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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: 866)**

**FINAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

**FINANCIAL HIGHLIGHTS**

In spite of the adverse economic condition due to the global financial tsunami in late 2008 and the first half of 2009, the Group recovered well in the second half of 2009 and achieved the following:–

- Total turnover was approximately RMB3,927 million in 2009, representing a slight decrease of approximately 6% from approximately RMB4,192 million in 2008.
- Coal trading volume was approximately 6.8 million tonnes in 2009, representing an increase of approximately 7.9% from approximately 6.3 million tonnes in 2008.
- Gross profit margin of coal trading business maintained at approximately 12.0% in 2009 which was comparable to the gross profit margin of approximately 12.3% in 2008.
- Total comprehensive income dropped by 35.2% from approximately RMB219.8 million in 2008 to approximately RMB142.4 million in 2009.

The board (the “**Board**”) of directors (the “**Directors**”) of China Qinfra Group Limited (the “**Company**”) is pleased to announce the consolidated results and financial position of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2009 with comparative figures for the year ended 31 December 2008 as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December	
		2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
<b>Turnover</b>	4	<b>3,926,993</b>	4,192,484
Cost of sales		<b>(3,501,338)</b>	(3,632,568)
<b>Gross profit</b>		<b>425,655</b>	559,916
Other income	5	<b>15,195</b>	101,203
Distribution expenses		<b>(100,025)</b>	(155,850)
Administrative expenses		<b>(80,267)</b>	(59,579)
Other expenses		<b>(2,937)</b>	(1,814)
<b>Results from operating activities</b>		<b>257,621</b>	443,876
Finance income		<b>13,234</b>	15,733
Finance costs		<b>(43,291)</b>	(64,310)
<b>Net finance costs</b>	6(a)	<b>(30,057)</b>	(48,577)
<b>Profit before income tax</b>		<b>227,564</b>	395,299
Income tax expense	7	<b>(98,061)</b>	(64,609)
<b>Profit for the year</b>		<b>129,503</b>	330,690
<b>Other comprehensive income</b>			
Exchange differences on translation of financial statements of overseas subsidiaries		<b>(46)</b>	(24,666)
Net change in fair value of available-for-sale financial assets		<b>12,918</b>	(86,205)
<b>Other comprehensive income for the year (after tax and reclassification adjustment)</b>		<b>12,872</b>	(110,871)
<b>Total comprehensive income for the year</b>		<b>142,375</b>	219,819
<b>Profit attributable to:</b>			
Equity shareholders of the Company		<b>129,503</b>	330,690
<b>Profit for the year</b>		<b>129,503</b>	330,690

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

		<b>Year ended 31 December</b>	
		<b>2009</b>	<b>2008</b>
<i>Note</i>		<i>RMB'000</i>	<i>RMB'000</i>
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Company		<b>142,375</b>	219,819
<b>Total comprehensive income for the year</b>		<b>142,375</b>	219,819
<b>Earnings per share</b>			
Basic earnings per share (RMB)	9(a)	<b>0.15</b>	0.44
Diluted earnings per share (RMB)	9(b)	<b>0.15</b>	N/A

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2009	2008
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Property, plant and equipment		996,231	927,683
Lease prepayments		6,053	6,193
Other investments		30,390	—
Deferred tax assets		6,561	11,411
		1,039,235	945,287
		1,039,235	945,287
<b>Current assets</b>			
Inventories		358,124	77,713
Trade and other receivables	10	1,349,832	375,558
Pledged deposits		1,037,328	485,425
Cash and cash equivalents		376,187	201,499
		3,121,471	1,140,195
		3,121,471	1,140,195
<b>Current liabilities</b>			
Loans and borrowings	11	(2,013,813)	(907,266)
Trade and other payables	12	(370,104)	(123,995)
Current taxation		(167,578)	(57,658)
		(2,551,495)	(1,088,919)
		(2,551,495)	(1,088,919)
<b>Net current assets</b>		569,976	51,276
<b>Total assets less current liabilities</b>		1,609,211	996,563
<b>Non-current liabilities</b>			
Loans and borrowings	11	(231,924)	(261,608)
<b>Net assets</b>		1,377,287	734,955

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		At 31 December	
	<i>Note</i>	2009	2008
		<i>RMB'000</i>	<i>RMB'000</i>
<b>Capital and reserves</b>			
Share capital		91,474	–
Reserves		1,285,813	734,955
		<hr/>	<hr/>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>1,377,287</b>	<b>734,955</b>
		<hr/>	<hr/>
<b>Total equity</b>		<b>1,377,287</b>	<b>734,955</b>
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# NOTES TO THE FINANCIAL STATEMENTS

## 1 COMPANY BACKGROUND AND BASIS OF PREPARATION

### 1.1 General information and the basis of presentation

China Qinfra Group Limited (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.

Pursuant to a reorganisation (the “Reorganisation”) of the Company and its subsidiaries (collectively referred to as the “Group”) which was completed on 12 June 2009 to rationalise the Group’s structure in preparation for the public offering (as defined in the prospectus of the Company dated 19 June 2009 (the “Prospectus”)) of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (“The Stock Exchange”), the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the Prospectus. The Company’s shares have been listed on the Main Board of The Stock Exchange since 3 July 2009.

Since all entities which took part in the Reorganisation were under common control of a group of ultimate equity shareholders, the Group is regarded as a continuing entity resulting from the reorganisation of entities under common control. These financial statements have been prepared on the basis that the current group structure had been in existence at the beginning of the earliest year presented. Accordingly, the consolidated results of the Group for the years ended 31 December 2008 and 2009 include the results of the Company and its subsidiaries with effect from 1 January 2008 or, if later, since their respective dates of incorporation as if the current group structure had been in existence throughout the two years presented. The consolidated statements of financial position of the Group as at 31 December 2008 and 31 December 2009 have been prepared as if the current group structure had been in existence as at the respective dates. All material intra-group transactions and balances have been eliminated on consolidation.

### 1.2 Basis of preparation

#### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IAS”) and related Interpretations, promulgated by the International Accounting Standards Board (“IASB”), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

#### (b) Basis of measurement

These financial statements are presented in Renminbi (“RMB”), which is rounded to the nearest thousand. They have been prepared on the historical cost basis except that the available-for-sale financial assets are measured at fair value.

(c) *Use of estimates and judgements*

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## **2 CHANGES IN ACCOUNTING POLICIES**

The IASB has issued one new IFRS, a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, Operating segments
- IAS 1 (revised 2007), Presentation of financial statements
- Amendments to IFRS 7, Financial instruments: Disclosures-improving disclosures about financial instruments
- Improvements to IFRSs (2008)
- IAS 23 (revised 2007), Borrowing costs

The amendments to IAS 23 and Improvements to IFRSs (2008) had no material impact on the Group's financial statements as the amendments and interpretations were consistent with policies already adopted by the Group. The impact of the remainder of these developments on these financial statements is as follows:

- As at 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer (the "CEO"), who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating segments. Previously operating segments were determined and presented in accordance with IAS 14 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of IFRS 8. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that related to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total costs incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Corresponding amounts have been provided on a basis consistent with the revised segment information. In making the disclosure in respect of reliance on major customers the Group has early adopted the amendment to paragraph 34 of IFRS 8, such that it applies judgement in determining whether a government (including government agencies and similar bodies whether local, national or international) and entities known to the Group to be under the control of that government are considered to be a single customer.

- The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as at 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these financial statements as at and for the year ended 31 December 2009. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- As a result of the adoption of the amendments to IFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group’s financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to IFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

**3 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009**

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

		<b>Effective for accounting periods beginning on or after</b>
Revised IFRS 1	First-time adoption of International Financial Reporting Standards	1 July 2009
Revised IFRS 3	Business combinations	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
Amended IAS 27	Consolidated and separate financial statements	1 July 2009
Amendment to IAS 39	Financial instruments: Recognition and measurement-Eligible hedged items	1 July 2009

**Effective for  
accounting periods  
beginning on or after**

IFRIC 17	Distributions of non-cash assets to owners	1 July 2009
Improvements to IFRSs 2009		1 July 2009 or 1 January 2010
Amendment to IFRS 1	First-time adoption of International Financial Reporting Standards-Additional exemptions for first-time adopters	1 January 2010
Amendments to IFRS 2	Share-based payment-Group cash-settled share-based payment transactions	1 January 2010
Amendment to IAS 32	Financial instruments: Presentation-Classification of rights issues	1 February 2010
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010
Amendment to IFRS 1	First-time adoption of International Financial Reporting Standards-Limited exemption from comparative IFRS 7 disclosure for first-time adopters	1 July 2010
Revised IAS 24	Related party disclosures	1 January 2011
Amendment to IFRIC 14, IAS 19	The limit on a defined benefit asset, minimum funding requirements and their interaction-Prepayments of a minimum funding requirement	1 January 2011
IFRS 9	Financial instruments	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. Up to the date of issuance of these financial statements, the Group believes that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

#### 4 SEGMENT REPORTING

##### (a) Segment results, assets and liabilities

The Group has three reportable segments, as sales of coal, sales of iron ore and shipping transportation, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the CEO reviews internal management reports on a monthly basis.

For the purposes of assessing segment performance and allocating resources between segments, the CEO monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

The measure used for reporting segment profit is adjusted profit before net finance costs and taxes. Items not specifically attributable to individual segments, such as gain from disposal of available-for-sale financial assets, unallocated head office and corporate administration costs are further adjusted.

Segment assets include all tangible, intangible assets and current assets with the exception of investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade and other payables attributable to activities of the individual segments and loans and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

	Sales of Coal		Sales of Iron Ore		Shipping Transportation		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover from external customers	3,361,403	4,050,170	506,845	-	58,745	142,314	3,926,993	4,192,484
Inter-segment turnover	-	-	-	-	148,036	68,289	148,036	68,289
<b>Reportable segment turnover</b>	<b>3,361,403</b>	<b>4,050,170</b>	<b>506,845</b>	<b>-</b>	<b>206,781</b>	<b>210,603</b>	<b>4,075,029</b>	<b>4,260,773</b>
<b>Reportable segment profit/(loss) before income tax</b>	<b>255,648</b>	<b>299,496</b>	<b>34,076</b>	<b>-</b>	<b>(25,553)</b>	<b>52,813</b>	<b>264,171</b>	<b>352,309</b>
Depreciation and amortisation for the year	5,911	5,424	-	-	70,364	32,474	76,275	37,898
Reportable segment assets	3,442,403	1,521,885	16,864	-	1,138,966	957,546	4,598,233	2,479,431
Reportable segment liabilities	(2,592,010)	(853,931)	-	-	(1,060,935)	(843,382)	(3,652,945)	(1,697,313)

**(b) Reconciliations of reportable segment turnover, profit or loss, assets and liabilities**

**Turnover**

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Reportable segment turnover	4,075,029	4,260,773
Elimination of inter-segment turnover	(148,036)	(68,289)
Consolidated turnover	<b>3,926,993</b>	<b>4,192,484</b>

**Profit**

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Reportable segment profit before income tax	264,171	352,309
Elimination of inter-segment loss	249	3,770
Unallocated head office and corporate (expenses)/income	(6,799)	87,797
Net finance costs	(30,057)	(48,577)
Consolidated profit before income tax	<b>227,564</b>	<b>395,299</b>

**Assets**

	<b>2009</b>	2008
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Reportable segment assets	<b>4,598,233</b>	2,479,431
Elimination of inter-segment receivables and inventories	<b>(256,563)</b>	(405,554)
Elimination of receivables from head office	<b>(219,502)</b>	–
Deferred tax assets	<b>6,561</b>	11,411
Unallocated assets	<b>31,977</b>	194
	<hr/>	<hr/>
Consolidated total assets	<b>4,160,706</b>	2,085,482
	<hr/> <hr/>	<hr/> <hr/>

**Liabilities**

	<b>2009</b>	2008
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Reportable segment liabilities	<b>3,652,945</b>	1,697,313
Elimination of inter-segment payables	<b>(255,469)</b>	(404,444)
Elimination of payables to head office	<b>(790,855)</b>	–
Current tax liabilities	<b>167,578</b>	57,658
Unallocated liabilities	<b>9,220</b>	–
	<hr/>	<hr/>
Consolidated total liabilities	<b>2,783,419</b>	1,350,527
	<hr/> <hr/>	<hr/> <hr/>

**(c) Geographic information**

The Group's total assets are primarily dominated by the assets handling its coal, iron ore and shipping businesses. The coal and iron ore are sold primarily to the PRC domestic customers and therefore related assets and liabilities are almost all located in the PRC. The vessels are primarily utilised across geographical market for shipping transportation throughout the world. As a result, the directors consider that it is not meaningful to allocate the Group's assets and their related capital expenditure to specific geographical segments. Accordingly, geographical segment information is only presented for turnover, which is based on the geographical location of customers.

**Turnover from external customers**

	<b>2009</b>	2008
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Inside Mainland PRC	<b>3,522,518</b>	3,986,609
Outside Mainland PRC	<b>404,475</b>	205,875
	<hr/>	<hr/>
Total	<b>3,926,993</b>	4,192,484
	<hr/> <hr/>	<hr/> <hr/>

## 5 OTHER INCOME

		<b>2009</b>	2008
		<i>RMB'000</i>	<i>RMB'000</i>
Government grants	(i)	<b>14,254</b>	3,230
Gain from disposal of available-for-sale financial assets	(ii)	-	97,085
Others		<b>941</b>	888
		<b>15,195</b>	101,203

- (i) The Group received unconditional grants from local government for the years of 2009 and 2008 as recognition of its development.
- (ii) On 24 July 2008, the Group entered into a share sale agreement with a third party to dispose of the available-for-sale financial assets, which represented the 2.3% equity interests held by the Group in Millennium Coal Pty Ltd located at the Bowen Basin of Australia, at a consideration of 18,126,000 Australian dollars. The gain on such disposal amounted to RMB97,085,000.

## 6 PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

### (a) Net finance costs

		<b>2009</b>	2008
		<i>RMB'000</i>	<i>RMB'000</i>
Interest income		<b>(11,532)</b>	(9,838)
Net foreign exchange gain		<b>(1,702)</b>	(5,895)
		<b>(13,234)</b>	(15,733)
Interest on borrowings		<b>33,413</b>	66,062
Less: interest capitalised into property, plant and equipment*		<b>(437)</b>	(8,634)
		<b>32,976</b>	57,428
Bank charges		<b>10,315</b>	6,882
		<b>43,291</b>	64,310
Net finance costs		<b>30,057</b>	48,577

\* The borrowing costs have been capitalised at an annual rate of 3.20% (2008: 5.36%-6.49%).

(b) Other items

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Cost of inventories*	3,287,155	3,484,703
Operating lease charges on premises	5,425	4,211
Depreciation for the property, plant and equipment	76,135	37,758
Amortisation of lease prepayments	140	140
Write-down of inventories to net realisable value	–	30,984
Auditors' remuneration		
– audit services	2,164	237

\* Cost of inventories includes RMB1,833,000 (2008:RMB34,176,000) relating to staff costs, depreciation expenses and write-down of inventories to net realisable value, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

7 INCOME TAX EXPENSE

(a) Income tax expense in the consolidated statement of comprehensive income represents:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Current tax expense		
– PRC Income Tax	93,211	71,314
Deferred tax		
– Origination and reversal of temporary differences	4,850	(6,705)
	<u>98,061</u>	<u>64,609</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.
- (ii) No provision for Hong Kong Profits Tax has been made for the subsidiaries located in Hong Kong as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the year (2008: Nil).
- (iii) Pursuant to the Corporate Income Tax Law of the PRC, the Group's PRC subsidiaries are subject to income tax rate of 25%.
- (iv) Pursuant to the Corporate Income Tax Law of the PRC, 5% withholding tax is levied on a Hong Kong company in respect of dividend distributions arising from a PRC foreign investment enterprise's profit earned after 1 January 2008. As at 31 December 2009, temporary withholding tax differences relating to the undistributed profits of PRC subsidiaries amounted to approximately RMB97,012,000 (2008: Nil). Deferred tax liabilities of RMB4,851,000 (2008: Nil) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

## 8. DIVIDENDS

### (i) Dividends paid to equity shareholders attributable to the year

	<b>2009</b>	2008
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Interim dividend declared and paid during the year	<b>88,152</b>	–

According to the written resolution of the directors' meeting passed on 11 June 2009, Hong Kong Qinfa Trading Limited declared a special interim dividend of HKD100,000,000 (equivalent to RMB88,152,000) to its then equity shareholder. Such dividend was fully paid on 26 June 2009.

### (ii) Dividends payable to the equity holder attributable to previous financial years, declared and approved during the year

	<b>2009</b>	2008
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Dividends declared and approved during the year – Qinhuangdao Development Zone Qinfa Trading Co., Ltd. ("Qinhuangdao Trading")	–	120,341

Pursuant to the resolution passed at the board of directors' meeting on 1 August 2008, a dividend of RMB120,341,000 was declared to the equity holder of Qinhuangdao Trading.

## 9 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB129,503,000 (2008: RMB330,690,000) and the weighted average of 890,616,000 ordinary shares (2008: 750,000,000 ordinary shares after adjusting for the capitalisation issue in 2009) in issue during the year, calculated as follows:

*Weighted average number of ordinary shares*

	<b>2009</b>
	<i>Number of shares</i>
Ordinary shares issued at 1 January	<b>1</b>
Issuance of shares upon the Reorganisation	<b>999,999</b>
Effect of capitalisation issue	<b>749,000,000</b>
Effect of shares issue on Initial Public Offering	<b>123,972,000</b>
Effect of shares issue under the over-allotment option related to the placement	<b>16,644,000</b>
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Weighted average number of ordinary shares at 31 December	<b>890,616,000</b>
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The weighted average number of shares in issue during the year ended 31 December 2008 represents the 750,000,000 shares in issue before the listing of shares on The Stock Exchange, as if such shares had been outstanding during the entire year of 2008.

### (b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2009 is the same as the calculation of basic earnings per share for this year. The Pre-IPO Share Option Scheme does not give rise to any dilution effect on the Company's earnings per share and there were no other dilutive potential ordinary shares in existence during the year. Diluted earnings per share for the year ended 31 December 2008 is not presented as there were no dilutive potential ordinary shares in existence during the year ended 31 December 2008.

## 10 TRADE AND OTHER RECEIVABLES

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Trade debtors and bills receivable ( <i>see Note (i)</i> )	565,451	200,643
Prepayment for investments ( <i>see Note (ii)</i> )	169,320	–
Deposits and prepayments	556,358	134,141
Other non-trade receivables	58,703	40,774
	<u>1,349,832</u>	<u>375,558</u>

All of the trade and other receivables are expected to be recovered within one year.

- (i) Trade debtors and bills receivable included bank acceptance bills of RMB41,687,000 as at 31 December 2009 (31 December 2008: RMB4,900,000), which have been discounted to banks.

An ageing analysis of trade debtors and bills receivable (net of impairment for bad and doubtful debts) of the Group is as follows:

	2009 <i>RMB'000</i>	2008 <i>RMB'000</i>
Within 1 month	501,197	157,816
Over 1 month but less than 3 months	42,693	33,173
Over 3 months but less than 6 months	21,561	9,654
	<u>565,451</u>	<u>200,643</u>

Credit terms granted to customers ranged from 0 to 30 days depending on the customers' relationship with the Group, their creditworthiness and settlement record.

- (ii) Prepayment for investments includes:

- 1) Prepayment for the acquisition of Shanxi Hun Yuan Rui Feng Coal Company Limited ("Ruifeng Coal")

On 17 August 2009, Datong Jinfa, a subsidiary of the Company, entered into an equity interest transfer agreement (the "Equity Transfer Agreement") with, amongst others, Shanxi Ruifeng Pharmaceutical Group Co., Ltd. ("Shanxi Ruifeng"), which held a 87.88% equity interest in Ruifeng Coal. Pursuant to the Equity Transfer Agreement, Shanxi Ruifeng agreed to sell its entire interest in Ruifeng Coal to Datong Jinfa at a consideration of RMB130,000,000.

As at 31 December 2009, Datong Jinfa had paid RMB108,120,000 of the total consideration, and the required closing matters relating to the acquisition have not yet been completed.

2) Prepayment for the acquisition of Ordos Bayin Mengke Nayuan Coal Co., Ltd. (“Nayuan Coal”)

On 30 December 2009, Ordos Jinfa, a subsidiary of the Company, entered into an Acquisition and Debt Restructuring Agreement (the “Agreement”) with Ordos Bayin Mengke Investment Group Co., Ltd. and other individual investors of Nayuan Coal (collectively referred to as the “Vendors”). Pursuant to the Agreement, the Vendors agreed to sell their 60% equity interest in Nayuan Coal to Ordos Jinfa at a consideration of RMB857,300,000.

As at 31 December 2009, Ordos Jinfa had paid RMB61,200,000 of the total consideration, and the required closing matters relating to the acquisition have not yet been completed.

## 11 LOANS AND BORROWINGS

		<b>2009</b>	2008
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>Current</b>			
Secured bank loans and bank advances	(i)	<b>1,912,238</b>	769,482
Bank advances under discounted bill receivables	(ii)	<b>41,687</b>	4,900
Other borrowings from a related party		–	51,817
Current portion of non-current secured bank loans		<b>59,888</b>	81,067
		<b>2,013,813</b>	907,266
<b>Non-current</b>			
Secured bank loans	(iii)	<b>231,924</b>	261,608
		<b>2,245,737</b>	1,168,874

- (i) Current bank loans and bank advances carried interest at rates ranging from 0.83% to 4.86% (2008: 1.75% to 6.77%) per annum. Current secured bank loans and bank advances were secured by the following assets and guaranteed by related parties:

	<b>2009</b>	2008
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Property, plant and equipment	<b>387,446</b>	327,034
Inventories	<b>101,400</b>	22,323
Trade and bill receivables	<b>171,494</b>	59,214
Pledged deposits	<b>1,037,328</b>	485,425

Unutilised bank facilities secured by pledged deposits for the Group were RMB702,723,000 as at 31 December 2009 (31 December 2008: RMB27,065,000).

- (ii) The Group’s discounted bank acceptance bills with recourse have been accounted for as collateralised bank advances. The discounted bill receivables and the related proceeds of the same amount are included in the Group’s “Trade debtors and bill receivables” and “Bank advances under discounted bill receivables” as at the reporting date.

- (iii) Non-current secured bank loans as at 31 December 2009 were pledged by fixed assets with carrying amounts of RMB263,927,000 (31 December 2008: RMB569,807,000) and guaranteed by a related party.

Non-current secured bank loans as at 31 December 2009 carried variable interest rates based on (i) the LIBOR plus 1% and (ii) 10% discount on the per annum interest rate quoted by the People's Bank of China in respect of three-year borrowings (31 December 2008: (i) the LIBOR plus 1% and (ii) 5% discount on the per annum interest rate quoted by the People's Bank of China in respect of long-term borrowings over 5 years).

The Group's non-current bank loans were repayable as follows:

	<b>2009</b> <i>RMB'000</i>	2008 <i>RMB'000</i>
Within 1 year	<b>59,888</b>	81,067
Over 1 year but less than 2 years	<b>45,352</b>	82,948
Over 2 years but less than 5 years	<b>186,572</b>	167,857
Over 5 years	–	10,803
	<b>231,924</b>	261,608
	<b>291,812</b>	342,675

## 12 TRADE AND OTHER PAYABLES

	<b>2009</b> <i>RMB'000</i>	2008 <i>RMB'000</i>
Trade and bill payables	<b>192,251</b>	24,885
Dividends payable	–	45,704
Other taxes payable	<b>76,201</b>	32,917
Receipts in advance	<b>39,053</b>	1,452
Accrued interest on shareholder's loans	–	7,333
Accrued port services fee and other expenses	<b>36,164</b>	7,776
Other miscellaneous payables	<b>26,435</b>	3,928
	<b>370,104</b>	123,995

Credit terms granted to the Group by its suppliers ranged from 0 to 30 days. An ageing analysis of trade and bill payables is as follows:

	<b>2009</b>	2008
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 1 month	<b>190,429</b>	23,414
Over 1 month but less than 3 months	<b>968</b>	1,159
Over 3 months but less than 6 months	<b>854</b>	312
	<b>192,251</b>	24,885

### 13 CAPITAL COMMITMENTS

Capital commitments outstanding at the year end not provided for in the consolidated financial statements are as follows:

	<b>2009</b>	2008
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Authorised but not contracted for	<b>313,420</b>	5,000
Contracted for	<b>1,251,561</b>	45,853
	<b>1,564,981</b>	50,853

### 14 COMPARATIVE FIGURES

As a result of the application of IAS 1 Presentation of Financial Statements (2007), and IFRS 8 Operating segments, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in Note 2.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

The Group achieved a significant milestone on 3 July 2009 with all the Shares listed on the main board of the Stock Exchange. The Directors believe that the successful listing of the Shares on the main board of the Stock Exchange creates significant advantages to the future business development of the Group as a whole.

As disclosed in the prospectus of the Company dated 19 June 2009 (the “**Prospectus**”), the Group is principally engaged in the coal operation business involving purchase and sales, filtering, storage, blending, shipping and transportation of coal. During the year ended 31 December 2009, the Group continued to focus on these business activities. Leveraging its experience in the coal operation business, the Group started engaging in the iron ore trading business by entering into several sales and purchase contracts in 2009.

Since September 2008, with the outbreak of the global financial crisis, there was severe adverse impact on the global economies and the demand for energy products, including coal products. As a result of the global economic contraction and the slow economic growth in China, the demand and the selling prices for thermal coal in China were significantly and adversely affected during the first half of 2009. Under such circumstances, the selling prices and the demand for coal from the Group's customers decreased substantially during that period.

Although the business environment was extremely unfavorable in the first half of 2009, the Group recovered considerably and performed well in the second half of 2009 following the recovery of the world economy. The Group was able to expand its coal customer base and establish business relationship with several new large stated-owned power plants such as China Guodian Corporation (中國國電集團公司) and China Datang Corporation (中國大唐集團公司). The coal trading volume rebound significantly from approximately 1.55 million tonnes for the first two quarters in 2009 to approximately 5.28 million tonnes for the last two quarters in 2009 resulting in a total of approximately 6.83 million tonnes for the year ended 31 December 2009. The Group even achieved an average monthly coal trading volume of over one million tonnes in the fourth quarter of 2009.

The selling price of coal has also increased since the first quarter of 2009. The Group's average selling price of coal increased by approximately 14.6% from approximately RMB432 per tonne in the first quarter of 2009 to approximately RMB495 per tonne in the fourth quarter of 2009.

In addition, taking advantage of the Group's wide supplier range and blending capabilities, the Group can source coal from the cheapest location, both domestically and abroad. The amount of imported coal increased to approximately 67.2% of the Group's total coal purchase for the year ended 31 December 2009, as compared with approximately 13.1% of the Group's total coal purchase for the year ended 31 December 2008.

In September 2009, the Group's third and fourth coal loading stations began operation in Inner Mongolia, which has strengthened the coal processing capability of the Group in the region. In addition, with the global economy becoming stabilised and the continuous economic growth in China, the international demand for coal is expected to increase, so as the international coal prices. The Directors expect that the Group will strengthen the domestic coal trading business in China in 2010.

During the year ended 31 December 2009, the Group also engaged in the business of iron ore trading. The Directors consider that the iron ore trading business can be further developed without committing significant amount of resources. The turnover generated from the iron ore trading business during the year ended 31 December 2009 was approximately RMB506.8 million. The Directors expect that these business activities will continue in 2010.

The Group's shipping business has also significantly revived in the second half of 2009. As the Group is able to operate its fleet of vessels efficiently in order to maximise the utilization rate, the overall turnover for 2009, including charter hire income from third parties and members within the Group, only decreased marginally as compared with 2008. The total segment turnover for shipping transportation for the year ended 31 December 2009 was approximately RMB206.8 million, representing a slight decrease of approximately RMB3.8 million or 1.8% from approximately RMB210.6 million for the year ended 31 December 2008. With the stabilised global economy, the Directors expect that the performance of the Group's shipping business will further improve in 2010.

## Financial Review

### Revenue and Trading Volume

<i>Revenue (expressed in RMB'000)</i>	<b>Year ended 31 December</b>	
	<b>2009</b>	<b>2008</b>
Coal Trading	<b>3,361,403</b>	4,050,170
Iron Ore Trading	<b>506,845</b>	—
Shipping	<b>58,745</b>	142,314

<i>Trading volume (expressed in '000 tonnes)</i>	<b>Year ended 31 December</b>	
	<b>2009</b>	<b>2008</b>
Coal Trading	<b>6,825</b>	6,274
Iron Ore Trading	<b>1,158</b>	—

As a result of the global financial crisis starting from the second half of 2008 and the slowdown of the economic growth in China during the first quarter of 2009, the Group experienced a significant decrease in the turnover in the coal trading and the shipping business in the first half of 2009. However, both businesses rebound significantly in the second half of 2009 which enabled the Group to recover a significant portion of its operating loss increased during the first half of 2009. The Group achieved a coal trading volume of approximately 6.8 million tonnes in 2009 representing an increase of approximately 0.5 million tonnes or 7.9% from approximately 6.3 million tonnes in 2008 because of the growing electricity consumption and the corresponding increase in the demand for coal-fired power generation in the PRC. Both the coal selling prices and the coal trading volume remained at low levels during the first quarter of 2009, but they recorded a significant growth starting from the second quarter of 2009.

The average coal selling price and the coal trading volume for each of the three years ended 31 December 2009, the six months ended 30 June 2009 and 31 December 2009 are set forth in the table below:–

	Year ended 31 December			Six months ended	
	2007	2008	2009	30 June 2009	31 December 2009
Average selling price (RMB per tonne)	443	646	<b>493</b>	<b>468</b>	<b>500</b>
Average monthly trading volume (thousand tonnes)	669	523	<b>569</b>	<b>258</b>	<b>879</b>

The Group sells coal which is sourced from both overseas and the PRC domestic markets to customers, including power plants, cement plants and coal traders. Most of the Group's customers are located in the coastal regions of China. Power plants, being the major customers of the Group, purchase coal for their use in combustion processes to produce steam for power and heat. Cement plants consume coal as primary fuel in their production process. Coal traders purchase coal for export to overseas markets as well as other coal consumers in China. The following table sets forth information regarding the Group's coal sales by industry segment during 2008 and 2009:

	Year ended 31 December			
	2009		2008	
	Net sales <i>RMB'000</i>	Percentage of Net sales % of total	Net sales <i>RMB'000</i>	Percentage of Net sales % of total
Power plants	<b>2,018,953</b>	<b>60.1</b>	3,051,855	75.4
Coal traders	<b>799,654</b>	<b>23.8</b>	361,897	8.9
Cement plants and others	<b>542,796</b>	<b>16.1</b>	636,418	15.7
Total	<b><u>3,361,403</u></b>	<b><u>100.0</u></b>	<b><u>4,050,170</u></b>	<b><u>100.0</u></b>

In view of the downturn of the shipping industry in the first half of 2009 caused by the global financial crisis, the Group increased the use of its own vessels and reduced chartering third-party vessels in transporting coal to customers. With this measure, the Group was able to maintain almost the same level of total segment revenue as compared with 2008. The total segment turnover for shipping transportation for the year ended 31 December 2009 was approximately RMB206.8 million, representing a slight decrease of about RMB3.8 million or 1.8% from approximately RMB210.6 million for the year ended 31 December 2008.

### *Gross Profit Margin and Gross Profit*

The Group's gross profit decreased by approximately RMB134.2 million during the year ended 31 December 2009 to approximately RMB425.7 million from approximately RMB559.9 million during the same period in 2008, mainly because of the decline in the coal selling prices.

The Group's overall gross profit margin decreased to approximately 10.8% from approximately 13.4% during the same period in 2008, mainly resulting from: –

- (1) slight decrease in the gross profit margin of the coal trading business from 12.3% for the year ended 31 December 2008 to approximately 12.0% for the same period in 2009, which was mainly due to the realisation of inventories purchased in 2008 when the coal price was high; and
- (2) decrease in the gross profit margin of the shipping transportation business from 29.8% for the year ended 31 December 2008 to approximately -3.6% for the same period in 2009 with the decrease in the freight volume, the freight rates and the charter hire rates.

### *Other Income*

During the year ended 31 December 2009, the Group's other income amounted to approximately RMB15.2 million, representing a decrease of approximately 85.0% as compared with approximately RMB101.2 million in the same period in 2008. Such decrease was primarily attributable to the gain from disposal of available-for-sale financial assets of RMB97.1 million in 2008, whereas no disposal of available-for-sale financial assets occurred in 2009.

### *Cost of inventories*

Cost of inventories of the Group in 2009 amounted to RMB3,287.2 million, representing a decrease of 5.7% as compared with RMB3,484.7 million in 2008. This was primarily due to the decrease in turnover.

The Group purchases coal from both overseas and PRC domestic market. The following table sets forth information regarding the Group's origins of coal based on sales volume and net sales during 2008 and 2009:

Origins of coal	Year ended 31 December			
	2009		2008	
	Sales volume '000 tonnes	Net sales RMB'000	Sales volume '000 tonnes	Net sales RMB'000
China	2,238	1,035,486	5,451	3,554,248
Indonesia	1,772	839,056	303	180,253
Australia	1,270	680,322	65	45,320
Canada	722	454,879	–	–
Vietnam	575	214,703	455	270,349
Others	248	136,957	–	–
Total	<b>6,825</b>	<b>3,361,403</b>	<b>6,274</b>	<b>4,050,170</b>

The Group keeps increasing the network of overseas suppliers to ensure a supply of consistent quantity and quality of coal. Canada, Colombia, Russia and South Africa are new supply sources in 2009.

The Group has established stable cooperative relationships with its key overseas and PRC domestic coal suppliers and has developed business relationships with the majority of them over a period of not less than 3 years. The Group has also been undergoing upstream expansion through various initiatives, including acquisition of companies holding coal mines in China and equity interest in an Australian mining company holding several exploitation rights in Australia. This enables the Group to obtain a reliable supply of quality coal.

#### *Administrative Expenses*

During the year ended 31 December 2009, the Group's administrative expenses amounted to approximately RMB80.3 million, representing an increase of approximately 34.7% as compared with approximately RMB59.6 million in the same period in 2008. Such increase was mainly due to the increase in staff cost.

#### *Distribution Expenses*

Distribution expenses decreased by approximately 35.8% to approximately RMB100.0 million during the year ended 31 December 2009 mainly because of the decrease in port service fees resulted from increased purchase from coal traders instead of direct procurement from coal mines. Port service fees was not borne by the Group when the purchases were made from coal traders.

### *Net Finance Costs*

Net finance costs of the Group in 2009 amounted to RMB30.1 million, representing a decrease of approximately RMB18.5 million or 38.1% from approximately RMB48.6 million in 2008. Such decrease was mainly due to the decrease in average interest rate during the year.

### *Income Tax Expense*

The Group's income tax expense in 2009 was approximately RMB98.1 million, representing an increase of approximately 51.9% from approximately RMB64.6 million in 2008, which was mainly due to the taxation on profit after tax of the PRC subsidiaries arising from the structure contract arrangement as described on page 129 of the Prospectus. The Group's effective income tax rate was 16.3% in 2008 and 43.1% in 2009. The non-taxable nature of one-off gain on disposal of available-for-sales financial assets in 2008 reduced the effective income tax rate in 2008.

### *Profit Attributable to Equity Shareholders*

Profit attributable to equity shareholders decreased by approximately 60.8% from approximately RMB330.7 million for the year ended 31 December 2008 to approximately RMB129.5 million for the year ended 31 December 2009 due to the decrease in profitability of the coal trading and the shipping business as a result of the economic slowdown and the one-off gain on disposal of available-for-sales financial assets in 2008.

In addition, certain operating costs of the Group, such as selling and marketing and administrative expenses, could not be reduced correspondingly with the decline in the coal trading volume during the first half of 2009.

As disclosed in the Prospectus, the Group recorded an unaudited loss for the four months ended 30 April 2009 in contrast to the unaudited profit recorded for the same period in 2008. Since the Group recorded net profit for the eight months ended 31 December 2009 along with improved economic performance in China as well as overseas markets, the Group achieved a profit before income tax of approximately RMB227.6 million representing a decrease of about 23.7% or RMB70.6 million from approximately RMB298.2 million being profit before income tax and one-off gain on disposal of available-for-sale financial assets in 2008.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group adopts stringent financial management policies and maintains a healthy financial condition. With the listing of the Shares on the Stock Exchange in July 2009 raising net proceeds of approximately HK\$660 million, the Group continues to fund its business operations and general working capital principally by internally generated financial resources, bank borrowings and the aforesaid net proceeds.

The Group's net current assets as of 31 December 2009 were approximately RMB570.0 million (Net current assets as of 31 December 2008: approximately RMB51.3 million). As of 31 December 2009, the cash and bank balances of the Group amounted to approximately RMB376.2 million (as of 31 December 2008: approximately RMB201.5 million). The liquidity was significantly improved and the financial position was strengthened upon the completion of the Global Offering (as defined in the Prospectus) on 3 July 2009.

As of 31 December 2009, the total bank and other borrowings of the Group were approximately RMB2,245.7 million (as of 31 December 2008: approximately RMB1,168.9 million), approximately RMB2,013.8 million of which were repayable within one year and carried interest at market rates ranging from 0.83% to 4.86% (2008: 1.75% to 6.77%) per annum. Non-current secured bank loans as of 31 December 2009 carried variable interest rates based on (i) the LIBOR plus 1% and (ii) 10% discount on the per annum interest rate quoted by the People's Bank of China in respect of three-year borrowings (31 December 2008: (i) the LIBOR plus 1% and (ii) 5% discount on the per annum interest rate quoted by the People's Bank of China in respect of long-term borrowings over 5 years).

As of 31 December 2009, the Group's cash and cash equivalents, save for amounts of approximately RMB equivalent 19.4 million and RMB equivalent 147.5 million held in HK\$ and US\$, respectively, were held in RMB. The Group's interest-bearing borrowings made in RMB, US\$, HK\$ were approximately RMB599.4 million, RMB equivalent 1,551.0 million and RMB equivalent 95.3 million, respectively.

The gearing ratio (calculated as interest-bearing borrowings divided by total assets) of the Group as of 31 December 2009 was approximately 54.0% (as of 31 December 2008: approximately 56.0%).

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGE**

The Group's cash and cash equivalents are held predominately in HK\$, RMB and US\$. Operating outgoings incurred by the Group's subsidiaries in the PRC are mainly denominated in RMB while overseas purchases are usually denominated in USD. These subsidiaries usually receive revenue in RMB. The Directors consider that the Group's exposure to foreign exchange rate risks is not significant as RMB is relatively stable against other currencies, and that hedging by means of derivative instruments is therefore not necessary.

## **PLEDGE OF ASSETS OF THE GROUP AND GUARANTEE**

As of 31 December 2009, the Group's assets in an aggregate amount of approximately RMB2,003.3 million (as of 31 December 2008: approximately RMB1,468.7 million) in forms of property, plant and equipment, inventories, trade and bill receivables and bank deposits were pledged to banks for credit facilities granted to the Group.

As of 31 December 2009, Mr. XU Jihua issued guarantees to banks for granting banking facilities of an amount equivalent to RMB1,127 million to the Group. The Group is now making effort to negotiate with the banks to release the guarantees.

## **CONTINGENT LIABILITIES**

As of 31 December 2009, the Group did not have any material contingent liabilities.

## **FINAL DIVIDEND FOR THE YEAR ENDED 31 DECEMBER 2009**

In light of the anticipated investments set forth in this announcement, the Directors consider that it would be more appropriate to deploy the financial resources to further strengthen the capital position and business development of the Group. On this basis and as set forth in the Prospectus, the Directors have decided not to declare any final dividend for the year ended 31 December 2009. Hence, there will not be any resolution for the final dividend for the year ended 31 December 2009 to be tabled at the forthcoming annual general meeting of the Company (the “**Annual General Meeting**”). The Directors are committed to the proposed dividend policy set forth in the Prospectus and will consider the declaration and payment of such dividend in accordance with such policy in the forthcoming financial years.

## **GLOBAL OFFERING**

The Shares have been successfully listed on the Stock Exchange since 3 July 2009. The net proceeds from the Global Offering (as defined in the Prospectus) were approximately HK\$660 million. The Group will use the net proceeds to strengthen its competitiveness by implementing the future plans as stated in its Prospectus.

## **EMPLOYEES AND REMUNERATION**

As of 31 December 2009, the Group employed 348 employees. The Group has adopted a performance-based reward system to motivate its staff and such system is reviewed on a regular basis. In addition to the basic salaries, year-end bonuses may be offered to those staff members with outstanding performance.

Members of the Group established in the PRC are also subject to social insurance contribution plans organised by the PRC government. In accordance with the relevant national and local labour and social welfare laws and regulations, members of the Group established in the PRC are required to pay on behalf of their employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and other relevant insurance. Members of the Group incorporated in Hong Kong have participated in mandatory provident fund scheme, if applicable, in accordance with the applicable Hong Kong laws and regulations.

Moreover, the Pre-IPO Share Option Scheme (as defined in the Prospectus) was adopted in June 2009 to retain staff members who have made contribution to the success of the Group. As of 31 December 2009, options to subscribe for in aggregate 8,400,000 Shares were granted to an executive Director and 25 employees of the Group. The Directors believe that the compensation packages offered by the Group to its staff members are competitive in comparison with market standards and practices.

## **BUSINESS OUTLOOK**

With the stabilised international economic condition and the continuous economic growth in China, the Directors believe that the level of domestic production and domestic consumption in China will increase steadily. These will stimulate the demand for electricity and thermal coal as the principal raw

materials for power generation. The Directors are optimistic that the coal trading business of the Group will improve and further advance during 2010. Based on the current orders on hands and the latest business trends, the Directors anticipate that the Group's trading volume of coal and iron ore in 2010 will significantly exceed that in 2009.

Since the listing of the Shares on 3 July 2009, the Group has further strengthened various components of its integrated supply chain of coal. Moreover, preparing for the anticipated economic recovery and the increasing demand for coal products, the Group continues to improve its business models with the following initiatives:–

### **Construction of the Zhuhai Terminal as a strategic integration of existing coal supply chain**

A substantial progress has been achieved since the foundation laying of the project in late September 2009. A joint venture agreement was signed in October 2009 with 河北港口集團有限公司 (Hebei Port Group Company Limited) (“**Hebei Port Group**”) for the establishment of a joint venture company for the construction and operation of a public bulk coal terminal in Zhuhai (the “**Zhuhai Terminal**”). The joint venture company will have a registered capital of RMB519 million of which the Group will contribute 60% and Hebei Port Group will contribute 40%. The total investment amount of the joint venture company will be approximately RMB1,500 million and shall be arranged by the joint venture company.

The Zhuhai Terminal is strategically located in the southeast region of Zhuhai, Guangdong Province, China, thereby allowing the Group to (i) take advantage of its proximity to customers located in the coal consuming coastal cities of southern China; (ii) react more quickly to customers' need; and (iii) lower transportation cost. The berthing capacity of Zhuhai Terminal is 100,000 DWT (construction structure: 150,000 DWT) which enables it to accommodate Capesize and Panamax vessels for coal transshipment. The Group will be able to further strengthen its coal storage and blending capacities as Zhuhai Terminal can serve as a site for blending and storage of coal. As Zhuhai Terminal will have an annual thruput capacity of 20 million tonnes which can also serve as a centre for coal exchange, it can facilitate an advancement in the Group's ability to further procure and sell coal in the coal trading market.

Please refer to the Company's announcement dated 22 March 2010 for further details.

### **Acquisition of equity interest in coal mining companies as a vertical integration to ensure stable supply of coal**

#### *Ruifeng Coal*

In August 2009, Datong Jinfa, a subsidiary of the Company, entered into an equity interest transfer agreement (the “**Equity Transfer Agreement**”) with, amongst others, Shanxi Ruifeng Pharmaceutical Group Co., Ltd. (“**Shanxi Ruifeng**”), which held a 87.88% equity interest in Ruifeng Coal. Pursuant to the Equity Transfer Agreement, Shanxi Ruifeng agreed to sell its entire interest in 山西渾源瑞風煤業有限公司 Shanxi Hun Yuan Rui Feng Coal Company Limited (“**Ruifeng Coal**”) to Datong Jinfa at a consideration of RMB130,000,000.

As the process for the transfer of equity interest involves approvals from a number of government departments and authorities which takes a considerable amount of time, the Group will obtain controls of Ruifeng Coal by way of escrow agreement. As of 31 December 2009, the acquisition had not yet completed.

The coal mine is currently undergoing a technical upgrade which would result in the mine achieving an annual production capacity of 900,000 tonnes. Production of coal is expected to commence immediately after the completion of technical upgrade in around mid 2010.

### *Nayuan Coal*

In December 2009, the Group entered into an agreement to acquire 60% equity interest in 鄂爾多斯市巴音孟克納源煤炭有限責任公司 (Ordos Bayin Mengke Nayuan Coal Company Limited) (“**Nayuan Coal**”) for an aggregate consideration of RMB857.3 million. As at 31 December 2009, the required closing matters in relation to the acquisition have not yet been completed.

Nayuan Coal holds the coal mining rights on various coal mines with a site area of approximately 29.1 square kilometers. The coal mines are located at Dongsheng District of Ordos, the Inner Mongolia Autonomous Region, the PRC and are within 100 kilometers from the Group’s coal loading stations in Baotou with easy access to railway and highway. According to a study endorsed and approved by the Inner Mongolia Land Resources Bureau and conducted in 2007, the coal reserve of the coal mines that Nayuan Coal has been granted the mining rights amounts to approximately 158.76 million tonnes. The mining licence held by Nayuan Coal also states that the relevant coal mines will have an annual coal output capacity of not less than 900,000 tonnes. Nayuan Coal has adopted the open cast method in coal mining in accordance with the Approval in Relation to Fire-fighting Measures Preliminary Design issued by the Administration of Coal Industry of Inner Mongolia Autonomous Region. The coal is thermal coal with low sulphur content, low to medium ash content and high heat content used in thermal power generation, industrial furnace, steam locomotive, ships and as domestic fuels. The construction of the underground mining tunnels of the coal mines has been completed.

Please refer to the Company’s announcement dated 30 December 2009 for further details.

The Group is in the process of preparing the technical consultancy report, valuation report and accountants’ report which will be included in the circular in relation to this acquisition. The circular is expected to be dispatched to the Shareholders on or before 31 May 2010. The Group expects the acquisition will be completed and control of Nayuan Coal will be secured upon obtaining approval from our shareholders.

### **Construction of two new Panamax vessels to strengthen existing transportation capabilities**

In the fourth quarter of 2009, the Group entered into two ship building contracts for the construction of two 82,000 DWT Panamax bulk carriers at a cost of US\$35.2 million each. The vessels will be delivered to the Group in the second quarter and the third quarter of 2011, respectively. Not less than 65% of the construction cost will be financed by bank borrowing while the remainder will be funded by internally generated financial resource.

The Group has been planning to modernize the age and model of the Group's vessels in order to improve operational efficiency, and thus the construction of vessels is in line with such plan. Also, as the Group's trading volume continues to expand, increase in the number of the Group's own vessels and thus its transportation capacity can enhance the Group's control on its trading costs and reduce risk faced by the Group due to any fluctuation in transportation costs.

Please refer to the Company's announcement dated 30 October 2009 and 15 December 2009, respectively for further details.

### **Investment in Tiaro as a long-term strategy**

In October 2009, the Group subscribed for 7,400,000 shares in the share capital of Tiaro Coal Limited ("**Tiaro**"), a company listed in Australian Securities Exchange, at the subscription price of A\$0.18 per share. In December 2009, the Group exercised an option to acquire an additional 6,000,000 shares at a price of A\$0.25 per share. The investment in Tiaro was classified as available-for-sale financial assets as at 31 December 2009.

The Group and Tiaro are collaborating in three ways:

- a) development of Tiaro's coal interests to establish a JORC (Joint Ore Reserves Committee) compliant resource of high quality metallurgical coal (coking and PCI) enabling us to participate in coal off take of future potential mine production;
- b) development of profitable bi-lateral coal trade; and
- c) development of new coal exploration opportunities independently and with third party coal mine owners aimed at identifying new sources of coal for the Group.

Please refer to the Company's announcements dated 19 October 2009 for further details.

### **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the Directors, the Company has complied with the applicable code provisions in the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") during the financial year ended 31 December 2009.

### **AUDIT COMMITTEE OF THE BOARD**

An audit committee was established by the Board on 12 June 2009 with written terms of reference in compliance with the Code. The primary duties of the audit committee are to review and approve the Group's financial reporting process and internal control system. The members of the audit committee of the Board are the three independent non-executive Directors of the Company, i.e. Mr. LAU Sik Yuen, Dr. CHEN Wenjing and Mr. HUANG Guosheng. Mr. LAU Sik Yuen is the chairperson of the audit committee of the Board.

The audit committee has reviewed the financial statements of the Group for the financial year ended 31 December 2009.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the year ended 31 December 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

## **PUBLICATION OF ANNUAL REPORT**

The annual report of the Company for the financial year ended 31 December 2009 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.qinfagroup.com](http://www.qinfagroup.com)) in due course.

## **ANNUAL GENERAL MEETING**

The Annual General Meeting will be held in May 2010. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange and the Company and dispatched to the Shareholders in due course.

By Order of the Board of  
**China Qinfra Group Limited**  
**XU Jihua**  
*Chairman of the Board*

Guangzhou, 26 March 2010

*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.*