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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 June 2011 was RMB4,070.2 million, representing an increase of 46.1% as compared to the same period in 2010.
- Coal handling and trading volume for the six months ended 30 June 2011 was 6.5 million tonnes, representing an increase of 33.2% as compared to the same period in 2010.
- Profit attributable to equity shareholders of the Company for the six months ended 30 June 2011 was RMB333.2 million, representing an increase of 61.3% as compared to the same period in 2010.
- Excluding the amount of bargain purchase gain of RMB26.9 million arising from the acquisition of 32% equity interest in Huameiao Energy, the profit attributable to equity shareholders of the Company for the six months ended 30 June 2011 would have been RMB 306.3 million, representing an increase of 60.4% as compared to the same period in 2010.
- Basic and diluted earnings per Share for the six months ended 30 June 2011 were RMB32 cents, representing an increase of 60.0% as compared to the same period in 2010.
- The Board recommends a bonus issue of Shares on the basis of one bonus Share for every one existing Share held by the Shareholders whose names are on the register of members of the Company on 10 October 2011. Further information on the bonus issue would be announced by the Company separately.

The board (the "**Board**") of directors (the "**Directors**") of China Qinfa Group Limited (the "**Company**") is pleased to announce the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2011 with comparative figures for the corresponding period in 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Note	Six months ended 30 June 2011 RMB'000	2010 RMB'000
Turnover	4	**4,070,224**	2,785,616
Cost of sales		**(3,562,398)**	(2,371,479)
Gross profit		**507,826**	414,137
Other income	5	**50,565**	39,521
Distribution expenses		**(68,378)**	(57,609)
Administrative expenses		**(76,768)**	(72,965)
Other expenses		**(1,866)**	(17,230)
Results from operating activities		**411,379**	305,854
Finance income		**38,892**	13,977
Finance costs		**(108,192)**	(40,098)
Net finance costs	6(a)	**(69,300)**	(26,121)
Share of profit/(loss) of associates		**31,461**	(343)
Profit before taxation	6	**373,540**	279,390
Income tax expense	7	**(40,807)**	(73,246)
Profit for the period		**332,733**	206,144
Other comprehensive income			
Foreign currency translation differences for foreign operations		**(21,607)**	(3,460)
Net change in fair value of available-for-sale financial assets		**–**	(12,918)
Other comprehensive income for the period (after tax and reclassification adjustment)		**(21,607)**	(16,378)
Total comprehensive income for the period		**311,126**	189,766
Profit attributable to:			
Equity shareholders of the Company		**333,221**	206,524
Non-controlling interests		**(488)**	(380)
Profit for the period		**332,733**	206,144
Total comprehensive income attributable to:			
Equity shareholders of the Company		**311,614**	190,146
Non-controlling interests		**(488)**	(380)
Total comprehensive income for the period		**311,126**	189,766
Earnings per share			
Basic earnings per share (RMB)	8(a)	**0.32**	0.20
Diluted earnings per share (RMB)	8(b)	**0.32**	0.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Non-current assets			
Property, plant and equipment		**1,726,189**	1,441,241
Intangible assets		**210,659**	210,659
Lease prepayments		**129,798**	51,884
Investment in associates		**1,670,456**	45,129
Deferred tax assets		**6,289**	8,648
		3,743,391	1,757,561
Current assets			
Inventories		**439,112**	527,481
Derivatives		**1,697**	4,225
Trade and bills receivable	*9*	**642,964**	1,026,229
Prepayments and other receivables	*10*	**1,132,833**	1,867,212
Pledged deposits		**412,539**	951,807
Cash and cash equivalents		**738,782**	287,161
		3,367,927	4,664,115
Current liabilities			
Loans and borrowings	*11*	**(3,211,494)**	(2,874,690)
Trade and other payables	*12*	**(816,138)**	(778,500)
Derivatives		**(1,377)**	(211)
Current taxation		**(228,764)**	(209,333)
		(4,257,773)	(3,862,734)
Net current (liabilities)/assets		**(889,846)**	801,381
Total assets less current liabilities		**2,853,545**	2,558,942
Non-current liabilities			
Deferred tax liabilities		**(48,992)**	(48,992)
Loans and borrowings	*11*	**(717,910)**	(735,321)
		(766,902)	(784,313)
Net assets		**2,086,643**	1,774,629
Capital and reserves			
Share capital		**91,479**	91,474
Reserves		**1,940,553**	1,628,056
Total equity attributable to equity shareholders of the Company		**2,032,032**	1,719,530
Non-controlling interests		**54,611**	55,099
Total equity		**2,086,643**	1,774,629

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1 COMPANY BACKGROUND AND BASIS OF PREPARATION

China Qinfa 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. The Company's shares (the "**Shares**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 3 July 2009. This interim financial report of the Company for the six months ended 30 June 2011 comprises the Company and its subsidiaries (collectively referred to as the "**Group**").

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("**IAS**") 34, *Interim financial reporting*, issued by the International Accounting Standards Board ("**IASB**").

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Group's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated on 25 March 2011.

2 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs and one new interpretation 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:

- IAS 24 (revised 2009), Related party disclosures
- Improvements to IFRSs (2010)

The developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

3 ESTIMATES

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

4 SEGMENT REPORTING

(a) Segment results, assets and liabilities

The Group has five major reportable segments, as sales of coal, shipping transportation, coal mining, port business and sales of iron ore 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 Chief Executive Officer (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 unallocated head office and corporate administration costs are further adjusted.

Segment assets include all tangible, intangible assets and current assets with the exception of 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		Shipping Transportation		Coal Mining		Port Business		Sales of Iron Ore		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
For the six months ended 30 June												
Turnover from external customers	**4,016,776**	2,704,536	**53,448**	81,080	**–**	–	**–**	–	**–**	–	**4,070,224**	2,785,616
Inter-segment turnover	**–**	–	**258,782**	266,047	**–**	–	**–**	–	**–**	–	**258,782**	266,047
Reportable segment turnover	**4,016,776**	2,704,536	**312,230**	347,127	**–**	–	**–**	–	**–**	–	**4,329,006**	3,051,663
Reportable segment profit before taxation	**369,766**	214,006	**24,518**	67,051	**52,239**	9,951	**–**	–	**–**	–	**446,523**	291,008
Reportable segment assets as at 30 June 2011/ 31 December 2010	**4,930,016**	3,981,540	**1,575,848**	1,351,985	**2,567,620**	1,883,107	**318,562**	205,030	**15,794**	16,170	**9,407,840**	7,437,832
(including investments in associates)	**–**	–	**–**	–	**1,670,456**	45,129	**–**	–	**–**	–	**1,670,456**	45,129
Reportable segment liabilities as at 30 June 2011/ 31 December 2010	**(3,728,574)**	(3,048,182)	**(1,343,507)**	(1,145,000)	**(2,308,160)**	(1,644,344)	**(210,703)**	(127,170)	**–**	–	**(7,590,944)**	(5,964,696)

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

Turnover

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Reportable segment turnover	**4,329,006**	3,051,663
Elimination of inter-segment turnover	**(258,782)**	(266,047)
Consolidated turnover	**4,070,224**	2,785,616

Profit

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Reportable segment profit before taxation	**446,523**	291,008
Elimination of inter-segment profit	**385**	834
Unallocated head office and corporate (expenses)/gain	**(4,068)**	13,669
Net finance costs	**(69,300)**	(26,121)
Consolidated profit before taxation	**373,540**	279,390

Assets

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Reportable segment assets	**9,407,840**	7,437,832
Elimination of inter-segment receivables and inventories	**(1,924,668)**	(642,747)
Elimination of receivables from head office	**(379,836)**	(383,119)
Deferred tax assets	**6,289**	8,648
Unallocated assets	**1,693**	1,062
Consolidated total assets	**7,111,318**	6,421,676

Liabilities

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Reportable segment liabilities	**7,590,944**	5,964,696
Elimination of inter-segment payables	**(1,923,328)**	(635,473)
Elimination of payables to head office	**(920,722)**	(942,696)
Current tax liabilities	**228,764**	209,333
Deferred tax liabilities	**48,992**	48,992
Unallocated liabilities	**25**	2,195
Consolidated total liabilities	**5,024,675**	4,647,047

5 OTHER INCOME

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Government grants (see Note (i))	**17,056**	450
Bargain purchase gain on acquisition of a subsidiary	**–**	15,563
Bargain purchase gain on acquisition of an associate	**26,880**	–
Gain from disposal of available-for-sale financial assets	**–**	19,584
Gain on derivatives	**6,311**	3,854
Others	**318**	70
	50,565	39,521

(i) The Group received unconditional grants from local government during the period as recognition of the Group's contribution to the development of local economy.

6 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Interest income	**(9,487)**	(9,281)
Net foreign exchange gain	**(29,405)**	(4,696)
Finance income	**(38,892)**	(13,977)
Interest on borrowings	**99,079**	29,652
Less: interest capitalised into property, plant and equipment	**(2,314)**	–
	96,765	29,652
Bank charges	**11,427**	10,446
Finance costs	**108,192**	40,098
Net finance costs	**69,300**	26,121

(b) Other items

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Operating lease charges on premises	**1,769**	2,867
Depreciation for property, plant and equipment	**40,619**	47,382
Amortisation of lease prepayments	**70**	70
Fair value change of available-for-sale financial assets	**–**	(19,584)
Net realised and unrealised (gain)/ loss on derivatives	**(4,593)**	10,176

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Current tax		
– PRC corporate income tax	**69,411**	69,471
– Overprovision of PRC corporate income tax in prior years	**(30,963)**	–
Deferred taxation		
– Origination and reversal of temporary differences	**2,359**	3,775
	40,807	73,246

(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 incorporated in Hong Kong as these subsidiaries did not have assessable profits subject to Hong Kong Profits Tax during the period.

(iii) The provision for the PRC corporate income tax was based on the statutory rate of 25% of the assessable profits of subsidiaries which carried on businesses in the PRC.

(iv) Pursuant to the Corporate Income Tax Law of the PRC, 5% withholding tax is levied on the foreign investor in respect of dividend distributions arising from a foreign investment enterprise's profits earned after 1 January 2008. As at 30 June 2011, temporary differences relating to the undistributed profits of PRC subsidiaries amounted to approximately RMB415,324,000 (31 December 2010: RMB208,433,000). Deferred tax liabilities of RMB20,766,000 (31 December 2010: RMB10,422,000) have not been recognised in respect of the tax that would be payable upon the distribution of these retained profits as the Company controls the dividend policy of these PRC subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2011 is based on the profit attributable to equity shareholders of the Company of RMB333,221,000 (six months ended 30 June 2010: RMB206,524,000) and the weighted average of 1,037,528,000 ordinary shares (six months ended 30 June 2010: 1,037,500,000) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB333,221,000 (six months ended 30 June 2010: RMB206,524,000) and the weighted average number of 1,041,124,000 (six months ended 30 June 2010: 1,037,500,000) ordinary shares (diluted).

9 TRADE AND BILLS RECEIVABLE

As at 30 June 2011, trade and bills receivable included bank acceptance bills of RMB16,300,000, which have been discounted to the banks (31 December 2010: RMB70,057,000).

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

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

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
Within 1 month	**600,025**	897,041
Over 1 month but within 3 months	**24,439**	86,056
Over 3 months but within 6 months	**18,500**	43,132
	642,964	1,026,229

10 PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Deposits and prepayments for equity investments	**282,950**	1,300,000
Other deposits and prepayments (see Note (i))	**731,279**	483,131
Amounts due from a related party	**62,656**	–
Other non-trade receivables	**55,948**	84,081
	1,132,833	1,867,212

(i) Other deposits and prepayments mainly represent the deposits and prepayments for coal trading.

11 LOANS AND BORROWINGS

		At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Current			
Secured bank loans and bank advances	*(i)*	**2,907,211**	2,660,646
Bank advances under discounted bills receivable	*(ii)*	**16,300**	70,057
Current portion of non-current secured bank loans	*(iii)*	**287,983**	143,987
		3,211,494	2,874,690
Non-current			
Secured bank loans	*(iii)*	**717,910**	735,321
		3,929,404	3,610,011

(i) Current bank loans and bank advances bore interest at rates ranging from 1.35% to 8% per annum as at 30 June 2011 (31 December 2010: 1.05% to 6.13% per annum). Current secured bank loans and bank advances were secured by the following assets:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Property, plant and equipment	**980,219**	779,689
Inventories	**233,760**	160,267
Trade and bills receivable	**50,000**	195,468
Pledged deposits	**412,539**	951,807

RMB712,325,000 (31 December 2010: RMB 259,991,000) of the current secured bank loans and bank advances were guaranteed by a related party in addition to being pledged by the above assets.

Unutilised bank facilities secured by pledged deposits of the Group amounted to RMB399,353,000 as at 30 June 2011 (31 December 2010: RMB506,062,000).

(ii) The Group's discounted bank acceptance bills with recourse have been accounted for as collateralised bank advances. The discounted bills receivable and the related proceeds of the same amount are included in the Group's "Trade and bills receivable" and "Bank advances under discounted bills receivable" as at the reporting date.

(iii) Non-current secured bank loans as at 30 June 2011 were pledged by property, plant and equipment with carrying amounts of RMB218,602,000 (31 December 2010: RMB235,026,000), the Group's equity interest in Shanxi Huameiao Energy Group Co., Ltd., and guarantees issued by a related party.

Non-current secured bank loans as at 30 June 2011 carried one of the following variable interest rates: (i) the LIBOR plus 1%, (ii) 10% discount on the per annum interest rate quoted by the People's Bank of China in respect of three-year borrowings and (iii) 30% up on the per annum interest rate quoted by the People's Bank of China in respect of five-year borrowings.

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

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
Within 1 year	**287,983**	143,987
Over 1 year but within 2 years	**217,910**	240,321
Over 2 years but within 5 years	**500,000**	495,000
	717,910	735,321
	1,005,893	879,308

12 TRADE AND OTHER PAYABLES

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
Trade and bill payables	**276,590**	477,147
Other taxes payable	**166,150**	139,961
Receipts in advance	**203,893**	61,217
Construction cost payables	**74,549**	–
Accrued expenses	**31,463**	59,151
Other miscellaneous payables	**63,493**	41,024
	816,138	778,500

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

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
Within 1 month	**187,303**	428,772
Over 1 month but within 3 months	**82,157**	29,638
Over 3 months but within 6 months	**7,130**	18,737
	276,590	477,147

13 DIVIDENDS

On 26 August 2011, the directors proposed a bonus issue of one share for every one existing share held by the shareholders whose names are on the register of members on 10 October 2011. The proposed bonus issue is pending for shareholders' approval.

14 CAPITAL COMMITMENTS

Capital commitments outstanding as at the period end but not provided for in the interim financial report are as follows:

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
Contracted for	**1,574,894**	1,078,739

BUSINESS REVIEW

The Group is a leading non-State owned thermal coal supplier in China, and it operates an integrated coal supply chain, including coal mining, purchase and sales, filtering, storage, blending, shipping and transportation of coal. During the six months ended 30 June 2011, the Group continued to focus on these business activities.

Significant Improvement in the Operating Results

China maintained a steady economic growth in the first half year of 2011. The gross domestic product (GDP) for the second quarter of 2011 posted a year-on-year growth of 9.6%. The fast-growing economy facilitated a strong growth in the demand for coal-fired electricity. The demand and the supply of thermal coal in China experienced a strong growth during the six months ended 30 June 2011. Led by the members of the Board, the Group captured the business opportunities successfully. During the six months ended 30 June 2011, the Group expanded its coal customer base and established business relationship with new large power plants operators, such as Fujian Huadian Kemen Power Generation Co., Ltd., China Resources Power Holdings Co., Ltd. JiangSu Branch, Huaneng Jinggangshan Power Plant, Guodian Fengcheng Power Generation Co., Ltd. In addition, with the management's effort on strengthening the existing logistics facilities, the coal supply chain capability of the Group was further enhanced which resulted in the growth of revenue and increased net profit margin of the Group during the six months ended 30 June 2011.

During the six months ended 30 June 2011, the Group achieved a significant growth in the handling and trading volume of coal as compared to the same period in 2010. The coal handling and trading volume of the Group was 6,469,000 tonnes, representing an increase of 33.2% as compared to the same period in 2010. The monthly average selling prices of coal during the six months ended 30 June 2011 were in the range between RMB579 per tonne and RMB642 per tonne, which were significantly higher than the average selling prices between RMB538 per tonne and RMB602 per tonne during the same period in 2010.

Profit attributable to equity shareholders of the Company, excluding the bargain purchase gain arising from the acquisition of Shanxi Huameiao Energy Group Co.,Ltd. ("**Huameiao Energy**") during the six months ended 30 June 2011, was RMB306.3 million, representing an increase of 60.4% from the profit attributable to equity shareholders of RMB191.0 million, excluding the bargain purchase gain arising from the acquisition of Shanxi Hun Yuan Rui Feng Coal Company Limited ("**Ruifeng Coal**"), for the same period in 2010.

Vertical Integration and Improvement in Coal Supply Chain

In November 2010, the Group entered into an equity interest transfer agreement (the "**Equity Interest Transfer Agreement**") for the acquisition of 32% equity interest in Huameiao Energy for cash consideration of RMB1.6 billion. The acquisition was completed on 1 January 2011. Huameiao Energy became an associated company of the Company and is accounted for in the consolidation financial statements of the Group using equity method. Huameiao Energy has three wholly-owned subsidiaries and each subsidiary holds the mining right of one coal mine in Shuozhou, Shanxi Province, China.

The coal mining rights are held through the three subsidiaries of Huameiao Energy below:

Name of subsidiary	Name of coal mine	Site area (sq. km)	Total coal Resource Estimate under JORC Code (million tons)	Total coal Reserves Estimate under JORC Code (million tons)	Operation Status as of 30 June 2011
山西朔州平魯區華美奧興陶煤業有限公司 (Shanxi Shuozhou Pinglu District Huameiao Xingtao Coal Company Limited)	Xingtao Coal Mine	4.3	124.6	85.1	Under operation
山西朔州平魯區華美奧馮西煤業有限公司 (Shanxi Shuozhou Pinglu District Huameiao Fengxi Coal Company Limited)	Fengxi Coal Mine	2.4	79.4	50.8	Under operation (full production has commenced in early 2011)
山西朔州平魯區華美奧崇升煤業有限公司 (Shanxi Shuozhou Pinglu District Huameiao Chongsheng Coal Company Limited)	Chongsheng Coal Mine	2.9	80.8	51.0	Undergoes technological modification and is scheduled to be in production by the end of 2011 with full production in 2013
		9.6	284.8	186.9	

The following table sets forth the production history of the three mines for the periods indicated, which is provided by the senior management of Huameiao Energy:

	Year ended 31 December		Six month ended 30 June
Raw coal production volume	2009 *('000 tonnes)*	2010 *('000 tonnes)*	2011 *('000 tonnes)*
Xingtao Coal Mine	1,800	2,837	1,457
Fengxi Coal Mine	–	860*	830
Chongsheng Coal Mine	–	–	–
Total	1,800	3,697	2,287

* The 860,000 tonnes of coal produced at Fengxi Coal Mine in 2010 were all development coal from construction of the coal mines.

According to the technical report issued by Gustavson Associates, LLC and BMI Technical Consulting (Resources) Limited in March 2011, the aggregate coal resource and coal reserves of the three coal mines under the Australian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 edition ("**JORC Code**") are estimated to be 284.8 million tonnes and 186.9 million tonnes, respectively. Pursuant to the Equity Interest Transfer Agreement, the Group has an off-take right to purchase at least 32% of the coal produced by Huameiao Energy at the prevailing market prices. Further, all three coal mines are located within 100 kilometers from the Group's coal loading station in Datong. The Directors believe that the acquisition enables the Group to strengthen its strategic position in sourcing quality coal resources in Shanxi Province and provides the Group with a stable supply of coal. The Group's overall transportation costs can also be further reduced through procurement of coal from Huameiao Energy.

The Group is not obliged to bear any construction and investment cost for the coal mines owned by Huameiao Energy. Further information on the acquisition was set forth in the Company's announcement dated 17 November 2010 and circular dated 30 June 2011.

OUTLOOK

The Directors are optimistic about the future of the coal sector in China mainly due to the high growth of China's economy and the coal production and supply constraints as a result of transportation bottlenecks. Transportation bottlenecks are attributable to the mismatch between the development of the railway network and the geographical change in the new production capacity in China. In addition, consolidation and suspension of operation of small coal mines under the Twelfth Five-Year Plan causes a further reduction in the supply of coal. On the other hand, it is expected that the coal demand will grow moderately due to the governmental policy in restricting energy intensive industries and encouraging energy saving programmes. Urbanisation and the development policies of the western China are expected to accelerate the growth in the demand for coal in the short and medium term. Business opportunities arise as the Group is an operator in the PRC coal industry providing services emerging from the geographical disparity and the transportation bottlenecks and has upstream investment in coal mines in Shanxi Province.

Furthermore, the global thermal coal prices are expected to remain at elevated levels in 2011 and the demand from China and India are expected to continue to remain strong. Any weather disruption, changes in the government policy or the transportation bottlenecks could restrict the supply of coal and drive up the prices. The earthquake and tsunami in Japan has alerted the public awareness that nuclear electricity may not be safe, which is expected to be a positive factor for the coal industry with increasing use of coal in energy generation in future.

With the well-established coal supply chain along Daqin Railway and the acquisition of Huameiao Energy, the Directors believe that the Group's coal handling and trading business will continue to increase by utilising these competitive advantages to capture the above-mentioned market opportunities.

In view of the anticipated increase in the demand for coal, the Group will continue to improve its business model with the following initiatives:

Acquisition of Equity Interest in Coal Mining Company as a Vertical Integration Strategy to ensure a Stable Supply of Coal

Coal prices are expected to remain at a high level in light of the steady development of China's economy. Improving the coal resources is one of the policy focuses of the Twelfth Five-year Plan of the national coal industry in China. Such policy would create a more favourable business environment for the Group. The Directors consider that acquisitions of coal mines or coal mining companies play an important role in enhancing the Group's vertical integrated supply chain of coal. This vertical integration strategy will enable the Group to secure a supply of coal with reliable and stable quality and quantity, which can then enhance the Group's competitiveness and further strengthen the relationship between the Group and its customers.

According to the Equity Interest Transfer Agreement, the existing investors of Huameiao Energy have agreed that the Group may further acquire not less than 19% equity interest in Huameiao Energy, so that the Group may have a majority control over Huameiao Energy.

The Group will continue to implement plans to acquire suitable coal mines and will keep up its efforts in identifying mines in operation, exploring and studying potential projects for mergers and acquisition opportunities.

Expansion of the Customer Base

In addition to the established business relationship, the Group has taken the initiative to increase the coal sales to the existing customers. Many of the Group's customers are large scale Stated-owned enterprises in China, which operate a number of power plants, of which the Group had business relationship with some of them only. Thus, the Group will continue to increase the coal sales to these existing customers. Moreover, the Group is actively looking for opportunities to expand the customer base and developing new business relationships with sizable domestic power groups in China. The expansion of the Group's customer base is an important strategic step in consolidating the customer base, developing coal production and sales and expanding the Group's income sources.

Coal Loading Stations along Daqin Railway and in Coal Producing Area

The Group is actively looking for suitable locations in Shanxi Province, China for the construction, leasing or acquisition of additional coal loading stations. In addition, the Group is also actively exploring acquisition or leasing opportunities of the existing coal stations along the Daqin Railway in order to further strengthen the coal processing and transportation capacity of the Group in the region.

Construction of the Zhuhai Terminal as a Strategic Integration of Existing Supply Chain

A sino-foreign joint venture agreement was entered into in October 2009 with Hebei Port Group (formerly Qinhuangdao Port Group) for the establishment of a joint venture for the construction and operation of the Zhuhai Terminal (as defined in the Prospectus). The agreement became effective from 22 March 2010. The Group and Hebei Port Group will contirbute 60% and 40% of the registered capital of the joint venture, respectively. The Group will contribute a total of RMB311.4 million for the registered capital of the joint venture. The total investment amount of the joint venture will be RMB1.5 billion and shall be arranged by the joint venture. As at the date of this report, the Group had invested RMB87.3 million from the net proceeds from the Global Offering for the development of the Zhuhai Terminal.

The Zhuhai Terminal is strategically located in the southeast region of Zhuhai, Guangdong Province, China, and will serve as a coal transhipment hub, coal blending center and coal storage base in the Southern China. The berthing capacity of Zhuhai Terminal is 100,000 DWT (construction structure: 150,000 DWT) with an annual throughput capacity of 20 million tonnes. The Directors expect that the Zhuhai Terminal would commence operation in 2012.

Four New Vessels to Strengthen Existing Transportation Capabilities

The Group currently has four Panamax bulk carriers with a total capacity of 280,000 DWT serving for both the domestic and international routes. Another four new Panamax bulk carriers with capacity of 82,000 DWT each are currently under construction and will come into operation in late 2011 and 2012, respectively, bringing the Group’s total bulk carrier capacity to 608,000 DWT which is expected to fully satisfy the Group’s fleet requirements as its coal handling and trading volume rise over the next few years. Expansion of fleet could enhance the Group’s control over its handling and trading cost and reduce the risk faced by the Group due to any fluctuation in transportation costs in the future.

FINANCIAL REVIEW

Revenue and Coal Handling and Trading Volume

Revenue (expressed in RMB'000)	Six months ended 30 June 2011	2010
Coal handling and trading	**4,016,776**	2,704,536
Shipping	**53,448**	81,080

Handling and trading volume (expressed in '000 tonnes)	Six months ended 30 June 2011	2010
Coal handling and trading	**6,469**	4,858

Due to the increased efficiency of the Group's entire coal supply chain capability and the steady development of China's economy, the Group achieved a significant growth in the coal handling and trading volume as compared to the same period in 2010. During the six months ended 30 June 2011, the coal handling and trading volume of the Group was 6,469,000 tonnes, representing an increase of 1,611,000 tonnes or 33.2% as compared to the same period in 2010. The monthly average selling prices of coal during the six months ended 30 June 2011 were in the range between RMB579 per tonne and RMB642 per tonne, which were substantially higher than the average selling prices between RMB538 per tonne and RMB602 per tonne during the same period in 2010.

The average coal selling price and the coal handling and trading volume for each of the three years ended 31 December 2010 and the six months ended 30 June 2010 and 2011 are set forth in the table below:

	Year ended 31 December			**Six months ended 30 June**	
	2008	2009	2010	2010	**2011**
Average selling price (RMB per tonne)	646	493	579	557	**621**
Average monthly handling and trading volume (thousand tonnes)	523	569	910	810	**1,078**

The segment turnover for shipping transportation from external customers for the six months ended 30 June 2011 was RMB53.4 million, representing a drecrease of RMB27.7 million or 34.2% from RMB81.1 million for the same period in 2010. This was primarily due to the decrease in the freight rates as a result of decrease in demand due to the increase in the charter fuel prices and the over-supply of shipping transportation capacity during the period.

Gross Profit Margin and Gross Profit

The Group's gross profit increased by RMB93.7 million during the six months ended 30 June 2011 to RMB507.8 million from RMB414.1 million during the same period in 2010, principally because of the increase in the coal handling and trading volume. The Group's annual gross profit margin has remained stable at approximately 10-12% over the past three years.

Other Income

During the six months ended 30 June 2011, the Group's other income amounted to RMB50.6 million, representing an increase of RMB11.1 million or 28.1% as compared with RMB39.5 million in the same period in 2010. Other income mainly represented the bargain purchase gain on the acquisition of 32% equity interest in Huameiao Energy of RMB26.9 million and the unconditional grants from the local government in the PRC of RMB17.1 million (six months ended 30 June 2010: RMB0.5 million).

Net Finance Cost

Net finance cost of the Group in 2011 amounted to RMB69.3 million, representing an increase of RMB43.2 million or 165.5% from RMB26.1 million in same period in 2010. This was principally due to the increase in the trade finance to support the 33.2% increase in the coal handling and trading volume during the first half year of 2011 and the RMB800 million loan relating to the acquisition of 32% equity interest in Huameiao Energy.

Profit Attributable to Equity Shareholders

Profit attributable to equity shareholders of the Company, excluding the bargain purchase gain on the acquisition of Huameiao Energy during the six months ended 30 June 2011 was RMB306.3 million, representing an increase of 60.4% from the profit attributable to equity shareholders of RMB191.0 million, excluding the bargain purchase gain on the acquisition of Ruifeng Coal, for the same period in 2010. This was mainly contributed by the increase in profitability of the coal handling and trading business as a result of the increasing demand and the average selling prices of coal during the period. Furthermore, the profitability of Huameiao Energy was also a contribution to the increase in Group's profit.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group adopts stringent financial management policies and maintains a healthy financial condition. The Group funds its business operations and general working capital by internally generated financial resources and bank borrowings.

As at 30 June 2011, the Group recorded net current liabilities of RMB889.8 million which were mainly due to the reclassification of the prepayments of RMB1,300 million for acquisition of 32% equity interest in Huameiao Energy to investment in associates as the acquisition had been completed as at 1 January 2011. The Group has taken initiative to enhance the financial flexibility by diversifying the funding bases and obtain medium term loads to replace short term loans.

The management has taken initiative to strengthen the Group's working capital cycle during the period. As at 30 June 2011, the cash and bank balances of the Group amounted to RMB738.8 million (as at 31 December 2010: RMB287.2 million), representing an increase of 157.2%. The increase in cash and bank balances was mainly due to the change in the terms of sales of coal pursuant to which some of the customers are required to make a prepayment of 50-70% when the vessels arrive their designated ports.

As at 30 June 2011, the total bank and other borrowings of the Group were RMB3,929.4 million (as at 31 December 2010: RMB3,610.0 million), RMB3,211.5 million of which were repayable within one year and carried interest at market rates ranging from 1.35% to 8% (31 December 2010: 1.05% to 6.13%) per annum.

Non-current secured bank loans as at 30 June 2011 and 31 December 2010 carried one of the following variable interest rates: (i) the LIBOR plus 1%, (ii) 10% discount on the per annum interest rate quoted by the People's Bank of China in respect of three-year borrowings and (iii) 30% up on the per annum interest rate quoted by the People's Bank of China in respect of five-year borrowings.

As at 30 June 2011, the Group had total banking facilities of RMB6,181.1 million (as at 31 December 2010: RMB4,659.8 million), of which RMB3,667.0 million (as at 31 December 2010: RMB3,107.5 million) were utilised.

As at 30 June 2011, the Group's cash and cash equivalents, except amounts of RMB1.9 million and RMB258.1 million held in Hong Kong dollars ("HKD") and United States dollars ("USD"), respectively, were held in RMB. The Group's interest-bearing borrowings made in RMB and USD were RMB2,188.7 million and RMB1,740.7 million, respectively.

The gearing ratio (calculated as interest-bearing borrowings netted off pledged deposits divided by total assets) of the Group as at 30 June 2011 was 49.5% (as at 31 December 2010: 41.4%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGING

The Group's cash and cash equivalents are held predominately in RMB, HKD and USD. Operating outgoings incurred by the Group's subsidiaries in the PRC are mainly denominated in RMB while overseas purchases are usually denominated in USD. The Group's subsidiaries usually receive revenue in RMB.

The Group has entered into several foreign exchange forward contracts with banks in order to reduce the negative impact caused by RMB appreciation. The purpose of these transactions is to control the cost of the Group's RMB investments, in terms of foreign currencies, that are required to be injected into the PRC in the near future. As at 30 June 2011, the Group had three foreign exchange option contracts and three foreign exchange forward contracts. The fair value of these contracts was assets of RMB1.7 million as at 30 June 2011.

PLEDGE OF ASSETS OF THE GROUP AND GUARANTEE

As at 30 June 2011, the Group's assets in an aggregate amount of RMB1,911.4 million (as at 31 December 2010: RMB2,392.3 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 at 30 June 2011, Mr. XU Jihua, the chairman of the Board and an executive Director, provided guarantees to banks for granting banking facilities of an amount equivalent to RMB2,648.5 million (as at 31 December 2010: RMB1,568.5 million) to the Group.

CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any material contingent liabilities.

PROPOSED BONUS ISSUE OF SHARES

The Directors recommend a bonus issue (the "**Bonus Issue**") of Shares on the basis of one bonus Share for every one existing Share held by the shareholders of the Company (the "**Shareholders**") whose names are on the register of members on 10 October 2011. The Bonus Issue would allow the Shareholders to enjoy the results of the business growth of the Group by way of capitalisation of a portion of the share premium account of the Company. In addition, the Directors believe that the Bonus Issue will enhance the liquidity of the Shares in the market and thereby enlarging the Shareholder base.

The Bonus Issue is conditional upon the approval of the Shareholders of the Bonus Issue at the forthcoming extraordinary general meeting and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new Shares to be issued pursuant to the Bonus Issue. The register of members of the Company is expected to be closed during the period between 7 October 2011 and 10 October 2011, both days inclusive. In order for the Shareholders to qualify for the Bonus Issue, all transfers accompanied by the relevant share certificates must be lodged with the register of the Company no later than 4:00p.m. or Thursday , 6 October 2011.

Further information of the Bonus Issue will be set out in a circular of the Company and published on the websites of the Company and the Stock Exchange on 14 September 2011.

EMPLOYEES AND REMUNERATION

As at 30 June 2011, the Group employed 609 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, a Pre-IPO share option scheme was adopted in June 2009 to retain staff members who have made contribution to the success of the Group. As at 30 June 2011, options to subscribe for in aggregate 7,800,000 Shares were granted to an executive Director and 22 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.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company was in full compliance with the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") throughout the six months ended 30 June 2011.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") in accordance with requirements under the Listing Rules for the purposes of reviewing and supervising the Group's financial reporting processes and internal controls.

An Audit Committee meeting was held on 26 August 2011 to review the unaudited interim financial report for the six months ended 30 June 2011. KPMG, the Group's external auditor, had carried out a review of the unaudited interim financial report for the six months ended 30 June 2011 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.qinfagroup.com) and the Stock Exchange (www.hkex.com.hk). The interim report for the six months ended 30 June 2011 containing all the information required by the Listing Rules will be dispatched to the Shareholders and available on the above websites in due course.

By Order of the Board
China Qinfa Group Limited
XU Jihua
Chairman

Guangzhou, 26 August 2011

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, Mr. LAU Sik Yuen and Mr. QIAN Pingfan as the independent non-executive Directors.