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

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules.

The Board wishes to inform the shareholders and the potential investors of the Company that after a preliminary review on the Group's unaudited consolidated management accounts for the 2012 First Six-Month Period, the Group's unaudited consolidated net profit is expected to be significantly less than the amount of the net profit of the Group for the six months ended 30 June 2011.

The decrease in the amount of the net profit was principally due to the provision on the then acquisition price of the mining rights required to be paid to the government in China, the provision on the inventory, a decrease in the price of and the demand for thermal coal in China and an increase in the Group's finance costs due to the acquisition loan of Huameiao Energy in 2011.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by China Qinfa Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders and the potential investors of the Company that after a preliminary review on the Group's unaudited consolidated management accounts for the six months ended 30 June 2012 (the “**2012 First Six-Month Period**”), the Group's unaudited consolidated net profit is expected to be significantly less than the amount of the net profit of the Group for the six months ended 30 June 2011.

The decrease in the amount of the net profit was principally due to the provision of approximately RMB93 million on the then acquisition price of the mining rights to be paid by Shanxi Hun Yuan Rui Feng Coal Company Limited (“**Ruifeng Coal**”) to the government in China pursuant to a notice issued by the State Land Resources Bureau in Hun Yuan County (渾源縣國土資源局) dated 6 June 2012 and a provision of less than RMB10 million on the inventory. The decrease in the net profit during the 2012 First Six-Month Period was also attributable to (a) a decrease in the price and the demand for thermal coal in China, the Company’s principal market, during the 2012 First Six-Month Period as a result of significant decreases in the level of demand from power plants, cement plants and coal traders affected by the slow-growing economic conditions in China and the strong hydro-power production during the 2012 First Six-Month Period and (b) an increase in the Group’s finance costs due to the acquisition loan of Shanxi Huameiao Energy Group Company Limited (“**Huameiao Energy**”) in 2011.

Despite the above, the Board expects that the turnover derived from the principal business activities of the Group remains broadly stable during the 2012 First Six-Month Period. The Board also considers that the overall financial position and the business operation of the Group remain healthy. In order to further enhance the cash position of the Group to prepare for any uncertain market conditions in the future, the Group has reduced the inventory level and has increased its efforts in collecting accounts receivable. Based on the information currently available to the Group, no provision for the accounts receivable is required to be made.

The Company is still in the process of finalising the interim results of the Group for the 2012 First Six-Month Period. The information contained in this announcement is based only on the information currently available to the Group and a preliminary assessment by the Board solely with reference to the unaudited management accounts of the Group, which have not been confirmed nor audited by the Company’s auditor or audit committee of the Board. Further information on the Group’s results and performance will be announced on 23 August 2012 and the related interim report will be published and to be despatched to the shareholders of the Company in accordance with the requirements under the Listing Rules.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By order of the Board of
China Qinfu Group Limited
XU Jihua
Chairman of the Board

Hong Kong, 5 August 2012

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 Dr. QIAN Pingfan as the independent non-executive Directors.