

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Appendix I Financial Information of the Group	12
Appendix II Property Valuation Report	16
Appendix III General Information	26

DEFINITIONS

In this circular, unless the context requires otherwise, the following terms have the following meanings:

“Announcement”	the announcement of the Company dated 26 June 2015 in relation to the Disposal
“Board”	the board of Directors
“Business Day(s)”	a day (excluding a Saturday or Sunday and any day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are open for general banking business
“Company”	China Qinfra Group Limited, a company incorporated in the Cayman Islands with limited liabilities, the Shares of which are listed on main board of the Stock Exchange (Stock Code: 866)
“Completion”	completion of the Disposal pursuant to the terms and conditions under the Disposal Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the aggregate consideration of RMB350 million for the Disposal
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 60% of the equity interests in the Disposal Company by the Seller to the Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	the conditional sale and purchase agreement dated 26 June 2015 in relation to the Disposal entered into between the Seller and the Purchaser
“Disposal Company”	Zhuhai Qinfra Port Co., Limited (珠海秦發港務有限公司), a company established under the laws of the PRC with limited liability and a non-wholly owned subsidiary of the Seller as at the Latest Practicable Date

“Encumbrances”

any mortgage, charge, pledge, lien, hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in

DEFINITIONS

“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administration Region of the People’s Republic of China and Taiwan
“Purchaser”	Zhuhai Port Logistics Centre Co., Limited (珠海港物流中心有限公司), a company established under the laws of the PRC with limited liability, a wholly state-owned enterprise and a wholly owned subsidiary of Zhuhai Holdings
“Remaining Group”	the Group immediately after Completion
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	Hong Kong Qinfa Trading Limited (香港秦發貿易有限公司), a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhuhai Holdings”	Zhuhai Port Holdings Group Co., Limited (珠海港控股集團有限公司), a company established under the laws of the PRC with limited liability and a wholly stated-owned enterprise
“%”	per cent.

The English translation of Chinese names or words in this circular, where indicated, are included for information purpose only and should not be regarded as the official translation of such Chinese names and word.



LETTER FROM THE BOARD

THE DISPOSAL

Date

26 June 2015 (after trading hours)

Parties

Seller: Hong Kong Qinfa Trading Limited (香港秦發貿易有限公司); and

Purchaser: Zhuhai Port Logistics Centre Co., Limited (珠海港物流中心有限公司)

The Purchaser is the wholly owned subsidiary of Zhuhai Holdings. Each of them is a company established under the laws of the PRC with limited liability and a wholly state-owned enterprise. The Purchaser is principally engaged in goods transportation, storage services and property development. As at the Latest Practicable Date, Zhuhai Holdings owns 40% of the equity interest in the Disposal Company. The Seller is a wholly owned subsidiary of the Company and is principally engaged in trading of coal and investment holding. As at the Latest Practicable Date, the Seller owns 60% of the equity interest in the Disposal Company.

Assets to be disposed of:

Pursuant to the Disposal Agreement, the Seller agreed to sell such equity interest of the Disposal Company to the Purchaser free from all Encumbrances, with all rights now or hereafter attaching thereto (including but not limited to all the dividends or distributions which may be paid, declared or made at any time on or after the date of Completion).

As at the Latest Practicable Date, the Seller is interested in 60% of the equity interest in the Disposal Company. Upon Completion, the Seller will cease to hold any equity interests in the Disposal Company, and the Disposal Company will cease to be subsidiary of the Company and the results of the Disposal Company will no longer be consolidated into the consolidated financial statements of the Group.

Consideration

The Consideration for the Disposal to be paid by the Purchaser to the Seller is RMB350 million, which shall be paid in cash by the Purchaser to the Seller in the following manner:

- (i) An amount of approximately RMB225 million (the “Deposit”), being the outstanding loan balance owing to the Pledgee, and the refundable deposit and part of the Consideration, shall be paid by the Purchaser to the Pledgee upon the signing of the Disposal Agreement for releasing the Pledge; and
- (ii) The remaining balance of approximately RMB125 million shall be payable by the Purchaser to the Seller upon the completion of registration of the transfer of 60% equity interest with the relevant government authorities in the PRC.

LETTER FROM THE BOARD

The Consideration was determined based on normal commercial terms and after arm's length negotiations between the Purchaser and the Seller, with reference to and/or after taking into consideration the following factors:

- (i) the net asset value of the Disposal Company attributable to the Seller of approximately RMB324 million as per the management accounts as at 31 December 2014;
- (ii) the factors set out in paragraph headed "Reasons for and Benefits of the Disposal"; and
- (iii) the market value of the land and properties owned by the Disposal Company, based on the valuation report issued by AVISTA Valuation Advisory Limited, an Independent Third Party, with valuation date as at 30 June 2015.

In the event the Disposal Agreement ceases or terminates solely due to the fault of the Seller, the Seller shall be required to refund the Deposit with damages. In the event the Purchaser delays in paying the Consideration, the Purchaser shall be required to pay the Seller an interest at the rate of 0.01% per day.

Having reviewed the financial information of the Disposal Company, both parties to the Disposal Agreement considered that the Consideration reflected the financial position of the Disposal Group and no adjustment to the Consideration is considered necessary.

Based on the valuation report as set out in Appendix II to this circular, the then market value and the depreciated replacement cost of the properties held by the Disposal Company was approximately RMB1,273.8 million as of 30 June 2015. Set out below is the reconciliation of the difference between the book value and the market value of such properties as of 30 June 2015:

	<i>RMB million</i>
Book value of the properties held by the Disposal Company	1,449.6
Add: Net valuation deficiency	<u>(175.8)</u>
Market value and the depreciated replacement cost of the properties held by the Disposal Company (<i>Note 1</i>)	<u><u>1,273.8</u></u>

Note 1: In the valuation of the property, no commercial value has been attributed to the property as relevant title certificates of the property have not been obtained. However, for reference purpose, the depreciated replacement cost of the land, buildings and various structures as at the date of valuation would be RMB1,272,360,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

The excess of the Consideration under the net book value of the Disposal Company is RMB26 million.

LETTER FROM THE BOARD

Conditions Precedent to the Disposal Agreement

Completion of the Disposal Agreement is conditional upon the following conditions being satisfied:

- (i) the approvals by the relevant governmental authorities in respect of the Disposal Agreement and the transactions contemplated thereunder having been obtained;
- (ii) the consent of the Pledgee on release of the Pledge being obtained; and
- (iii) the written shareholders' approval has been obtained from Mr. XU, Fortune Pearl and Mr. Xu Da, which together hold 58.23% of the issued share capital of the Company.

Completion

Completion shall take place on the date following all the conditions above being satisfied in full, or such other date as the Purchaser and the Seller may agree.

Upon Completion, the Seller will cease to hold any equity interests of the Disposal Company, and the Disposal Company will cease to be subsidiary of the Company and the results of the Disposal Company will no longer be consolidated into the consolidated financial statements of the Group.

INFORMATION OF THE DISPOSAL COMPANY

The Disposal Company is a sino-foreign joint venture company established in the PRC and an indirect non-wholly owned subsidiary of the Company. As at the Latest Practicable Date, the Company indirectly held 60% equity interest of the Disposal Company. The principal activities of the Disposal Company include the operation of a terminal in Gaolan Port Economic Zone as a coal port to provide port loading and discharging services, especially for coals, ore etc. The principal asset of the Disposal Company is the coal terminal which is located in Zhuhai City, the PRC. Trial operation of the coal port has been started in 2014.

LETTER FROM THE BOARD

Unaudited Financial Information of the Disposal Company

Set out below is the unaudited financial information of the Disposal Company prepared under International Financial Reporting Standards for the two years ended 31 December 2014:

	For the years ended	
	31 December 2014	31 December 2013
	<i>RMB'million</i>	<i>RMB'million</i>
Total assets	1,999	1,737
Total liabilities	1,459	1,168
Net assets	540	569
Net current liabilities	303	330
Turnover	40	–
Loss before taxation	37	–
Net loss after taxation	37	–

INFORMATION OF THE PURCHASER

The Purchaser is the wholly owned subsidiary of Zhuhai Holdings. Each of them is a company established under the laws of the PRC with limited liability and a wholly state-owned enterprise. The Purchaser is principally engaged in goods transportation, storage services and property development. As at the Latest Practicable Date, Zhuhai Holdings owns 40% of the equity interest in the Disposal Company.

As at the date of the Announcement, Zhuhai Holdings, has already signed a confirmation letter renouncing its right of first refusal as a shareholder to acquire the 60% equity interest of the Disposal Company from the Seller.

INFORMATION OF THE REMAINING GROUP

Upon Completion, the Remaining Group will be principally engaged in coal mining, trading of coal and shipping transportation.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in three business segments as at the Latest Practicable Date, namely coal mining and trading, shipping transportation and port business. The Disposal Company is the only investment of the Group in the port business. Over the past few years, the substantial decline in the demand of coal was caused by various factors such as slowdown in the macroeconomic growth and sluggish demand growth from downstream industries. The Directors consider that Disposal Company, whose principal activities are operating of the own terminal as a coal port to provide port loading and discharging services, has been operating in a challenging business environment. The Directors are of the view that the growth prospect of the Disposal Company is limited and it is difficult to predict any turnaround in the near future.

As at 31 December 2014, the net assets, net current liabilities and long term bank loans of the Disposal Company were approximately RMB540 million, RMB303 million and RMB1,041 million, respectively. The Directors expect that the Disposal Company's financial position is unlikely to improve in the foreseeable future.

The Board considers that the Disposal offers a good opportunity to realise a considerable gain and generate cash inflow for the Group thereby strengthening the cash position of the Group. Improvement of the cash position of the Group will enable the Group to lower the gearing ratio immediately after Completion. The Disposal also enable the Group to reallocate the financial resources for and direct its focus on the business of the Remaining Group which has growth potential and its long term prospects is expected to be promising. As a result, the Directors consider that the Disposal is fair and reasonable and in the interests of the Shareholders as a whole and recommend the Shareholders to vote in favor of the ordinary resolution to approve the Disposal.

FINANCIAL EFFECTS OF THE DISPOSAL

Based on the unaudited net assets value of the Disposal Company as at 31 December 2014, it is estimated that the Group will record a gain of approximately RMB24 million (before tax) from the Disposal after deducting the expenses, attributable to the Disposal of approximately RMB2 million. Shareholders should note that the actual amount of the gain on the Disposal to be recognised in the consolidated financial statements of the Company depends on the net asset value of the Disposal Company as at the date of Completion and therefore may be different from the amount mentioned above.

Through the Disposal, the bank borrowings of the Group will decrease by approximately RMB1,084 million, which will decrease the finance cost of the Group in near future.

In view of the above, the Directors (including all the independent non-executive directors) have confirmed that the terms of the Disposal are fair and reasonable, the Disposal is (i) on normal commercial terms but not in the ordinary and usual course of business of the Group and (ii) in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The net proceeds from the Disposal, after deducting the sum of approximately RMB225 million paid to the Pledgee for releasing the Pledge and the expenses attributable to the Disposal of approximately RMB2 million, are estimated to be approximately RMB123 million, and are expected to be applied as the general working capital of the Group.

LISTING RULES IMPLICATIONS OF THE DISPOSAL

As certain applicable percentage ratio set forth under Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the

Since (i) no Shareholder is required to abstain from voting on the resolution to be proposed at the extraordinary general meeting (if necessary) to approve the Disposal Agreement and the transactions contemplated thereunder; and (ii) on 26 June 2015, the Company received a written approval by a closely allied group of Shareholders together holding 1,210,229,610 Shares, representing 58.23% of the entire issued share capital of the Company in total as of the same date, approving the Disposal in lieu of holding a general meeting, no general meeting is required to be convened for the approval of the Disposal pursuant to Rule 14.44(2) of the Listing Rules. The closely allied group of Shareholders comprises the following Shareholders:

Name of the Shareholders	N mber of Shares held	Percentage shareholding in the Company
Fortune Pearl ⁽¹⁾	1,036,000,000	49.85%
Mr. Xu	14,229,610	0.68%
Mr. Xu Da ⁽²⁾	<u>160,000,000</u>	<u>7.70%</u>
Total:	<u><u>1,210,229,610</u></u>	<u><u>58.23%</u></u>

Notes:

(1) Fortune Pearl is wholly owned by Mr. Xu.

(2) Mr. Xu Da is the son of Mr. Xu

The Purchaser is a wholly owned subsidiary of Zhuhai Holdings, which owns 40% of the equity interest in the Disposal Company as at the Latest Practicable Date. As such, each of Zhuhai Holdings and the Purchaser is a connected person at subsidiary level of the Group. Accordingly, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Board has approved the Disposal Agreement and the transactions contemplated thereunder. None of the Directors has a material 3.2(Date.).2(D.4j3257.3(Listiable)-3In57.3(tran

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular. The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

Yours faithfully,
For and on behalf of
China Qinfra Group Limited
X Jihua
Chairman

1. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

B siness Re ie

C a M g a d T ad g B e

The Group's Coal Mining and Trading Business covers a wide spectrum of the coal supply chain from the purchase, filtering, blending, storage and transportation, sales and shipping of coal. The Group owned and operated five coal mines in the PRC and has equity interest in one company listed in Australia engaging in coal mining business.

In the coal market, the demand continues to be weak and the price in the domestic market declines. The monthly average coal selling prices during the year ended December 2014 were in range between RMB263 per tonne and RMB452 per tonne, which were lower than the average selling prices between RMB406 per tonne and RMB489 per tonne in 2013. Facing such tough market environment, the total coal handling and trading volume was 15,935,000 tonnes, representing a decrease of 8,099,000 tonnes as compared with 2013.

For the year ended 31 December 2014, the turnover of the coal mining and trading business were approximately RMB6,292.3 million, representing a decrease of 41.2% as compared to the year ended 2013. The financial performance of the Coal Mining and Trading Business was affected by the general slowdown in macroeconomic growth and sluggish demand growth from downstream industries.

Sh g T a a B e

Shipping transportation is an integral part of the Group's coal operation. Coal purchased from overseas markets is transported by sea to China. Coal purchased from China market is also transported by sea from Qinhuangdao port to ports designated by customers along the coastal regions in China. Apart from the transportation of coal, the Group's vessels are also engaged in transporting other dry bulk cargos for other customers. Currently, the Group's fleet includes 4 Panamax and 1 PRC inland vessel, with an aggregate capacity of approximately 280,000 DWT serving both inbound and outbound routes in addition to our chartered vessels.

For the year ended 31 December 2014, the turnover of the Shipping Transportation Business were approximately RMB157.1 million, representing an increase of 19.7% as compared to the year ended 2013. The financial performance of the Shipping Transportation Business was affected by the over-supply of shipping transportation capacity in the market and the negative impact of declining in freight rate.

The Board expects that there will remain a stable stream of income from the Shipping Transportation Business in the future as the global market condition of shipping transportation is improving.

Financial and trading prospects

The Group expects that the coal market will stabilise as the worst has already happened. Although the Group expects that the trade volume of coal will continue its downward trend during the first half of 2015, the gross profit margin is anticipated to rebound, mainly due to the concentration of trades in the high gross profit margin areas, while the trade volume in areas associated with low gross profit margins is reduced.

The Group has reduced the amount of banking facilities to save related finance costs. As the Chinese benchmark interest rates were lowered and the Group continues to control its finance costs, one of the major cost items in the Group's profit and loss account, the finance costs is expected to trend downward. Through realising profit from capital appreciation, maximizing the efficiency of competitive assets, and continuously exploring new fronts for future development, the Group will further cut down its liabilities and related finance costs.

As a result of the Disposal, the Group is expected to recognize a gain of approximately RMB24 million (before tax) which is based on the difference between the consideration of the Disposal and the net asset value of the Group's equity interest in the Disposal Company. The gain or loss to be recorded in the Group's consolidated financial statements is subject to audit. Save for the gain on disposal mentioned above arising from the Disposal, the Disposal does not have any material effect on the earnings of the Group.

2. INDEBTEDNESS STATEMENT**Indebtedness**

As at the close of business on 30 June 2015, being the latest practicable date for ascertaining information regarding this indebtedness statement, the Group had the following indebtedness:

	The Group				
	Secured		Unsecured		Total
	Guaranteed	Non-guaranteed	Guaranteed	Non-guaranteed	
<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>		
Interest-bearing bank borrowings	6,380	159	423	–	6,962
Other borrowings	220	–	–	19	239
Amount due to a related company	–	–	–	19	19
	<u>6,600</u>	<u>159</u>	<u>423</u>	<u>38</u>	<u>7,220</u>

Interest-bearing bank borrowings

The Group's interest-bearing bank borrowings of approximately RMB6,539 million are secured by:

- (i) certain property, plant and equipment of the Group of RMB4,501 million;
- (ii) certain coal mining rights of the Group of RMB4,628 million;
- (iii) certain lease prepayments of the Group of RMB5 million;
- (iv) certain inventories of the Group of RMB290 million;
- (v) pledged bank deposits of the Group of RMB48 million;
- (vi) certain trade receivables of the Group of RMB127 million;
- (vii) equity interest in certain subsidiaries of the Company;
- (viii) equity interest in the Company of Fortune Pearl International Limited, the ultimate holding company of the Group; and
- (ix) other receivables of a related company of which Mr. Xu is the shareholder.

The remaining amounts of interest-bearing bank borrowings of approximately RMB423 million are unsecured.

Other borrowings

Other borrowings of approximately RMB220 million are secured by equity interest in the Disposal Company.

Amount due to a related company

The amount due to a related company of which Mr. Xu is the shareholder, are unsecured.

Contingent liabilities

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured guarantees or other material contingent liabilities at the close of business on 30 June 2015.

For the purpose of the above statement of indebtedness, foreign currency amounts have been translated into RMB at the exchange rates prevailing at the close of business on 30 June 2015.

3. MATERIAL ADVERSE CHANGE

As disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up.

4. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, after taking into account (i) the Group's internally generated cash flows; (ii) that the Group successfully obtained new interest-bearing bank borrowings of RMB1,733 million (the "**ne borro ing**") and renewed existing interest-bearing bank borrowings of RMB1,465 million (the "**rene ed borro ing**"); and (iii) that the Group is likely to be able to renew its existing borrowings, which mostly comprise the new borrowing and the renewed borrowing, in the aggregate amount of not less than RMB2,908 million (the "**total borro ing**") upon maturity on or before 31 August 2016, the Group will have sufficient working capital for at least 12 months from the date of this circular.

In relation to the renewal of the total borrowing, the Group has maintained good business relationship with those borrowing banks. Apart from pledged assets owned by the Group, the total borrowing is also secured by guarantee and/or properties provided by certain related parties. All the guarantors have given irrevocable undertakings in favour of the Group, pursuant to which they undertake to provide such guarantee and assets continuously to the Group for the renewal of the total borrowing. On the basis of the foregoing, the Directors do not foresee any difficulty for the Group to renew the total borrowing upon maturity. Assuming the Group is unable to renew the entire sum of the total borrowing upon maturity, the Group will take steps to further negotiate with several banks to obtain short term credit facilities as back up replacement. In view of the aforementioned financing measures, the Directors consider that the Group will have sufficient working capital for at least 12 months from the date of this circular.

*letter, summary of values and valuation certificates,
ration in this circular received from AVISTA Valuation
luer, in connection with its valuation as at 30 June 2015*

ad,

However, we have not searched the original documents to verify ownership or to ascertain any amendment. Due to the current registration system of the PRC under which the registration information is not accessible to the public, no investigation has been made for the title of the property interests in the PRC and the material encumbrances that might be attached. In the course of our valuation, we have relied considerably on the legal opinion dated 31 July 2015 given by the Company's PRC legal adviser – Guangdong Province Prometheus (Guangzhou) Law Firm, concerning the validity of title and tenancy of the properties in the PRC.

SITE INVESTIGATION

We have inspected the exterior and, where possible, the accessible portions of the interior of the properties being appraised. The inspection was carried out by Mr. Raymond Chan (Senior Valuer) and Ms. Sarah Lee (Valuer), during the period from 3 March 2015 to 4 March 2015. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services. We are, therefore, not able to report whether the properties

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal or other professional advisers on such matters as statutory notices, planning approval, zoning, easements, tenure, completion date of building, development proposal, identification of property, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore approximations and for reference only. We have not searched original plans, developer brochures and the like to verify them.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

VALUATION ASSUMPTIONS

For the properties which are held under long term land use rights, we have assumed that transferable land use rights in respect of the property interests at nominal land use fees has been granted and that any premium payable has already been fully settled. Unless stated as otherwise, we have assumed that the respective title owner of the properties have an enforceable title of the property interests and have free and uninterrupted rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the properties without the need of seeking further approval from and paying additional premium to the Government for the unexpired land use term as granted. Unless noted in the report, vacant possession is assumed for the property concerned.

Moreover, we have assumed that the design and construction of the properties are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

SUMMARY OF VALUES

Property interests held and occupied by the Group in the PRC

No.	Property	Market value in existing state as at 30 June 2015 RMB	Interest Attributable to the Group	Market value Attributable to the Company as at 30 June 2015 RMB
1.	A public coal terminal with a parcel of land, 23 blocks of building and various structures located at North Coast Nanshui Operating Area Gaolangang Port Economic Zone Zhuhai City Guangdong Province the PRC	No Commercial Value	60%	No Commercial Value
2.	Room 601 – 603 Block 12 No. 33 East of Shengping Avenue Pusha Ganwu Town Doumen District Zhuhai City Guangdong Province the PRC	1,400,000	60%	840,000
Total:		<u>1,400,000</u>		<u>840,000</u>

VALUATION CERTIFICATE

Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupied	Market value attributable to the Company as at 30 June 2015 RMB
1.	A public coal terminal with a parcel of land, 23 blocks of building and various structures located at North Coast Nanshui Operating Area Gaolangang Port Economic Zone Zhuhai City Guangdong Province the PRC	<p>The property comprises a parcel of land with a total site area of approximately 340,320 sq.m. and 23 blocks of building with various structures erected thereon. The property completed in about 2014.</p> <p>The property is located on the south side of Zhuhai Gaolangang Port Economic Zone near its with Gaolangang Port Railway.</p> <p>The buildings have a total gross floor area of approximately 22,957.09 sq.m.</p> <p>The buildings mainly include office building, control center, canteen, ancillary building and etc.</p> <p>The structures mainly include terminals, berths, stacking yards and roads.</p>	As at the date of valuation, the property was held and occupied by the Group for office, port and ancillary berth facilities use.	<p>No Commercial Value</p> <p>(For reference value, please refer to Notes 4.)</p>

Notes:

- Pursuant to the State-owned Land Use Rights Grant Contract – 4404LG-2006-000068, dated 31 December 2006, Supplemental Agreement of the State-owned Land Use Rights Grant Contract dated 25 February 2007 and Supplemental Agreement (2) of the State-owned Land Use Rights Grant Contract dated 28 September

5. We have been provided with a legal opinion dated 31 July 2015 regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Group has fully settled the land premium;
 - b. Zhuhai Qinfu Port Co., Ltd. has the legal rights as the grantee of the State-owned Land Use Rights Grant Contract;
 - c. Zhuhai Qinfu Port Co., Ltd. is entitled to obtain the State-owned Land Use Rights Certificate when the land reclamation work has completed; and
 - d. There is no legal impediment for Zhuhai Qinfu Port Co., Ltd. to obtain the land use rights of the property.

6. A summary of major certificates/licenses is shown as follows:

a. State-owned Land Use Rights Certificate	No
b. Construction Land Planning Permit	Yes
c. Construction Works Planning Permit	Yes
d. Construction Works Commencement Permit	No

7. As confirmed by the Company that there is no major environmental and planning issues.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupation	Market value attributable to the Company as at 30 June 2015 RMB
2.	Room 601 – 603 Block 12 No. 33 East of Shengping Avenue Pusha Ganwu Town Doumen District Zhuhai City Guangdong Province the PRC	<p>The property comprises 3 residential units on the 6th floor of a block of 18-storey building within a residential development known as “西海岸花園”. The property was completed in about 2012.</p> <p>The property is located on the northeastern side of Pingdong Avenue.</p> <p>In accordance with 3 numbers of Real Estate Ownership Certificate, the property has the total gross floor area of approximately 291.43 sq.m.</p> <p>The land use rights of the property have been granted for a term of 70 years commencing from 21 April 1992 and expiring on 21 April 2062 for residential use.</p>	As at the date of valuation, the property was held and occupied by the Group for staff dormitory use.	1,400,000 (60% interest attributable to the Company: RMB840,000)

Notes:

- Pursuant to the 3 sales and purchase agreements, the property with a total gross floor area of approximately 291.64 sq.m. have been contracted to be sold to Zhuhai Qinfa Port Co., Ltd., for residential use at a total consideration of approximately RMB1,150,589.

Unit No.	Gross Floor Area (sq.m.)	Usage	Consideration (RMB)	Land use rights expiry date
a. Block 12 – Room 601	111.67	Residential	446,646.00	21 April 2062
b. Block 12 – Room 602	78.98	Residential	304,760.00	21 April 2062
c. Block 12 – Room 603	100.99	Residential	399,183.00	21 April 2062

- Pursuant to the 3 numbers of Real Estate Ownership Certificate – Yue Fang Di Quan Zheng Zhu Zi Di Nos. 0300037159 – 0300037161 dated 9 May 2012 with a total gross floor area of approximately 291.43 sq.m. has been vested to Zhuhai Qinfa Port Co., Ltd. for residential use.

Real Estate Ownership Certificate	Registered Owner	Gross Floor Area (sq.m.)	Usage	Issue Date
a. Yue Fang Di Quan Zheng Zhu Zi Di Nos. 0300037159	Zhuhai Qinfa Port Co., Ltd.	111.59	Residential	9 May 2012
b. Yue Fang Di Quan Zheng Zhu Zi Di Nos. 0300037160	Zhuhai Qinfa Port Co., Ltd.	78.92	Residential	9 May 2012
c. Yue Fang Di Quan Zheng Zhu Zi Di Nos. 0300037161	Zhuhai Qinfa Port Co., Ltd.	100.92	Residential	9 May 2012

3. We have been provided with a legal opinion dated 31 July 2015 regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

Zhuhai Qinfa Port Co., Ltd. has legally obtained the Real Estate Ownership Certificates.

4. In our valuation, we have made reference to some asking price references of comparable units in the subject development. We have adopted the range of unit rates of between RMB4,000 to RMB6,000 per sq.m. The unit rates assumed by us are consistent with the said asking price reference. Due adjustments to the unit rates of those asking price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in Appendix 10 to the Listing Rules were as follows:

Name of Director	Capacity	Number of Shares	Percentage of issued capital
Mr. XU Jihua*	Corporate	1,168,229,610 (Note 1)	56.21%
Ms. WANG Jianfei	Beneficial Owner	100,000,000	4.81%
Mr. XU Da	Beneficial Owner	160,000,000	7.70%
Mr. MA Baofeng	Beneficial Owner	54,164,457 (Note 2)	2.61%
Mr. BAI Tao	Beneficial Owner	50,000,000	2.41%

* Mr. XU Jihua, being a Director, is also acting as the Chairman of the Board.

Notes:

- 1,036,000,000 Shares and 118,000,000 Shares to be allotted and issued upon full conversion of the perpetual subordinated convertible securities are held directly by Fortune Pearl which is wholly-owned by Mr. XU Jihua. By virtue of the SFO, Mr. XU is deemed to have interests in the Shares so held by Fortune Pearl. The remaining Shares are held directly by Mr. XU.
- The beneficial interest represents Shares that may be issued pursuant to the full exercise of the options granted to Mr. MA Baofeng under the Share Option Scheme on 12 June 2009 and 17 January 2012.

Interests in associated corporations

Name of Director	Name of associated corporations	Capacity	Number of Shares	Percentage of issued capital
Mr. XU Jihua	Fortune Pearl	Beneficial owner	1	100%

Save as disclosed above, as at the Latest Practicable Date, the interests and short positions of the persons, other than a Director or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares and Debentures of the Company

As at the Latest Practicable Date, so far as known to the Directors, the following persons or entities (not being a Director or a chief executive of the Company) who had interests and short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of interest	Number of Shares	Percentage of issued capital
Fortune Pearl	Beneficial owner	1,154,000,000 (Note 1)	55.52%

Note:

- The 1,154,000,000 Shares include the interests in Shares by virtue of the 118,000,000 Shares to be allotted and issued to Fortune Pearl upon full conversion of the perpetual subordinated convertible securities. Fortune Pearl is wholly-owned by Mr. XU Jihua, a Director.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons (other than Directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

No contract, commitment or agreement of significance in relation to the Company's business, in which any of the Directors had a material interest, subsisted as at the Latest Practicable Date.

None of the Directors had any interest, direct or indirect, in any asset which, since 31 December 2014, the date to which the latest published audited financial statements of the Group were made up, has been acquired or disposed of by or leased to any member of the Group as at the Latest Practicable Date.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and his/her respective close associates was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, other than those businesses to which a Director and his/her close associate were appointed to represent the interests of the Company and/or the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group which is not determinable by the Group within one year without payment of any compensation, other than statutory compensation.

5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2014, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or claim of material importance, and no litigation or claim of material importance was known to the Directors to be pending or threatened, against any member of the Group.

7. MATERIAL CONTRACTS

The following material contracts were entered into by members of the Group within the two years immediately preceding the date of this circular

- (a) the Disposal Agreement; and

- (b) the sale and purchase agreement dated 16 December 2014 entered into between 山西恒盛永興工貿有限公司 (Shanxi Heng Sheng Yong Xing Gong Mao Co., Ltd.*) as purchaser and 大同解家莊晉發運銷有限公司 (Datong Xiejiashuang Jinfa Trading and Transportation Co., Ltd.*), a wholly-owned subsidiary of the Company, as seller in respect of the disposal of 87.88% equity interest in 山西渾源瑞風煤業有限責任公司 (Shanxi Hun Yuan Ruifeng Coal Industry Co., Ltd.*) at a consideration of RMB80,000,000.

Save as disclosed above, no other material contracts have been entered into by the Group within two years immediately preceding the date of this circular.

8. EXPERT'S QUALIFICATIONS AND INTERESTS

The following are the qualifications of the experts who have given opinion or advice which are contained in this circular:

Name	Q alification
AVISTA Valuation Advisory Limited	Independent professional valuer
Guangdong Province Prometheus (Guangzhou) Law Firm	PRC legal adviser to the Company

As at the Latest Practicable Date, AVISTA Valuation Advisory Limited and Guangdong Province Prometheus (Guangzhou) Law Firm did not have any shareholding in any member of the Group nor did they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and they did not have any direct or indirect interest in any assets which had been, since 31 December 2014 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

9. CONSENT

AVISTA Valuation Advisory Limited and Guangdong Province Prometheus (Guangzhou) Law Firm have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of its letter and reports and references to their name in the form and context in which it appears.

10. MISCELLANEOUS

- (i) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the Company's principal place of business in Hong Kong is Room 1303, 13th Floor, MassMutal Tower, No.38 Gloucester Road, Wanchai, Hong Kong.

- (ii) The branch registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (iii) The Secretary of the Company is FUNG Wai Shing, who is a member of Hong Kong Institute of Certified Public Accountants and an associate member of the Association of Chartered Certified Accountants.
- (iv) The English text of this Circular will prevail over the Chinese text in the event of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on Mondays through Fridays at the office of the Company at Room 1303, 13th Floor, MassMutal Tower, No.38 Gloucester Road, Wanchai, Hong Kong, up to and including the date which is 14 days from the date of this circular:

- (i) the memorandum and articles of association of the Company;
- (ii) the Company's annual reports for each of the two financial years ended 31 December 2014 and 2013;
- (iii) the property valuation report of AVISTA Valuation Advisory Limited as set out in Appendix II to this circular;
- (iv) the material contracts referred to under the paragraph headed "Material Contracts" in this Appendix;
- (v) the letter of consent referred to under the section headed "Expert's Qualifications and Interests" in this Appendix; and
- (vi) this circular.