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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)

**CANCELLATION OF THE ACQUISITION OF
60% EQUITY INTEREST IN
ORDOS BAYIN MENGKE NAYUAN COAL**

The Board refers to the Announcement and the announcement dated 31 May 2010 in which the Company announced that the Acquisition might not be proceeded with. In this connection, the Board would like to announce that Jinfa Materials and the Vendors have entered into the Termination Agreement for the cancellation of the Acquisition.

The Board refers to the announcement (the “**Announcement**”) of China Qinfa Group Limited (the “**Company**”) dated 30 December 2009 in respect of the proposed acquisition (the “**Acquisition**”) of 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*) (“**Ordos Bayin Mengke Nayuan Coal**”) for an aggregate consideration of RMB857.3 million (equivalent to approximately HK\$974.2 million). The Board also refers to the announcement dated 31 May 2010 on the agreement in principle between Jinfa Materials and the Vendors to cancel the Acquisition.

Unless the context requires otherwise, the capitalised terms used herein shall have the same meanings as defined in the Announcement.

As of the date of this announcement, Jinfa Materials has paid an aggregate amount of RMB129 million to the Vendors as part of the consideration for the Acquisition. The 60% equity interest in Ordos Bayin Mengke Nayuan Coal has also been transferred to Jinfa Materials.

There are, however, significant differences with the existing management of Ordos Bayin Mengke Nayuan Coal in the operation, management and future development of Ordos Bayin Mengke Nayuan Coal. The Vendors have agreed to refund to Jinfa Materials the amount of RMB129 million in full for the re-transfer of the 60% equity interest by Jinfa Materials to them. In this connection, a termination agreement (the “**Termination Agreement**”) was entered into on 19 July 2010.

Pursuant to the Termination Agreement, the Vendors shall repay the sum of RMB129 million to Jinfa Materials during a period of 12 months from the date of the Termination Agreement by way of (1) the proceeds from a disposal by Bayin Mengke Investment of its equity interest in Ordos Bayin Mengke Nayuan Coal or (2) 50% of the income received by Ordos Bayin Mengke Nayuan Coal from the control of areas in fire. All such repayment amount shall be deposited into a designated bank account jointly managed by the Vendors and Jinfa Materials. If any party does not co-operate with the other parties to establish and manage the bank account, the defaulting party shall pay damages of RMB1.29 billion to the other parties. If Bayin Mengke Investment cannot repay Jinfa Materials the amount of RMB129 million in full within 12 months from the date of the Termination Agreement, Bayin Mengke Investment shall pay damages of RMB1.29 billion to Jinfa Materials in addition to the agreed repayment amount. Upon the full repayment of the total amount of RMB129 million to Jinfa Materials, Jinfa Materials shall transfer the 60% equity interest in Ordos Bayin Mengke Nayuan Coal to Bayin Mengke Investment or its nominee. Jinfa Materials has also agreed to cease participating in the operation and management of Ordos Bayin Mengke Nayuan Coal from the date of the Termination Agreement.

The Board considers that the termination of the Acquisition will not have any material adverse impact on the existing business of the Group. The Company shall continue to identify other suitable investment or business opportunities in coal mining companies in the PRC.

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

Hong Kong, 19 July 2010

* *English translation for identification only.*

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 Mr. HUANG Guosheng and Mr. LAU Sik Yuen as the independent non-executive Directors.