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 2012

FINANCIAL HIGHLIGHTS

- Turnover was RMB11,085.3 million in 2012, representing an increase of 11.2% from RMB9,971.1 million in 2011.

- Coal handling and trading volume was 22.1 million tonnes in 2012, representing an increase of 38.7% from 15.9 million tonnes in 2011.

- Gross profit margin in 2012 increased to 13.7%, as compared with 10.9% in 2011 because of the high gross profit margin generated from the sales of self-produced coal.

- Profit for the year was RMB333.2 million in 2012, representing a decrease of 44.3% from RMB598.0 million in 2011. The decrease in the profit attributable to equity shareholders of the Company was principally due to the decrease in the net profit during the six months ended 30 June 2012, which was a result of decreases in the price and the demand for thermal coal and increases in the Group's finance costs incurred on the acquisition of Huameiao Energy in 2011.

- The Board refers to the announcement of the Company dated 10 March 2013 on the decrease in the net profit of the Group in 2012 as compared to with the same in 2011. The announcement stated that the decrease was not attributable to any significant non-recurring item during the six months ended 31 December 2012. The Board would like to clarify that there was a non-recurring item in 2012 in the sum of RMB77.8 million as the compensation paid by the Group to coal suppliers because of early termination of the relevant supply contracts.

- Basic and diluted earnings per Share for the year ended 31 December 2012 were RMB12.4 cents, representing a decrease of 54.8% as compared to 2011.
- The Directors propose a final dividend of HK cents 3.0 per Share in the aggregate amount of HKD62.3 million. The final dividend will be paid in cash or in scrip at the election of the Shareholders.

The board (the "**Board**") of directors (the "**Directors**") of China Qinfa Group Limited (the "**Company**") is pleased to announce the annual consolidated results and financial position of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2012 with comparative figures for the year ended 31 December 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Turnover	4	**11,085,285**	9,971,106
Cost of sales		**(9,571,906)**	(8,882,698)
Gross profit		**1,513,379**	1,088,408
Other income	5	**35,793**	105,966
Distribution expenses		**(158,212)**	(127,036)
Administrative expenses		**(348,857)**	(203,614)
Other expenses		**(110,742)**	(3,927)
Results from operating activities		**931,361**	859,797
Finance income		**34,535**	84,476
Finance costs		**(511,471)**	(270,555)
Net finance costs	6(a)	**(476,936)**	(186,079)
Share of (loss)/profit of associates		**(2,157)**	23,419
Profit before taxation	6	**452,268**	697,137
Income tax expense	7	**(119,118)**	(99,105)
Profit for the year		**333,150**	598,032
Other comprehensive income			
Foreign currency translation differences for foreign operations		**(565)**	(45,736)
Other comprehensive income for the year (after tax and reclassification adjustment)		**(565)**	(45,736)
Total comprehensive income for the year		**332,585**	552,296
Profit attributable to:			
Equity shareholders of the Company		**257,748**	570,470
Non-controlling interests		**75,402**	27,562
Profit for the year		**333,150**	598,032

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	Note	Year ended 31 December **2012** ***RMB'000***	 2011 *RMB'000*
Total comprehensive income attributable to:			
Equity shareholders of the Company		**257,183**	524,734
Non-controlling interests		**75,402**	27,562
Total comprehensive income for the year		**332,585**	552,296
Earnings per share			
Basic earnings per share	8(a)	**RMB 0.12**	RMB 0.27
Diluted earnings per share	8(b)	**RMB 0.12**	RMB 0.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**4,662,712**	3,924,147
Coal mining rights		**4,479,614**	4,458,446
Lease prepayments		**129,588**	129,728
Investment in associates		**57,485**	38,308
Deferred tax assets		**56,373**	4,075
		9,385,772	8,554,704
Current assets			
Inventories		**506,119**	504,840
Derivatives		**–**	466
Trade and bills receivable	9	**3,703,237**	1,341,025
Prepayments and other receivables		**1,759,774**	1,550,282
Pledged deposits		**1,641,244**	535,745
Cash and cash equivalents		**1,190,541**	592,027
		8,800,915	4,524,385
Current liabilities			
Loans and borrowings	10	**(5,103,416)**	(1,565,273)
Trade and bills payable	11	**(3,353,794)**	(2,012,289)
Other payables		**(1,971,384)**	(1,737,558)
Derivatives		**–**	(2,127)
Current taxation		**(310,872)**	(269,348)
		(10,739,466)	(5,586,595)
Net current liabilities		**(1,938,551)**	(1,062,210)
Total assets less current liabilities		**7,447,221**	7,492,494
Non-current liabilities			
Deferred tax liabilities		**(1,158,344)**	(1,151,071)
Other payables		**(153,516)**	(1,232,000)
Loans and borrowings	10	**(2,169,967)**	(1,782,778)
Accrued reclamation obligations		**(76,728)**	(71,797)
		(3,558,555)	(4,237,646)
Net assets		**3,888,666**	3,254,848

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		At 31 December	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Capital and reserves			
Share capital		**176,266**	176,266
Perpetual subordinated convertible securities		**156,931**	–
Reserves		**2,298,878**	2,069,400
Total equity attributable to equity shareholders of the Company		**2,632,075**	2,245,666
Non-controlling interests		**1,256,591**	1,009,182
Total equity		**3,888,666**	3,254,848

NOTES TO THE FINANCIAL STATEMENTS

1 COMPANY BACKGROUND AND BASIS OF PREPARATION

1.1 General information

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 were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 3 July 2009 (the "Listing Date"). The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are coal mining, purchase and sales, filtering, storage, blending of coal, shipping transportation and port business.

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 that 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, except when otherwise indicated. They have been prepared on the historical cost basis except that the derivatives 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 the 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 a few amendments to IFRS that are first effective for the current accounting period of the Group and the Company. None of the developments are relevant to the accounting policies applied in the financial statements for the years presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

		Effective for accounting periods beginning on or after
Amendments to IAS 1	Presentation of financial statements – Presentation of items of other comprehensive income	1 July 2012
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 27	Separated financial statements (2011)	1 January 2013
IAS 28	Investments in associates and joint ventures	1 January 2013
Revised IAS 19	Employee benefits	1 January 2013
Annual Improvements to IFRSs 2009-2011 Cycle		1 January 2013
Amendments to IFRS 7	Financial instruments: Disclosures – Disclosures – Offsetting financial assets and liabilities	1 January 2013
Amendments to IAS 32	Financial instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2014
IFRS 9	Financial instruments	1 January 2015

The Group is in the process of making an assessment of what the impact of these new amendments, standards and interpretations are expected to be in the period of initial application but is not yet in a position to state whether these new amendments, standards and interpretations would have a significant impact on the consolidated financial statements.

4 SEGMENT REPORTING

(a) Segment results, assets and liabilities

The Group has three major reportable segments-coal business, shipping transportation and port business-which are the Group's strategic business units. These 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 bases:

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 assets, coal mining rights and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade and bills payable 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.

	Coal business		Shipping transportation		Port business		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Turnover from external customers	**10,918,570**	9,836,259	**166,715**	134,847	**–**	–	**11,085,285**	9,971,106
Inter-segment turnover	**–**	–	**263,344**	545,928	**–**	–	**263,344**	545,928
Reportable segment turnover	**10,918,570**	9,836,259	**430,059**	680,775	**–**	–	**11,348,629**	10,517,034
Reportable segment profit/(loss) before taxation	**980,538**	859,874	**(31,058)**	35,040	**–**	–	**949,480**	894,914
Depreciation and amortization for the year	**155,637**	15,146	**83,470**	74,928	**–**	–	**239,107**	90,074
Reportable segment assets	**16,277,268**	11,810,855	**1,503,358**	1,561,831	**931,867**	554,563	**18,712,493**	13,927,249
(including investments in associates)	**57,485**	38,308	**–**	–	**–**	–	**57,485**	38,308
Reportable segment liabilities	**(12,148,577)**	(8,021,592)	**(1,311,527)**	(1,327,261)	**(587,548)**	(426,704)	**(14,047,652)**	(9,775,557)

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

Turnover

	2012	2011
	RMB'000	*RMB'000*
Reportable segment turnover	**11,348,629**	10,517,034
Elimination of inter-segment turnover	**(263,344)**	(545,928)
Consolidated turnover	**11,085,285**	9,971,106

Profit

	2012	2011
	RMB'000	*RMB'000*
Reportable segment profit before taxation	**949,480**	894,914
Elimination of inter-segment profit	**(2,774)**	(633)
Unallocated head office and corporate expenses	**(17,502)**	(11,065)
Net finance costs	**(476,936)**	(186,079)
Consolidated profit before taxation	**452,268**	697,137

Assets

	2012	2011
	RMB'000	*RMB'000*
Reportable segment assets	**18,712,493**	13,927,249
Elimination of inter-segment receivables and inventories	**(202,943)**	(322,832)
Elimination of receivables from head office	**(456,443)**	(530,224)
Deferred tax assets	**56,373**	4,075
Unallocated assets	**77,207**	821
Consolidated total assets	**18,186,687**	13,079,089

Liabilities

	2012	2011
	RMB'000	*RMB'000*
Reportable segment liabilities	**14,047,652**	9,775,557
Elimination of inter-segment payables	**(202,709)**	(320,474)
Elimination of payables to head office	**(1,016,162)**	(1,051,285)
Current tax liabilities	**310,872**	269,348
Deferred tax liabilities	**1,158,344**	1,151,071
Unallocated liabilities	**24**	24
Consolidated total liabilities	**14,298,021**	9,824,241

(c) Geographic information

The Group's total assets are primarily dominated by assets handling its coal business and shipping transportation. The coal are sold primarily to the PRC domestic customers and investments in most of the coal mines are physically located in the PRC. Therefore, related assets and liabilities are almost all located in the PRC. The vessels are primarily deployed across geographical markets for shipping transportation throughout the world. As a result, the directors consider that it will not be 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

	2012	2011
	RMB'000	*RMB'000*
Mainland China	**10,802,216**	9,779,018
Outside Mainland China	**283,069**	192,088
Total	**11,085,285**	9,971,106

5 OTHER INCOME

		2012	2011
	Note	***RMB'000***	*RMB'000*
Government grants	*(i)*	**28,882**	20,212
Bargain purchase gain on business combination		**–**	28,057
Bargain purchase gain on acquisition of an associate		**–**	26,880
Gain from deemed disposal of interest in an associate		**–**	21,974
Gain on derivatives		**2,093**	7,000
Others		**4,818**	1,843
		35,793	105,966

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

6 PROFIT BEFORE TAXATION

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

(a) Net finance costs

	2012	2011
	RMB'000	*RMB'000*
Interest income	**(34,535)**	(18,856)
Net foreign exchange gain	**–**	(65,620)
Finance income	**(34,535)**	(84,476)
Interest on borrowings	**524,510**	256,639
Less: interest capitalised into property, plant and equipment*	**(69,750)**	(6,208)
	454,760	250,431
Bank charges	**49,836**	20,124
Net foreign exchange loss	**6,875**	–
Finance costs	**511,471**	270,555
Net finance costs	**476,936**	186,079

* The borrowing costs have been capitalised at a rate of 6.53%-7.36% per annum (2011: 4.13%).

(b) Other items

	2012	2011
	RMB'000	*RMB'000*
Cost of inventories (see Note (i))	**9,159,297**	8,258,507
Operating lease charges		
– properties	**6,538**	4,496
– vessels	**181,116**	353,059
Depreciation for the property, plant and equipment	**187,120**	88,887
Amortisation of lease prepayments	**140**	140
Amortisation of coal mining rights	**51,847**	1,047
Auditors' remuneration		
– audit services	**3,681**	5,260
– non-audit services	**719**	588
Other expenses		
– compensation on termination of contracts (see Note (ii))	**77,836**	–
– loss on disposal of property, plant and equipment	**21,562**	–

(i) Cost of inventories includes RMB265,889,000 (2011: RMB9,471,000) relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

(ii) The Group terminated the purchase contracts with coal suppliers, which resulted in the compensation of RMB77,836,000 during the year.

7 INCOME TAX EXPENSE

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

	2012	2011
	RMB'000	*RMB'000*
Current tax expense		
– PRC Corporate Income Tax	**221,746**	142,794
– Overprovision of PRC Corporate Income Tax in prior years *(see Note (vi))*	**(57,603)**	(48,015)
Deferred tax		
– Origination and reversal of temporary differences	**(45,025)**	4,326
	119,118	99,105

(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 (2011: Nil).

(iii) No provision for complementary tax has been made for the subsidiary located in Macau as the subsidiary did not have assessable profits subject to income tax in Macau during the year.

(iv) 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.

(v) 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 31 December 2012, temporary withholding tax differences relating to the undistributed profits of PRC subsidiaries amounted to approximately RMB1,036,814,000 (2011: RMB738,108,000). Deferred tax liabilities of RMB51,841,000 (2011: RMB36,905,000) 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 PRC subsidiaries and it has been determined that it is probable that undistributed profits of these PRC subsidiaries will not be distributed in the foreseeable future.

(vi) Certain subsidiaries of the Group made provisions for PRC corporate income tax of RMB57,603,000 in previous years. During the year ended 31 December 2012, the Group coordinated with the local government and further enhanced these subsidiaries' operations, and the directors believe that the likelihood of utilization of this PRC corporate income tax provision has become remote and therefore have decided to release it to profit or loss during the year.

8 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 RMB257,748,000 (2011: RMB570,470,000) and the weighted average number of 2,075,120,000 (2011: 2,075,104,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2012	2011
	Number of shares	*Number of shares*
Ordinary shares issued at 1 January	**2,075,120,000**	1,037,500,000
Effect of share option exercised	**–**	44,000
Effect of capitalisation issue	**–**	1,037,560,000
Weighted average number of ordinary shares at 31 December	**2,075,120,000**	2,075,104,000

(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 RMB257,748,000 (2011: RMB570,470,000) and the weighted average number of 2,075,709,000 (2011: 2,080,233,000) ordinary shares (diluted).

Weighted average number of ordinary shares (diluted) for the year ended 31 December 2012 is calculated as follows:

	2012	2011
	Number of shares	*Number of shares*
Weighted average number of ordinary shares at 31 December	**2,075,120,000**	2,075,104,000
Effect of perpetual subordinated convertible securities	**323,000**	–
Effect of deemed issue of Pre-IPO share options	**266,000**	5,129,000
Weighted average number of ordinary shares at 31 December (diluted)	**2,075,709,000**	2,080,233,000

9 TRADE AND BILLS RECEIVABLE

All of the trade and bills receivable are expected to be recovered within one year.

An ageing analysis of trade and bills receivable of the Group is as follows:

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Within 2 months	**3,577,099**	1,339,647
Over 2 months but within 6 months	**29,500**	1,378
Over 6 months but within 1 year	**96,638**	–
	3,703,237	1,341,025

Credit terms granted to customers mainly range from 0 to 60 days depending on the customer's relationship with the Group, their creditworthiness and past settlement record.

The ageing is counted from the date when trade and bills receivable are recognised.

10 LOANS AND BORROWINGS

The Group

		2012	2011
	Note	***RMB'000***	*RMB'000*
Current			
Secured bank loans and bank advances	*(i)*	**3,874,893**	934,865
Unsecured bank loans and bank advances	*(ii)*	**380,512**	–
Current portion of non-current secured bank loans	*(iii)*	**848,011**	630,408
		5,103,416	1,565,273
Non-current			
Secured bank loans	*(iii)*	**2,169,967**	1,782,778
		7,273,383	3,348,051

(i) Current bank loans and bank advances bear interest at rates ranging from 1.21% to 8.00% (2011: 3.47% to 11.50%) per annum. Current secured bank loans and bank advances were secured by the following assets:

	2012	2011
	RMB'000	*RMB'000*
Property, plant and equipment	**482,527**	525,456
Inventories	**283,760**	425,968
Pledged deposits	**1,247,064**	202,750

RMB750,000,000 (2011: RMB100,000,000) of the current secured bank loans and bank advances were guaranteed by a related party in addition to being pledged by the above assets.

(ii) Unsecured bank loans and bank advances bear interest at rates ranging from 1.21% to 7.30% per annum as at 31 December 2012 (31 December 2011: Nil).

(iii) Non-current secured bank loans as at 31 December 2012 were pledged by pledged deposits of RMB15,085,000 (2011: Nil), property, plant and equipment with carrying amounts of RMB1,190,822,000 (2011: RMB1,067,451,000), coal mining rights with carrying amounts of RMB4,196,958,000 (2011: RMB3,282,384,000), the Group's equity interest in Huameiao Energy, Xingtao Coal, Fengxi Coal and Chongsheng Coal, and guaranteed by a related party and a subsidiary owned by Huiyong Jinyuan, one of the non-controlling shareholders of Huameiao Energy.

Non-current secured bank loans as at 31 December 2012 bear the following interest rates:

	2012	2011
	RMB'000	*RMB'000*
(1) LIBOR plus 1%	**–**	24,962
(2) 10% discount on the per annum interest rate quoted by the People's Bank of China in respect of three-year borrowings ("3-year interest rate of PBOC")	**–**	145,000
(3) 30% premium on the per annum interest rate quoted by the People's Bank of China in respect of five-year borrowings ("5-year interest rate of PBOC")	**500,000**	700,000
(4) USD best lending rate plus 1.5%	**180,425**	204,464
(5) 20% premium on the 5-year interest rate of PBOC	**810,000**	500,000
(6) 5% premium on the per annum interest rate quoted by the People's Bank of China with terms longer than five years	**474,700**	98,760
(7) 5-year interest rate of PBOC	**430,000**	540,000
(8) 15% premium on the 3-year interest rate of PBOC	**309,790**	200,000
(9) 30% premium on the 3-year interest rate of PBOC	**33,333**	–
(10) Fixed rate: 8.32%	**270,000**	–
(11) 3% per annum over higher of 1 month HIBOR and the Hang Seng Bank's cost of funds	**9,730**	–
	3,017,978	2,413,186

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

	2012	2011
	RMB'000	*RMB'000*
Within 1 year	**848,011**	630,408
Over 1 year but within 2 years	**722,496**	590,446
Over 2 years but within 5 years	**894,327**	991,338
Over 5 years	**553,144**	200,994
	2,169,967	1,782,778
	3,017,978	2,413,186

11 TRADE AND BILLS PAYABLE

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

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Within 1 month	**2,682,899**	1,125,185
Over 1 month but within 3 months	**291,159**	688,172
Over 3 months but within 6 months	**367,000**	198,932
Over 6 months but within 1 year	**3,183**	–
Over 1 year but within 2 years	**9,553**	–
	3,353,794	2,012,289

12 DIVIDENDS

Dividends paid to equity shareholders attributable to the year

	2012	2011
	RMB'000	*RMB'000*
Interim dividend declared and paid of HKD2 cents per ordinary share during the year	**33,748**	–
Final dividend proposed after the reporting date of HKD3 cents per ordinary share	**50,288**	–
	84,036	–

According to the written resolution of the directors' meeting passed on 23 August 2012, the Company declared a special interim dividend of HKD41,502,400 (equivalent to RMB33,748,000) to its then equity shareholder. Such dividend was fully paid on 19 October 2012.

At a meeting held on 22 March 2013, the Board of Directors proposed a final dividend of HKD3 cents per ordinary share which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to equity holders to elect to receive such final dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as a dividend payable in these financial statements.

13 CAPITAL COMMITMENTS

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

	2012	2011
	RMB'000	*RMB'000*
Contracted for	**1,445,681**	1,352,728

MANAGEMENT DISCUSSION AND ANALYSIS

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 transportation and port business. During the year ended 31 December 2012, the Group continued to focus on these business activities and expanded its integrated coal supply chain through upward vertical integration.

BUSINESS REVIEW

Maintained Growth in the Operating Results

In 2012, the GDP growth rate of China falls to 7.8%. With the slowdown in economic growth, prices of coal in China faced downward pressure and the demand for shipping transportation in China faced continuous downturn. The Group strived to seize business opportunities, progressed with well-planned steps, strengthened the integrated coal supply chain, and strived to enhance the upstream coal production capacity of the Group. The Group continued to expand its customer base and established and maintained business relationship with new large power plants (such as China Resources Power Holdings Co., Ltd. Henan Branch, China Resources Power Holdings Co., Ltd. Jiangsu Branch, Fujian Huadian Kemen Power Generation Co., Ltd. and Huaneng Jinggangshan Power Plant) and Stated-owned coal suppliers (such as China Coal Energy Limited and Datong Coal Mine Group Co., Ltd.).

In addition, the Group's effort in improving the overall management capability for the Group's fleet and the operation capacity of coal loading stations, lowering finance costs and also with a more stringent internal management system contributed the positive growth in the revenue of the Group in 2012.

In 2012, the Group achieved growth in the coal handling and trading volume as compared with the same in 2011. The coal handling and trading volume of the Group was 22,093,000 tonnes, representing an increase of 38.7% as compared with 2011. The monthly average selling prices of coal during the year ended 31 December 2012 were in the range between RMB451 per tonne and RMB635 per tonne, which were lower than the average selling prices between RMB563 per tonne and RMB677 per tonne in 2011. Profit attributable to the equity shareholders of the Company was RMB257.7 million, representing a decrease of 50.0% from the profit attributable to the equity shareholders of RMB515.5 million in 2011, excluding the bargain purchase gain arising from the acquisition of Shanxi Huameiao Energy Group Limited ("**Huameiao Energy**") during the year.

Enhancing Upstream and Further Improvement in the Coal Supply Chain

The Directors consider that maintaining a stable coal supply with cost advantage through upstream investment is part of the Group's core strategy to achieve long-term growth and enhance the profitability of the Group.

Since November 2010, the Group gradually acquired the equity interest in Huameiao Energy up to 80%. Huameiao Energy has become a non-wholly owned subsidiary of the Group and its financial results are consolidated into the financial statements of the Group. Huameiao Energy has three wholly-owned subsidiaries and each subsidiary holds the mining right of a coal mine in Shuozhou, Shanxi Province, China. These coal mines have strengthened the Group's operating conditions and result in satisfactory results in the operational growth.

As at 31 December 2012, the Group owned and operated four coal mines in the PRC and has equity interest in one company listed on the Australian Securities Exchange engaging in the coal mining business. The table sets forth certain information about these coal mines.

				As at 31 December 2012		
	Location	**Ownership**	**Site area** *sq. km*	**Operation status**	**Total coal reserves** *million tonnes*	**Total coal resources** *million tonnes*
Huameiao Energy – Xingtao Coal *(Note 1)*	Shuozhou Shanxi	80%	4.3	Under operation	**80**	**118**
Huameiao Energy – Fengxi Coal *(Note 1)*	Shuozhou Shanxi	80%	2.4	Under operation	**48**	**76**
Huameiao Energy – Chongsheng Coal *(Note 1)*	Shuozhou Shanxi	80%	2.9	Under operation (scheduled to be in full production in 2013)	**49**	**78**
Ruifeng Coal *(Note 2)*	Datong Shanxi	87.88%	2.7	Under development	**n.a.**	**67** *(Note 3)*
Tiaro Coal Limited	Australia	19.88%	n.a.	Under exploration	**n.a.**	**n.a.**

Notes:

(1) The Group engaged an independent mineral industry consultant to estimate the total coal reserves and resources as at 30 September 2011 in accordance with the JORC Code. For the period from 1 October 2011 to 31 December 2012, there was no material change in total coal reserves and resources. The total coal reserves and resources as at 31 December 2012 were derived from the estimated figures after deducting the raw coal production for the period from 1 October 2011 to 31 December 2012.

The total coal reserves represent proven and probable reserves. Details are summarised as follows:

	Coal reserves (million tonnes)		
	Proven	**Probable**	**Total**
Xingtao Coal	66	14	80
Fengxi Coal	21	27	48
Chongsheng Coal	31	18	49
Total	118	59	177

(2) The total coal resources were estimated under the PRC standards.

(3) The Group acquired Ruifeng Coal at the end of February 2010. Pursuant to the estimation conducted by a PRC mineral industry consultant, the total coal resources of Ruifeng Coal was 67 million tonnes as of 30 September 2011 under the PRC standards.

The following table sets forth the historical full-year production figures at the abovementioned mines for the periods indicated:–

	Year ended 31 December		
	2010	2011	**2012**
Raw coal production volume	*('000 tonnes)*	*('000 tonnes)*	***('000 tonnes)***
Huameiao Energy – Xingtao Coal	2,837	2,800	**2,075**
Huameiao Energy – Fengxi Coal	860	1,862	**1,851**
Huameiao Energy – Chongsheng Coal	–	486	**1,726**
Ruifeng Coal	–	300*	**1,052***
Total	3,697	5,448	**6,704**

	Year ended 31 December		
	2010	2011	**2012**
Commercial coal production volume	*('000 tonnes)*	*('000 tonnes)*	***('000 tonnes)***
Huameiao Energy – Xingtao Coal	1,844	1,820	**1,349**
Huameiao Energy – Fengxi Coal	559	1,210	**1,203**
Huameiao Energy – Chongsheng Coal	–	316	**1,122**
Ruifeng Coal	–	300*	**1,052***
Total	2,403	3,646	**4,726**

* These represented development coal produced from construction of the coal mines.

According to the competent person's report issued on 30 September 2011, the volume of commercial coal is calculated by a yield rate of 65% of raw coal.

Expenditure on exploration, mining and development activities for the year ended 31 December 2012 were RMB432.6 million.

FINANCIAL REVIEW

Revenue and Handling and Trading Volume

	Year ended 31 December	
Revenue	**2012**	2011
	RMB'000	*RMB'000*
Coal business	**10,918,570**	9,836,259
Shipping transportation	**166,715**	134,847

	Year ended 31 December	
Handling and Trading volume	**2012**	2011
	'000 tonnes	*'000 tonnes*
Coal Handling and Trading	**22,093**	15,927

During the year ended 31 December 2012, the Group's coal production capacity increased substantially. The increase was principally due to the commencement of production of the four coal mines operated by Huameiao Energy and Ruifeng Coal and the increased efficiency of the entire coal supply chain operated by the Group. Hence, the Group achieved a significant growth in the coal handling and trading volume during the year ended 31 December 2012, as compared with 2011. The total coal handling and trading volume of the Group in 2012 was 22,093,000 tonnes, representing an increase of 6,166,000 tonnes or 38.7% as compared with 2011.

However, the monthly average selling prices of coal during the year ended 31 December 2012 were in range between RMB451 per tonne and RMB635 per tonne, which were lower than the average selling prices between RMB563 per tonne and RMB677 per tonne in 2011. The decreases in monthly selling prices were mainly attributable by the increasing volume of clean coal produced by Huameiao Energy which was sold at mine-mouth price (excluding the transportation cost charged to customers) and was lower than the average selling prices of coal sold by the Group. The decrease in the average selling prices was also due to slow down in the overall demand for coal in China in 2012.

The average coal selling price and the coal handling and trading volume for each of the three years ended 31 December 2012 are set forth in the table below:

	Year ended 31 December		
	2010	2011	**2012**
Average selling price *(RMB per tonne)*	579	618	**494**
Average monthly handling and trading volume *(thousand tonnes)*	910	1,327	**1,841**

The Group sells blended 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 purchase coal for use in the combustion processes to produce steam for power and heat. Cement plants consume coal as primary fuel in their production process. The following table sets forth information regarding the Group's coal sales by industry segment during 2012 and 2011:

	Year ended 31 December			
	2012		2011	
		Percentage of		Percentage of
	Net sales	**Net sales**	Net sales	Net sales
	RMB'000	***% of total***	*RMB'000*	*% of total*
Power plants	**3,106,142**	**28.5**	4,666,856	47.4
Coal traders	**3,858,550**	**35.3**	3,683,752	37.5
Cement plants and others*	**3,953,878**	**36.2**	1,485,651	15.1
Total	**10,918,570**	**100.0**	9,836,259	100.0

* Others mainly represented large State-owned coal suppliers.

The segment turnover for shipping transportation from external customers for the year ended 31 December 2012 was RMB166.7 million, representing an increase of RMB31.9 million or 23.6% from RMB134.8 million in 2011. The increase in turnover was primarily brought by the addition of the two new Kamsarmax bulk carriers to the Group's fleet, which came into full operation during the period.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by RMB425.0 million during the year ended 31 December 2012 to RMB1,513.4 million from RMB1,088.4 million in 2011, mainly because of the substantial increase in the coal handling and trading volume and increased percentage of sales of coal produced by the four coal mines of the Group.

The Group's gross profit margin has increased from 10.9% to 13.7% as compared with 2011. The increase in the gross profit margin was due to the higher profitability of Huameiao Energy.

Other Income

During the year ended 31 December 2012, the Group's other income amounted to RMB35.8 million, representing a decrease of 66.2% as compared with RMB106.0 million in 2011. The decrease in other income was mainly due to the absence of non-recurrent bargain purchase gain and deemed disposal gain on the acquisition of interest in Huameiao Energy in 2011 in the total amount of RMB76.9 million.

Cost of sales

Cost of sales of the Group in 2012 amounted to RMB9,571.9 million, representing an increase of 7.8% as compared with RMB8,882.7 million in 2011. The increase was in line with the increase in turnover.

The following table set forth the cost of sales of the coal business segment:

	Year ended 31 December	
	2012	2011
	RMB million	*RMB million*
Cost of coal purchased	**7,755.6**	7,769.4
Cost of coal transportation*	**945.6**	776.1
Cost of self-produced coal	**672.2**	728.1 #
Materials, fuel, power	**122.9**	137.9
Staff costs	**89.4**	81.2
Transportation	**18.1**	21.3
Depreciation and amortisation	**92.4**	71.6
Others	**349.4**	416.1
Other costs	**30.4**	46.6
Total cost of sales of coal business segment	**9,403.8**	9,320.2

* Cost of coal transportation refers to the transportation cost before elimination on consolidation.

The cost of self-produced coals represented the full-year cost of Huameiao Energy and Ruifeng coal. The Group has acquired 80% equity interest of Huameiao Energy since 23 December 2011 (the date of which Huameiao Energy became a subsidiary of the Group).

The Group purchases coal from both overseas and the PRC domestic market. The following table sets forth information regarding the Group's origins of coal based on sales volume and net sales in 2012 and 2011:

	Year ended 31 December			
	2012		2011	
Origins of coal	**Sales volume**	**Net sales**	Sales volume	Net sales
	'000 tonnes	***RMB'000***	*'000 tonnes*	*RMB'000*
China	**17,074**	**7,987,764**	6,906	3,890,176
Indonesia	**2,941**	**1,523,943**	6,237	3,920,590
Canada	**553**	**445,247**	843	855,182
Australia	**604**	**400,064**	443	313,036
South Africa	**537**	**309,450**	532	318,304
Vietnam	**196**	**112,016**	966	538,971
Others	**188**	**140,086**	–	–
Total	**22,093**	**10,918,570**	15,927	9,836,259

The Group keeps expanding the network of overseas suppliers to ensure a supply of coal with reliable and stable quantity and quality.

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 three years. The Group has also been undergoing upstream expansion through acquisition of companies holding coal mines. This enables the Group to obtain a reliable supply of quality coal.

Administrative Expenses

During the year ended 31 December 2012, the Group's administrative expenses amounted to RMB348.9 million, representing an increase of 71.3% as compared with RMB203.6 million in 2011. Such increase was mainly contributed by the acquisition of Huameiao Energy in late December 2011, which came into full operation in 2012, and the increase in staff cost.

Distribution Expenses

Distribution expenses increased slightly by 24.5% to RMB158.2 million during the year ended 31 December 2012. Such increase was mainly contributed by the increase in the coal and trading volume of the Group in 2012.

Net Finance Costs

Net finance costs of the Group in 2012 amounted to RMB476.9 million, representing an increase of RMB290.8 million or 156.3% from RMB186.1 million in 2011. This increase was principally due to the increase in the use of trade finance to support the increase in the coal handling and trading volume of the Group in 2012 and the acquisition loan of Huameiao Energy.

Income Tax Expense

The Group's income tax expense in 2012 was RMB119.1 million, representing an increase of approximately 20.2% from RMB99.1 million in 2011. The Group's effective income tax rate was 26.3% in 2012 and 14.2% in 2011. The increase in effective tax rate was mainly due to the absence of one-off bargain purchase gain arising from the acquisition of Huameiao Energy in 2011, and the effect of unused tax losses not recognised in certain subsidiaries of the Group.

Profit Attributable to Equity Shareholders

Profit attributable to equity shareholders of the Company during the year ended 31 December 2012 was RMB257.7 million, representing a decrease of 50.0% from the profit attributable to equity shareholders of RMB515.5 million, excluding the bargain purchase gain on the acquisition of Huameiao Energy in 2011. The decrease was principally due to the 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.

The Board refers to the announcement of the Company dated 10 March 2013 on the decrease in the net profit of the Group in 2012 as compared to with the same in 2011. The announcement stated that the decrease was not attributable to any significant non-recurring item during the six months ended 31 December 2012. The Board would like to clarify that there was a non-recurring item in 2012 in the sum of RMB77.8 million as the compensation paid by the Group to coal suppliers because of early termination of the relevant supply contracts.

Trade and bills receivable

As of 31 December 2012, trade and bills receivable of the group were RMB3,703.2 million (as of 31 December 2011: 1,341.0 million). The increase was mainly because there were substantial increase in sales in the 4th quarter of the year (especially in November and December) and the credit term of some customers falls after year end. The relevant receivables are gradually collected in early 2013.

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 31 December 2012, the Group recorded net current liabilities of RMB1,938.6 million which were mainly due to full settlement of the balance of consideration of acquiring Huameiao Energy by cash during the period and the reclassification of some of the non-current bank loans as current bank loans.

The Group has taken initiative to enhance the financial flexibility by diversifying the funding bases and obtain medium term loans to replace short term loans.

The Group has also taken initiative to strengthen its working capital during the year. As at 31 December 2012, the cash and cash equivalents of the Group amounted to RMB1,190.5 million (as at 31 December 2011: RMB592.0 million), representing an increase of 101.1% as compared with the balance as of 31 December 2011. The increase in cash and cash equivalents was mainly due to (a) the contribution of Huameiao Energy, (b) the increase in the volume of sales of coal pursuant to which some customers were required to make a prepayment of 50% to 70% when the vessels arrive their designated ports and (c) the issue of the perpetual subordinated convertible securities.

As at 31 December 2012, the Group's cash and cash equivalents, except amounts of RMB5.9 million and RMB205.6 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, USD and HKD were RMB6,836.1 million, RMB427.6 million and RMB9.7 million, respectively.

As at 31 December 2012, the total bank and other borrowings of the Group were RMB7,273.4 million (as at 31 December 2011: RMB3,348.1 million), RMB5,103.4 million of which were repayable within one year and carried interest at market rates ranging from 1.21% to 8.00% (31 December 2011: 3.47% to 11.50%) per annum.

Non-current bank loans as at 31 December 2012 and 31 December 2011 carried at variable and fixed interest rates.

As at 31 December 2012, the Group had total banking facilities of RMB13,497.5 million (as at 31 December 2011: RMB13,024.9 million), of which RMB8,461.3 million (as at 31 December 2011: RMB4,894.0 million) were utilised.

The gearing ratio (calculated as interest-bearing borrowings netted off sum of cash and cash equivalents plus pledged deposits divided by total assets) of the Group as at 31 December 2012 was 24.4% (as at 31 December 2011: 17.0%). The increase was mainly due to the increase in the balance of interest – bearing borrowings for the Group's daily operation.

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. Hence, the Directors do not consider that the Group faces significant exposure to foreign exchange fluctuation risk.

PLEDGE OF ASSETS OF THE GROUP AND GUARANTEE

As at 31 December 2012, the Group's assets in an aggregate amount of RMB7,416.2 million (as at 31 December 2011: RMB5,837.0 million) in forms of property, plant and equipment, coal mining rights, inventories and bank deposits were pledged to banks in Hong Kong and the PRC for the credit facilities granted to the Group.

As at 31 December 2012, 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 RMB3,870.8 million (as at 31 December 2011: RMB4,226.4 million) to the Group.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any material contingent liabilities.

SHARE CAPITAL STRUCTURE

On 28 November 2012 (after trading hours), the Company entered into the subscription agreement with a controlling shareholder of the Company (the "**Subscriber**") pursuant to which the Company has conditionally agreed to issue the perpetual subordinated convertible securities in the principal amount of HKD194.7 million to be issued by the Company to the Subscriber.

The issue has been approved by the shareholders of the Company (the "**Shareholders**") at the extraordinary general meeting held on 31 December 2012. Accordingly, the convertible securities amounted HKD194.7 million were issued on the same day.

Save as the above, there was no change in the share capital structure of the Company during the year ended 31 December 2012.

FINAL DIVIDEND

The Board has recommended a final dividend of HK cents 3.0 per Share payable to Shareholders whose names appear on the register of members of the Company on 7 June 2013, making a total dividend for 2012 of HK cents 5.0 per Share.

The final dividend will be paid in the form of scrip, with the Shareholders to be provided with an option to elect cash in respect of part or all of such dividend (the "**Scrip Dividend Scheme**"). The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting listing of and permission to deal in the new Shares to be allotted and issued pursuant thereto. A circular giving full details of the Scrip Dividend Scheme and the election form will be sent to the Shareholders as soon as practicable. Dividend warrants and/or Share certificates for the scrip shares are expected to be sent to the Shareholders on or around 19 July 2013.

CLOSURE OF REGISTERS OF MEMBERS

The registers of members will be closed from 4 June 2013 to 7 June 2013, both dates inclusive, during which period no transfer of Shares will be registered in order to ascertain Shareholders' entitlement to the proposed final dividend. All transfers documents accompanied by the relevant Share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited of 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 3 June 2013.

EMPLOYEES AND REMUNERATION

As at 31 December 2012, the Group employed 1,745 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 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.

In addition, 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 31 December 2012, there were outstanding share options to subscribe for a total of 15,200,000 Shares granted under the Pre-IPO Share Option Scheme to an executive Director and 21 employees of the Group. On 17 January 2012, the Company has further granted share options to subscribe for a total of 20,751,196 Shares to 15 employees under the Share Option Scheme adopted on 12 June 2009. As at the date of this announcement, the total number of share options outstanding is 29,933,954. The Directors believe that the compensation packages offered by the Group to its staff members are competitive in comparing with market standards and practices.

BUSINESS OUTLOOK

Despite the slowdown in the PRC economy in 2012, which affected the level of demand for coal, the Directors are cautiously optimistic on the future of the coal industry in the PRC because of the following reasons:

- The government of the PRC expects that the GDP of the PRC will achieve a growth of 7.5% in 2013. Hence, the domestic coal market is expected to maintain a positive growth.

- Cancellation of the policy for key coal-fired power generation contracts by the National Development and Reform Commission is beneficial to the development of open market for coal in the PRC.

- Positive signs of economic recovery shown in the domestic economy in the PRC together with the recovery of the downstream industry have driven the demand for coal.

- Rail transport in the PRC is still in the development bottleneck and hence, the logistics advantages are crucial to the coal trading business.

- New energy development has yet to be fully implemented and adopted in the PRC and coal will continue to be the most economical source of energy in China would not be replaced in the near future.

The Group is principally engaged in coal supply chain business of coal mining, procurement, filtering, blending, storage, transportation, sales, shipping and port integration. The Group has four quality coal mines in Shanxi Province, of which the Xingtao coal mine operated by Huameiao Energy was a Grade 1 Safety Demonstration Mine appraised by China National Coal Association. China will gradually raise the lowest operational scale for coal industry and encourages entities to phase out backward production capacity and enhance the industrial concentration through mergers and restructuring. Huameiao Energy has the required operational scale in Shanxi Province, which will be an advantage to the Group's plans for further expansion of upstream resources and acquisition of high-quality coal mines.

Upon successful acquisition of Huameiao Energy, the Group is benefited from the stable coal supply, higher gross profit margin and strong cash flow. With the growing coal production from Huameiao Energy, the Group can provide sufficient coal to meet the demand from customers which require a stable source of coal supply. The Group also operates an integrated logistic network which allows ample absorption and realisation of the coal produced. The Directors expect that the gross profit margin of the Group will continue to improve with the increased proportion of self-produced coal. The strong cash flow of the Group also enables it to improve its working capital position. This vertical integration strategy enhances the Group's competitiveness and further strengthens the relationship between the Group and its customers.

In addition to maintaining the existing well-established business relationship, the Group has proactively taken the initiative to increase the coal sales to new and existing customers. Despite many of the Group's customers are large scale Stated-owned enterprises in China operating power plants in China, the Group's supply to them still accounts for only a small portion for their total demand. Thus, the Group will continue to promote the sales of coal to these existing customers. Moreover, the Group uses Taizhou port, Rugao port and Zhenhai port and Huangpu port in Eastern China, and Nansha port and Zhuhai port in South China as the transit base and further expand the customer base of "sea to river" (from coastal areas to the river banks of Yangtze River and Pearl River).

In 2013, the Group will enhance the joint and strategic cooperation with large upstream and downstream customers. Benefit from the cancellation of the price intervention of power coal by the National Development and Reform Commission and the emerging opportunity of completing open marketisation of coal trading in the PRC, the Group will fully utilise the opportunity to maintain a rapid and quality growth. The Directors are confident that with their joint efforts, they could bring the Group's operation in 2013 to a new level.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company was in full compliance 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 (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the financial year ended 31 December 2012.

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 supervise the Group's financial reporting process and internal controls. The members of the audit committee of the Board are the three independent non-executive Directors, namely Mr. HUANG Guosheng, Mr. LAU Sik Yuen and Mr. XING Zhiying. 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 2012.

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

During the year ended 31 December 2012, 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 2012 containing all the information required by Appendix 16 to the Listing Rules and any other applicable laws and regulations will be dispatched to the Shareholders and published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.qinfagroup.com) in due course.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held in May 2013. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

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

Guangzhou, 22 March 2013

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. XING Zhiying, as the independent non-executive Directors.