”	the sino-foreign joint venture company to be established and operated in accordance with the terms of the Joint Venture Agreement and to be named 珠海秦發港務有限公司 (Zhuhai Qinfa Port Company Limited*);
“Listing Rules”	The Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“Panamax”	ships of the maximum dimensions that will fit through the locks of the Panama Canal, the size of which is determined by the dimension of the lock chambers and the depth of the water in the canal
“Prospectus”	the prospectus of the Company dated 19 June 2009;
“Qinfa Trading”	Hong Kong Qinfa Trading Limited, a limited liability company established under the laws of Hong Kong and a wholly-owned subsidiary of the Company;
“QPCL”	秦皇島港股份有限公司 (Qinhuangdao Port Company Limited*) and/or its affiliated company, Independent Third Parties, the ultimate holding company of which is a State-owned enterprise;
“RMB”	Renminbi, the lawful currency of China;
“Shares”	shares of HK\$0.1 each in the share capital of the Company;
“Shareholders”	holders of the Shares;
“State”	the central government of China including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and

“Zhuhai Terminal”

the public bulk coal terminal to be established at 珠海港高欄港區南水作業區北港池北側 (Beishunan, South Water Operation Area, Gao Langang Economic Zone, Zhuhai, China).

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

Hong Kong, 22 March 2010

* *English translation for identification only.*

Unless otherwise specified, translations of RMB into HK\$ in this announcement are based on the rates of HK\$1.0 = RMB0.88. No representation is made that any amount in RMB and HK\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

As at the date of this announcement, the Board comprises Mr. XU Jihua, Ms. WANG Jianfei, Ms. LIU Xiaomei and Mr. WENG Li as the executive Directors, and Dr. CHEN Wenjing, Mr. HUANG Guosheng and Mr. LAU Sik Yuen as the independent non-executive Directors.