The following is the text of a report, prepared for the purpose of incorporation in this document, received from the independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong. As described in the section headed "Documents Delivered to the Registrar of the Companies and Available for Inspection – Documents available for inspection" in Appendix VI to this document, a copy of the Accountants' Report is available for inspection.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

[●]

The Directors
China Qinfa Group Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to China Qinfa Group Limited (the "Company"), and its subsidiaries (hereinafter collectively referred to as the "Group") including the combined income statements, the combined statements of changes in equity and the combined cash flow statements of the Group, for each of the years ended 31 December 2006, 2007 and 2008 (the "Track Record Period"), and the combined balance sheets of the Group as at 31 December 2006, 2007 and 2008, and the balance sheet of the Company as at 31 December 2008, together with the notes thereto (the "Financial Information"), for inclusion in the document of the Company dated [●] (the "Document").

The Company was incorporated in the Cayman Islands on 4 March 2008 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on [●] (the "Reorganisation") as detailed in the section headed "Reorganisation and the Structure Contracts" in the Document, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

All companies now comprising the Group have adopted 31 December as the financial year end date, except for Hong Kong Qinfa Shipping Limited ("Qinfa Shipping") and Hong Kong Qinfa Trading Limited ("Qinfa Trading"), which adopted 28 February and 31 March, respectively, as the financial year end date for 2006. Both Qinfa Shipping and Qinfa Trading have changed their financial year end date to 31 December since 2007. The statutory financial statements of Zhuhai Qinfa Logistics Co., Ltd. ("Qinfa Logistics"), Datong Xiejiazhuang Jinfa Trading and Transportation Co., Ltd. ("Datong Jinfa"), Yangyuan Guotong Coal Trading and Transportation Co., Ltd. ("Yangyuan Guotong"), Zhuhai Qinfa Trading Co., Ltd. ("Zhuhai Qinfa Trading"), Zhuhai Qinfa Shipping Co., Ltd. ("Zhuhai Qinfa

Shipping") and Qinhuangdao Development Zone Qinfa Trading Co., Ltd. ("Qinhuangdao Trading"), were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the People's Republic of China (the "PRC").

The statutory financial statements of Perpetual Goodluck Limited ("Perpetual"), Liberal City Limited ("Liberal"), Qinfa Shipping and Qinfa Trading were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The statutory auditors of the above companies during the Track Record Period are as follows:

Name of company *(Note 1)*	**Financial period**	**Statutory auditors** *(Note 1)*
Perpetual Goodluck Limited	[Period from 10 August 2007 (date of incorporation) to 31 December 2008]	Albert Y K LAU & Co Certified Public Accountants Registered in Hong Kong
Liberal City Limited	Period from 3 May 2007 (date of incorporation) to 31 December 2008	Albert Y K LAU & Co Certified Public Accountants Registered in Hong Kong
Hong Kong Qinfa Shipping Limited	Year ended 28 February 2007, and years ended 31 December 2007 and [2008] *(Note 2)*	Albert Y K LAU & Co Certified Public Accountants Registered in Hong Kong
Hong Kong Qinfa Trading Limited	Year ended 31 March 2007, and years ended 31 December 2007 and [2008] *(Note 2)*	Albert Y K LAU & Co Certified Public Accountants Registered in Hong Kong
Zhuhai Qinfa Logistics Co., Ltd. (珠海秦發物流有限公司)	Period from 5 February 2008 (date of incorporation) to 31 December 2008	Zhuhai Zhongtuozhengtai Certified Public Accountants (珠海中拓正泰會計師事務所有限公司) Registered in the PRC
Datong Xiejiazhuang Jinfa Trading and Transportation Co., Ltd. (大同解家莊晉發運銷有限公司)	Years ended 31 December 2006, 2007 and 2008	Zhangjiakou Hongyu Certified Public Accountants (張家口宏宇會計師事務所有限責任公司) Registered in the PRC
Yangyuan Guotong Coal Trading and Transportation Co., Ltd. (陽原國通煤炭運銷有限公司)	Years ended 31 December 2006, 2007 and 2008	Zhangjiakou Hongyu Certified Public Accountants (張家口宏宇會計師事務所有限責任公司) Registered in the PRC

Name of company *(Note 1)*	**Financial period**	**Statutory auditors** *(Note 1)*
Zhuhai Qinfa Trading Co., Ltd. (珠海秦發貿易有限公司)	Years ended 31 December 2006, 2007 and 2008	Zhuhai Zhongtuozhengtai Certified Public Accountants (珠海中拓正泰會計師事務所有限公司) Registered in the PRC
Zhuhai Qinfa Shipping Co., Ltd. (珠海秦發航運有限公司)	Period from 6 September 2007 (date of incorporation) to 31 December 2007, and year ended 31 December 2008	Zhuhai Zhongtuozhengtai Certified Public Accountants (珠海中拓正泰會計師事務所有限公司) Registered in the PRC
Qinhuangdao Development Zone Qinfa Trading Co., Ltd. (秦皇島開發區秦發貿易有限公司)	Years ended 31 December 2006, 2007 and 2008	Qinhuangdao Zhengyuan Certified Public Accountants (秦皇島正源會計師事務所有限責任公司) Registered in the PRC

Note 1: The English translation of the names is for reference only. The official names of these entities are in Chinese.

Note 2: The financial statements of Qinfa Shipping and Qinfa Trading for the year ended 31 December 2006 were prepared by the respective board of directors for the purpose to prepare the Group's combined Financial Information.

As at the date of this report, no audited financial statements have been prepared for the Company, Qinfa Investment Limited ("Qinfa Investment"), Hong Kong Qinfa International Trading Limited ("Qinfa International") and Super Grace Enterprises Limited ("Super Grace") as they either are investment holding companies or have not carried on any business since the date of incorporation.

BASIS OF PREPARATION

The Financial Information has been prepared by the directors of the Company based on the audited financial statements or, where appropriate, unaudited management accounts of the companies now comprising the Group, which are on the basis set out in Section A below, after making such adjustments as are appropriate. Adjustments have been made, for the purpose of this report, to restate these financial statements in accordance with the accounting policies as stated in Section C, which are in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). IFRSs include International Accounting Standards and Interpretations.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and true and fair presentation of the Financial Information in accordance with IFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our audit procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Track Record Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform our work to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have not audited any financial statements of the companies now comprising the Group in respect of any period subsequent to 31 December 2008.

OPINION

In our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information, on the basis of presentation set out in Section A below and in accordance with the accounting policies set out in Section C below, gives a true and fair view of the Group's combined results and cash flows for the Track Record Period and the Group's combined state of affairs as at 31 December 2006, 2007 and 2008, and of the Company's state of affairs as at 31 December 2008.

A BASIS OF PRESENTATION

Qinfa Logistics, Perpetual, Liberal, Qinfa Shipping, Qinfa Trading, Qinfa International, Super Grace, Datong Jinfa, Yangyuan Guotong, Zhuhai Qinfa Trading, Zhuhai Qinfa Shipping, Qinhuangdao Trading and Qinhuangdao Qinfa Industry Group Co., Ltd. ("Qinfa Industry"), which are ultimately controlled by Mr. Xu Jihua ("Mr. Xu"), Ms. Wang Jianfei, Mr. Xu Da, Mr. Liu Jingwei and Ms. Zhou Lusha (the "Controlling Shareholders"), are engaged in the sales of coal and shipping transportation businesses (the "coal and shipping businesses") during the Track Record Period. Pursuant to the Reorganisation as detailed in the section [●] headed "Reorganisation and the Structure Contracts" to the Document dated [●], Qinfa Industry had transferred its sales of coal business, together with related assets and liabilities to Qinhuangdao Trading. In addition, Qinfa Logistics, entered into certain agreements (the "Structure Contracts") with Datong Jinfa, Yangyuan Guotong, Zhuhai Qinfa Trading, Zhuhai Qinfa Shipping and Qinhuangdao Trading (hereinafter collectively referred to as the "China Qinfa Group") and their respective equity holders on [●], as part of the Reorganisation.

The details of the Structure Contracts effective on [●] are disclosed in the Document section [●] headed "Reorganisation and the Structure Contracts" to the Document dated [●]. The Structure Contracts, taken as a whole, permit the financial results of the China Qinfa Group and economic benefits of their businesses to flow to Qinfa Logistics. In addition, all the directors in each China Qinfa Group companies shall be assigned by Qinfa Logistics. Through its control over the China Qinfa Group, Qinfa Logistics is able to monitor, supervise and effectively control China Qinfa Group's businesses and operations so as to ensure and facilitate the implementation of the Structure Contracts. The Structure Contracts also enable Qinfa Logistics to control over and to acquire the equity interests and/or net assets of China Qinfa Group at the lowest possible value and at such time as permitted by the relevant PRC laws and regulations with an undertaking from the Controlling Shareholders to provide Qinfa Logistics with all consideration received pursuant to any such acquisition. Based on the Structure Contracts, directors of the Group believe that, notwithstanding the lack of equity ownership, Qinfa Logistics controls over the China Qinfa Group's businesses in substance. Accordingly, the financial position and operating results of China Qinfa Group are included in the Group's combined financial statements.

In preparation for the [●] of the shares of the Company on the Stock Exchange and for the purpose of rationalising the Group's structure, the Company acquired the entire interests in Qinfa Investment, the intermediate holding company of the companies now comprising the Group as at the date of this report, from the Controlling Shareholders.

As at the date of this report, the Company, either through legal ownership or implementation of the Structure Contracts, has direct and indirect interests in the following subsidiaries. The particulars of these subsidiaries are set out below.

Name of company	*Note*	Place and date of establishment/ incorporation	Percentage of equity attributable to the Company Direct	Indirect	Issue and fully paid-up/ registered capital	Principal activities
Qinfa Investment		the British Virgin Islands, 7 April, 2008	100%	–	USD4,801/ USD50,000	Investment holding
Perpetual		Hong Kong, 10 August, 2007	–	100%	HKD1,000/ HKD1,000	Goods transport and logistics, and charter hire
Liberal		Hong Kong, 3 May, 2007	–	100%	HKD1,000/ HKD1,000	Goods transport and logistics, and charter hire
Qinfa Shipping		Hong Kong, 20 August, 2003	–	100%	HKD10,000/ HKD10,000	Goods transport and logistics, and charter hire
Qinfa Trading		Hong Kong, 15 November, 2002	–	100%	HKD30,000,000/ HKD30,000,000	Sales of coal and investment holding
Qinfa International		Hong Kong, 8 May, 2007	–	100%	HKD10,000/ HKD10,000	Dormant
Super Grace		the British Virgin Islands, 25 January, 2008	–	100%	USD50,000/ USD50,000	Goods transport and logistics, and charter hire
Qinfa Logistics	*(i)*	the PRC, 5 February, 2008	–	100%	HKD3,000,000/ HKD20,000,000	Warehousing and transportation service
Datong Jinfa	*(ii)*	the PRC, 18 April, 2003	–	100%	RMB8,000,000/ RMB8,000,000	Sales of coal
Yangyuan Guotong	*(iii)*	the PRC, 20 December, 2003	–	100%	RMB10,000,000/ RMB10,000,000	Sales of coal
Zhuhai Qinfa Trading	*(iv)*	the PRC, 21 September, 2005	–	100%	RMB5,000,000/ RMB5,000,000	Sales of coal
Zhuhai Qinfa Shipping	*(v)*	the PRC, 6 September, 2007	–	100%	RMB5,000,000/ RMB5,000,000	Goods transport and logistics, and charter hire
Qinhuangdao Trading	*(vi)*	the PRC, 13 February, 1995	–	100%	RMB68,000,000/ RMB68,000,000	Sales of coal

Note:

(i) Qinfa Logistics was established in the PRC as a wholly foreign-owned enterprise.

(ii) Datong Jinfa was established in the PRC as a domestic company.

(iii) Yangyuan Guotong was established in the PRC as a domestic company.

(iv) Zhuhai Qinfa Trading was established in the PRC as a domestic company.

(v) Zhuhai Qinfa Shipping was established in the PRC as a domestic company.

(vi) Qinhuangdao Trading was established in the PRC as a domestic company.

Following the Reorganisation, the coal and shipping transportation businesses had been transferred to the companies now comprising the Group. As the Controlling Shareholders which controlled the Group before and after Reorganisation are the same, the Financial Information has been prepared as a reorganisation of businesses under common control in a manner similar to pooling of interests.

The Financial Information presents the combined results and financial position of the Group as if the current group structure had been in existence throughout the Track Record Period and as if the coal and shipping businesses were transferred to the Group at the beginning of the earliest period presented. All material intra-group transactions and balances have been eliminated on combination.

B FINANCIAL INFORMATION

1 Combined income statements

		Years ended 31 December		
	Section C	**2006**	**2007**	**2008**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	*3*	2,850,489	3,664,632	4,192,484
Cost of sales		(2,614,871)	(3,093,238)	(3,632,568)
Gross profit		235,618	571,394	559,916
Other income	*4*	14,068	5,026	101,203
Distribution expenses		(143,128)	(253,809)	(155,850)
Administrative expenses		(22,157)	(42,833)	(59,579)
Other expenses		(21)	(1,270)	(1,814)
Profit from operations		84,380	278,508	443,876
Finance income		5,984	11,419	15,733
Finance expenses		(23,682)	(41,611)	(64,310)
Net financing costs	*5(i)*	(17,698)	(30,192)	(48,577)
Profit before income tax		66,682	248,316	395,299
Income tax expense	*6*	(13,832)	(41,065)	(64,609)
Profit for the year		52,850	207,251	330,690
Attributable to:				
Equity holders of the Company		51,802	207,251	330,690
Minority interests		1,048	–	–
Profit for the year		52,850	207,251	330,690
Dividends attributable to the year				
Dividends declared during the year	*9*	–	–	120,341
Earnings per share				
Basic earnings per share (RMB)	*10*	[0.07]	[0.28]	[0.44]

The accompanying notes form part of this Financial Information.

2 Combined balance sheets

	Section C Note	At 31 December 2006 RMB'000	2007 RMB'000	2008 RMB'000
Non-current assets				
Property, plant and equipment	*11*	154,242	553,186	927,683
Lease prepayments	*12*	6,473	6,333	6,193
Available-for-sale financial assets	*13*	63,905	100,005	–
Deferred tax assets	*14*	3,356	4,706	11,411
		227,976	664,230	945,287
Current assets				
Inventories	*15*	286,732	404,264	77,713
Trade and other receivables	*16*	532,028	610,628	375,558
Pledged deposits	*17*	3,208	145,741	485,425
Cash and cash equivalents	*18*	148,079	85,060	201,499
		970,047	1,245,693	1,140,195
Current liabilities				
Interest-bearing borrowings	*19*	(490,163)	(673,882)	(907,266)
Trade and other payables	*20*	(228,858)	(213,718)	(123,995)
Income tax payables		(74,209)	(107,857)	(57,658)
		(793,230)	(995,457)	(1,088,919)
Net current assets		176,817	250,236	51,276
Total assets less current liabilities		404,793	914,466	996,563
Non-current liabilities				
Interest-bearing borrowings	*19*	–	(279,338)	(261,608)
Net assets		404,793	635,128	734,955
Equity attributable to equity holders of the Company		403,378	635,128	734,955
Minority interests		1,415	–	–
Total equity		404,793	635,128	734,955

The accompanying notes form part of this Financial Information.

3 Combined statements of changes in equity

	Section C Note	Attributable to equity holders of the Company							
		Paid in capital RMB'000 (Note 21)	*Merge Reserve RMB'000 (Note 22(a))*	*Reserves RMB'000 (Note 22(b))*	*Fair value reserve RMB'000 (Note 22(c))*	*Exchange reserve RMB'000 (Note 22(d))*	*Retained earnings RMB'000*	*Minority interests RMB'000*	*Total RMB'000*
At 1 January 2006		91,020	–	18,147	6,516	(3,490)	171,235	402	283,830
Capital injection	*21(b)*	31,149	–	–	–	–	–	–	31,149
Profit for the year		–	–	–	–	–	51,802	1,048	52,850
Appropriation to reserves		–	–	6,944	–	–	(6,944)	–	–
Net change in fair value of available-for-sale financial assets	*13*	–	–	–	43,589	–	–	–	43,589
Exchange difference		–	–	–	–	(6,590)	–	(35)	(6,625)
At 31 December 2006		122,169	–	25,091	50,105	(10,080)	216,093	1,415	404,793
Capital injection	*21(c)*	5,011	–	–	–	–	–	–	5,011
Acquisition of minority interests/capital contribution	*21(d)*	1	–	–	–	(41)	1,455	(1,415)	–
Profit for the year		–	–	–	–	–	207,251	–	207,251
Appropriation to reserves		–	–	87,183	–	–	(87,183)	–	–
Net change in fair value of available-for-sale financial assets	*13*	–	–	–	36,100	–	–	–	36,100
Exchange difference		–	–	–	–	(18,027)	–	–	(18,027)
At 31 December 2007		127,181	–	112,274	86,205	(28,148)	337,616	–	635,128
Capital injection	*21(e)*	349	–	–	–	–	–	–	349
Arising on Reorganisation	*22(a)*	(31,499)	31,499	–	–	–	–	–	–
Profit for the year		–	–	–	–	–	330,690	–	330,690
Appropriation to reserves		–	–	185,004	–	–	(185,004)	–	–
Disposal of available-for-sale financial assets	*13*	–	–	–	(86,205)	–	–	–	(86,205)
Exchange difference		–	–	–	–	(24,666)	–	–	(24,666)
Dividends to equity holders		–	–	–	–	–	(120,341)	–	(120,341)
At 31 December 2008		96,031	31,499	297,278	–	(52,814)	362,961	–	734,955

The accompanying notes form part of this Financial Information.

4 Combined cash flow statements

	Years ended 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Operating activities			
Profit for the year	52,850	207,251	330,690
Adjustments for:			
Depreciation for property, plant and equipment	15,104	15,868	37,758
Amortisation of lease prepayments	140	140	140
Net financing costs	17,698	30,192	48,577
Gain from disposal of available-for-sale financial assets	–	–	(97,085)
Provision for bad and doubtful debts	1,383	–	–
Income tax expense	13,832	41,065	64,609
Operating profit before changes in working capital	101,007	294,516	384,689
Change in inventories	(219,854)	(117,532)	326,551
Change in trade and other receivables	(73,133)	(76,953)	161,989
Change in trade and other payables	(47,237)	(16,980)	(135,059)
Interest paid	(20,055)	(38,476)	(64,678)
Income tax paid	(1,708)	(8,767)	(121,513)
Net cash (used in)/generated from operating activities	(260,980)	35,808	551,979

The accompanying notes form part of this Financial Information.

	Years ended 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Investing activities			
Interest received	4,732	2,392	8,282
Proceeds from sale of property, plant and equipment	–	78	654
Proceeds from sale of available-for-sale financial assets	–	–	110,885
Payment for the purchase of property, plant and equipment	(4,056)	(427,802)	(456,703)
Net cash generated from/(used in) investing activities	676	(425,332)	(336,882)
Financing activities			
Capital injection	31,149	5,011	349
Proceeds from interest-bearing borrowings	1,650,090	2,599,940	2,748,544
Repayments of interest-bearing borrowings	(1,490,723)	(2,136,147)	(2,508,876)
Change in pledged deposits	89,897	(142,533)	(339,684)
Net cash generated from/(used in) financing activities	280,413	326,271	(99,667)
Net increase/(decrease) in cash and cash equivalents	20,109	(63,253)	115,430
Cash and cash equivalents at 1 January	131,844	148,079	85,060
Effect of foreign exchange rate changes	(3,874)	234	1,009
Cash and cash equivalents at 31 December	148,079	85,060	201,499

The accompanying notes form part of this Financial Information.

C NOTES TO THE FINANCIAL INFORMATION

1. Summary of significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which include International Accounting Standards ("IAS") and related Interpretations, promulgated by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting periods ended 31 December 2008. The revised and new accounting standards and interpretations issued but not yet effective for the accounting periods beginning on or after 1 January 2008 are set out in Note C1(v).

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), which is rounded to the nearest thousand. It is prepared on the historical cost basis except that the available-for-sale financial assets are stated at fair values (see Note 1(f)).

(c) Use of estimates and judgments

The preparation of Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described as follows:

(i) Impairment losses on trade and other receivables

Impairment losses for trade and other receivables are assessed and provided based on management's regular review of ageing analysis and evaluation of collectability. A considerable level of judgment is exercised by the management when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debts would affect the combined income statements in future years.

(ii) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual values. The management periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates. Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expenses in future periods.

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. It could change significantly as a result of competitor's actions in response to severe industry cycles or other changes in market condition. Management will reassess the estimations at each balance sheet date.

(iv) Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions. The management carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised in respect of temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(v) Fair value of available-for-sale financial assets

If information on current or recent market prices of available-for-sale financial assets is not available, the fair values of available-for-sale financial assets are determined using valuation techniques.

(d) Basis of combination

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operation policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the combined financial statements from the date that control commences until the date that control ceases.

(ii) Business combinations under common control

The combined financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Controlling Shareholders.

The assets and liabilities of the combining entities or businesses are combined at the carrying amounts previously recognised in the Group's combined financial statements.

The combined income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or businesses had been combined at the earliest balance sheet date presented or when they first came under common control, whichever is the later.

(iii) Transactions elimination

Intra-group balances, transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Transactions with minority interests

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Group, whether directly or indirectly by subsidiaries, are presented in the combined balance sheet and combined statement of changes in equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the combined income statements as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

Transactions with minority equity holders are at book value and classified as equity transactions. Accordingly, when the Group acquires minority interests of its subsidiaries, the difference between the amounts of consideration and carrying values of minority interests are recognised as reserve movement.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(e) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "Functional Currency"). The Financial Information is presented in RMB (the "Presentation Currency").

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

(iii) Financial statements of foreign operations

Items of turnover and expenses of operation outside the PRC are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Assets and liabilities are translated into RMB at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in equity. Cash flow is translated at exchange rates approximately ruling at the dates of the transactions.

(f) Non-derivative financial instruments

Non-derivative financial instruments comprise available-for-sale financial assets, trade and other receivables, pledged deposits, cash and cash equivalents, interest-bearing borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Subsequent to initial recognition, the available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses (see Note 1(j)) are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Pledged deposits, trade and other receivables and trade and other payables are measured at amortised cost using the effective interest method, less any impairment losses (see Note 1(j)).

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the combined income statement over the period of the borrowings on an effective interest basis.

(g) Property, plant and equipment

(i) Recognition and measurement

Items of buildings, vessels and other property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (see Note 1(j)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

No depreciation is provided for assets under construction until such time as the relevant assets are completed and available for intended use. Assets under construction are transferred to relevant categories of property, plant and equipment upon the completion of their respective construction.

The estimated useful lives for the current and comparative periods are as follows:

Plant and buildings	10-20 years
Machinery	4-20 years
Electronic and other equipment	3-10 years
Motor vehicles	5-10 years
Vessels	10-15 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Cost incurred in replacing or renewing the separate assets in vessels (dry-docking costs) are capitalised and depreciated on a straight-line basis over the estimated period until the next dry-docking.

(iv) Assets under construction

Assets under construction represent primarily vessels under construction, which are stated at cost less accumulated impairment losses (see Note 1(j)). Cost includes all direct costs relating to the construction of the assets and acquisition.

(v) Disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in profit or loss.

(h) Lease prepayments

Lease prepayments represent cost of land use rights paid to the PRC's governmental authorities. Lease prepayments are carried at cost less accumulated amortisation and impairment losses (see Note 1(j)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value.

The cost of inventories is computed using the weighted average method and includes expenditure incurred in acquiring the inventories to bring them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Impairment of assets

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(ii) Defined contribution retirement plan

Obligation for contributions to the PRC local government defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(l) Provision and contingent liabilities

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Revenue

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

Revenue from the sales of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and value added tax. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Income from charter hire

Income from time charter, which is of operating lease in nature, is recognised on a straight-line basis over the period of each charter.

Income from voyage charter is recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage.

(iii) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

(n) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(o) Finance income and expenses

Finance income comprises interest income and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expenses on borrowings, bank charges and foreign currency losses. All borrowing costs are recognised in profit or loss or capitalised using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(p) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(r) Borrowing costs

Borrowing costs are expensed in profit or loss in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

(u) Related parties

For the purposes of the Financial Information, parties are considered to be related to the Group if:

(i) The party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) The Group and the party are subject to common control;

(iii) The party is an associate of the Group or a jointly controlled entity in which the Group is a venturer;

(iv) The party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) The party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) The party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective in respective of the financial periods included in the Track Record Period, and have not been applied in preparing the Financial Information:

		Effective for accounting periods beginning on or after
IFRIC 13	Customer loyalty programmes	1 July 2008
IFRIC 15	Agreements for the construction of real estate	1 January 2009
IFRS 8	Operating segments	1 January 2009
Revised IAS 1	Presentation of financial statements	1 January 2009
Revised IAS 23	Borrowing costs	1 January 2009
Amendment to IFRS 1 and IAS 27	Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards and IAS 27 Consolidated and separate financial statements – Cost of an investment in a subsidiary, jointly controlled entity or associate	1 January 2009
Amendment to IFRS 2	Share-based payment – vesting conditions and cancellations	1 January 2009
Amendments to IAS 32 and IAS 1	Financial instruments: Presentation and IAS 1, Presentation of financial statements – puttable financial instruments and obligations arising on liquidation	1 January 2009
Amendment to IFRS 7	Financial instruments: Disclosures-Improving disclosures about financial instruments	1 January 2009
Amendments to IFRIC 9 and IAS 39	Amendments to IFRIC 9 Reassessment of embedded derivatives and IAS 39 Financial instruments: Recognition and Measurement-Embedded derivatives	30 June 2009
Revised IFRS 1	First-time adoption of International Financial Reporting Standards	1 July 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
Amendment to IAS 39	Financial instruments: Recognition and measurement-Eligible hedged items	1 July 2009
Revised IFRS 3	Business combinations	1 July 2009
Amendment to IAS 27	Consolidated and separate financial statements	1 July 2009
Improvements to IFRSs		1 January 2009 or 1 July 2009

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. Up to the date of issuance of the Financial Information, the Group believes that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

2. Segment reporting

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

In presenting the information on the basis of business segments, segment turnover, results, assets and liabilities are based on the sales of coal and shipping transportation.

	Years ended 31 December											
	Sales of Coal			Shipping Transportation			Eliminations			Combined		
	2006	**2007**	**2008**	**2006**	**2007**	**2008**	**2006**	**2007**	**2008**	**2006**	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
External turnover	2,824,382	3,553,185	4,050,170	26,107	111,447	142,314	–	–	–	2,850,489	3,664,632	4,192,484
Inter-segment turnover	–	–	–	39,061	5,961	68,289	(39,061)	(5,961)	(68,289)	–	–	–
Total segment turnover	2,824,382	3,553,185	4,050,170	65,168	117,408	210,603	(39,061)	(5,961)	(68,289)	2,850,489	3,664,632	4,192,484
Cost of sales	(2,619,035)	(3,034,244)	(3,550,773)	(34,897)	(60,075)	(147,865)	39,061	1,081	66,070	(2,614,871)	(3,093,238)	(3,632,568)
Other expenses	(141,326)	(279,411)	(199,901)	(7,894)	(8,930)	(9,925)	–	–	5,989	(149,220)	(288,341)	(203,837)
Segment result	64,021	239,530	299,496	22,377	48,403	52,813	–	(4,880)	3,770	86,398	283,053	356,079
Unallocated income net of unallocated expenses										(2,018)	(4,545)	87,797
Results from operating activities										84,380	278,508	443,876
Net financing costs										(17,698)	(30,192)	(48,577)
Income tax expense										(13,832)	(41,065)	(64,609)
Profit for the year										52,850	207,251	330,690

	At 31 December											
	Sales of Coal			Shipping Transportation			Eliminations			Combined		
	2006	2007	2008	2006	2007	2008	2006	2007	2008	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	1,068,752	1,403,119	1,521,885	138,970	553,104	957,546	(77,109)	(151,231)	(405,554)	1,130,613	1,804,992	2,073,877
Unallocated assets										67,410	104,931	11,605
Total assets										1,198,023	1,909,923	2,085,482
Segment liabilities	(679,214)	(827,478)	(853,931)	(116,916)	(485,811)	(843,382)	77,109	146,351	404,444	(719,021)	(1,166,938)	(1,292,869)
Unallocated liabilities										(74,209)	(107,857)	(57,658)
Total liabilities										(793,230)	(1,274,795)	(1,350,527)
Capital expenditure	4,056	30,677	9,322	–	397,125	447,381	–	–	–	4,056	427,802	456,703
Depreciation	2,829	4,155	5,284	12,275	11,713	32,474	–	–	–	15,104	15,868	37,758
Amortisation of lease prepayments	140	140	140	–	–	–	–	–	–	140	140	140

The Group's total assets are primarily dominated by the assets handling its coal and shipping businesses. The coal is sold primarily to the PRC domestic customers and therefore related assets and liabilities are almost all located in the PRC. The vessels are primarily utilised across geographical markets for shipping transportation throughout the World. As a result, the Directors consider that it is not 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.

	Years ended 31 December								
	Inside Mainland PRC			Outside Mainland PRC			Combined		
	2006	2007	2008	2006	2007	2008	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover from external customers	2,830,874	3,659,952	3,986,609	19,615	4,680	205,875	2,850,489	3,664,632	4,192,484

3. Turnover

The Group is mainly engaged in sales of coal and shipping transportation businesses.

Turnover mainly represents the sales of goods and charter hire income.

The amount of each significant category of turnover recognised during the Track Record Period is as follows:

	Years ended 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods	2,824,382	3,553,185	4,050,170
Charter hire income	26,107	111,447	142,314
	2,850,489	3,664,632	4,192,484

4. Other income

		Years ended 31 December		
		2006	**2007**	**2008**
		RMB'000	*RMB'000*	*RMB'000*
Government grants	*(i)*	5,870	4,368	3,230
Gain from disposal of available-for-sale financial assets	*(ii)*	–	–	97,085
Others	*(iii)*	8,198	658	888
		14,068	5,026	101,203

(i) The Group received unconditional grants from local government for the years of 2006, 2007 and 2008 as encouragement of its development.

(ii) On 24 July 2008, the Group entered into a share sale agreement with a third party to dispose the available-for-sale financial assets, which represented the 2.3% equity interests held by the Group in Millennium Mine located at the Bowen Basin of Australia (see Note 13), at a consideration of 18,126,000 Australian dollars. The gain on such disposal amounted to RMB97,085,000.

(iii) Others in 2006 mainly represent certain compensation income received from third parties who breached business contracts signed with the Group.

5. Profit before tax

(i) Net financing costs

	Years ended 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Interest income	(4,732)	(4,039)	(9,838)
Net foreign exchange gain	(1,252)	(7,380)	(5,895)
Finance income	(5,984)	(11,419)	(15,733)
Interest expenses	19,689	38,262	66,062
Less: interest capitalised in property, plant and equipment	–	(1,265)	(8,634)
Net interest expenses charged in the combined income statements	19,689	36,997	57,428
Bank charges	3,993	4,614	6,882
Finance expenses	23,682	41,611	64,310
Net financing costs	17,698	30,192	48,577

(ii) Staff costs

	Years ended 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and other benefits	3,850	14,903	18,740
Contribution to defined contribution plan	162	253	534
	4,012	15,156	19,274

The Group participates in pension funds organised by the PRC government. According to the respective pension fund regulations, the Group is required to pay annual contributions during the Track Record Period. The Group remits all the pension fund contributions to the respective social security offices, which are responsible for the payments and liabilities relating to the pension funds. The Group has no obligation for payment of retirement and other post-retirement benefits of employees other than the contributions described above.

(iii) Other items

	Years ended 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Cost of inventories*	2,579,974	3,033,163	3,484,703
Operating lease charges on premises	4,731	2,748	4,211
Depreciation for property, plant and equipment	15,104	15,868	37,758
Amortisation of lease prepayments	140	140	140
Write-down of inventories to net realisable value	–	–	30,984
Provision for bad and doubtful accounts	1,383	–	–
Auditors' remuneration	122	216	237

* Cost of inventories includes RMB1,426,000, RMB3,376,000 and RMB34,176,000 relating to staff costs, depreciation expenses and write-down of inventories to net realisable value for the three years ended 31 December 2006, 2007 and 2008, respectively, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

6. Income tax expense

(i) Income tax expense in the combined income statements represents:

	Years ended 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Current tax expense			
Provision for PRC income tax	12,175	42,415	71,314
Deferred tax			
Origination and reversal of temporary differences	1,657	(4,225)	(6,705)
Effect of change in tax rate	–	2,875	–
	13,832	41,065	64,609

(a) 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.

(b) 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 Track Record Period.

(c) In 2006 and 2007, the provision for the PRC corporate income tax was based on a statutory rate of 33% of the assessable profits of subsidiaries which carried on businesses in the PRC, except for subsidiaries carried on businesses in Zhuhai Special Economic Zone which were entitled to a preferential income tax rate of 15% according to the "Foreign Invested Enterprise and Foreign Enterprise Income Tax Law《外商投資企業和外國企業所得稅法》". The income tax rate applicable to Zhuhai Qinfa Trading and Zhuhai Qinfa Shipping up to 31 December 2007 is 15%.

(d) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which took effect on 1 January 2008. As a result of the new tax law, the income tax rate applicable to the China Qinfa Group has been unified to 25% since 1 January 2008. Deferred tax is recognised based on the tax rates that are expected to apply to the period when the liability is settled. The new tax law has been applied when measuring the Group's deferred tax assets as at 31 December 2007 and 2008. The deferred tax assets balance as at 31 December 2007 changed as a result of the change of the applicable tax rate. The balance changes of the deferred tax assets are reflected in the combined financial statements.

(ii) ***Reconciliation between tax expense and accounting profit at applicable tax rate:***

		Years ended 31 December		
		2006	**2007**	**2008**
		RMB'000	*RMB'000*	*RMB'000*
Profit before tax		66,682	248,316	395,299
Expected tax on profit before tax, calculated at the respective rates applicable to subsidiaries	*6i(c)(d)*	21,075	53,259	98,825
Non-taxable income	*6i(b)*	(8,404)	(15,280)	(35,098)
Non-deductible expenses		1,161	211	882
Effect of changes in tax rate on deferred tax balance	*6i(d)*	–	2,875	–
Income tax expense		13,832	41,065	64,609

7. Directors' remuneration

Details of directors' remuneration are as follows:

	Year ended 31 December 2006				
Name of directors	**Fee** *RMB'000*	**Basic salaries, allowances and other benefits** *RMB'000*	**Contributions to retirement benefit schemes** *RMB'000*	**Discretionary bonuses** *RMB'000*	**Total** *RMB'000*
Executive directors					
Mr. Xu	–	77	5	–	82
Ms. Wang Jianfei	–	35	4	–	39
Ms. Liu Xiaomei	–	22	3	–	25
Mr. Weng Li	–	25	–	–	25
	–	159	12	–	171

	Year ended 31 December 2007				
Name of directors	**Fee** *RMB'000*	**Basic salaries, allowances and other benefits** *RMB'000*	**Contributions to retirement benefit schemes** *RMB'000*	**Discretionary bonuses** *RMB'000*	**Total** *RMB'000*
Executive directors					
Mr. Xu	–	287	5	–	292
Ms. Wang Jianfei	–	226	4	–	230
Ms. Liu Xiaomei	–	198	4	–	202
Mr. Weng Li	–	223	–	–	223
	–	934	13	–	947

	Year ended 31 December 2008				
Name of directors	**Fee** *RMB'000*	**Basic salaries, allowances and other benefits** *RMB'000*	**Contributions to retirement benefit schemes** *RMB'000*	**Discretionary bonuses** *RMB'000*	**Total** *RMB'000*
Executive directors					
Mr. Xu	–	307	5	–	312
Ms. Wang Jianfei	–	302	4	–	306
Ms. Liu Xiaomei	–	219	4	–	223
Mr. Weng Li	–	252	2	–	254
	–	1,080	15	–	1,095

An analysis of directors' remuneration by the number of directors and remuneration range is as follows:

	Years ended 31 December		
	2006 *Number of directors*	**2007** *Number of directors*	**2008** *Number of directors*
Nil to RMB1,000,000	4	4	4

There were no amounts paid during the Track Record Period to the directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

8. Individuals with highest emoluments

The five highest paid individuals of the Group during the Track Record Period include four directors of the Company, whose remuneration are reflected in the analysis presented above. Details of remuneration paid to the remaining highest paid individual of the Group are as follows:

	Years ended 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries, allowances and other benefits	34	190	582
Contributions to retirement benefit schemes	3	4	11
Discretionary bonuses	–	–	–
	37	194	593

The above individual's emoluments are within the band of Nil to RMB1,000,000.

There were no amounts paid during the Track Record Period to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join.

9. Dividends

Dividends for the Track Record Period represent dividends declared by a subsidiary to its then equity holder:

	Years ended 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Dividends declared and approved during the year			
– Qinhuangdao Trading	–	–	120,341

Pursuant to the resolution passed at the board of directors' meeting on 1 August 2008, dividends of RMB120,341,000 were declared to the equity holder of Qinhuangdao Trading. The directors consider that the dividends are not indicative of the future dividend policy of the Group.

[As at the date of this report, the dividends have been fully paid.]

10. Earnings per share

The calculation of basic earnings per share for the Track Record Period is based on the profit attributable to equity holders of the Company during the Track Record Period and the [750,000,000] shares in issue and issuable, comprising [1,000,000] shares in issue as at the date of the Document and [749,000,000] shares to be issued pursuant to the capitalisation issue as detailed in the paragraph headed ["Written resolutions of the Shareholders] passed on [●]" set out in Appendix V to the Document, as if the shares were outstanding throughout the entire Track Record Period.

There were no dilutive potential ordinary shares during the Track Record Period and, therefore, diluted earnings per share are not presented.

11. Property, plant and equipment

	Plant and buildings	Machinery	Electronic and other equipment	Motor vehicles	Vessels	Assets under construction	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
At 1 January 2006	11,908	3,510	1,042	8,755	158,649	–	183,864
Additions	–	428	399	3,229	–	–	4,056
Exchange difference	–	–	–	–	(5,141)	–	(5,141)
At 31 December 2006	11,908	3,938	1,441	11,984	153,508	–	182,779
Additions	27,750	1,060	957	910	–	397,125	427,802
Disposals	–	–	–	(78)	–	–	(78)
Exchange difference	–	–	–	–	(9,909)	(4,763)	(14,672)
At 31 December 2007	39,658	4,998	2,398	12,816	143,599	392,362	595,831
Additions	1,518	1,434	415	6,627	24,058	422,651	456,703
Disposals	–	–	–	(1,946)	–	–	(1,946)
Transfers	–	–	–	–	570,257	(570,257)	–
Exchange difference	–	–	–	–	(16,459)	(29,788)	(46,247)
At 31 December 2008	41,176	6,432	2,813	17,497	721,455	214,968	1,004,341
Accumulated depreciation							
At 1 January 2006	(913)	(1,033)	(734)	(2,989)	(8,284)	–	(13,953)
Charge for the year	(606)	(431)	(127)	(1,665)	(12,275)	–	(15,104)
Exchange difference	–	–	–	–	520	–	520
At 31 December 2006	(1,519)	(1,464)	(861)	(4,654)	(20,039)	–	(28,537)
Charge for the year	(1,486)	(479)	(202)	(1,987)	(11,714)	–	(15,868)
Exchange difference	–	–	–	–	1,760	–	1,760
At 31 December 2007	(3,005)	(1,943)	(1,063)	(6,641)	(29,993)	–	(42,645)
Charge for the year	(1,959)	(615)	(390)	(2,325)	(32,469)	–	(37,758)
Written back on disposals	–	–	–	1,292	–	–	1,292
Exchange difference	–	–	–	–	2,453	–	2,453
At 31 December 2008	(4,964)	(2,558)	(1,453)	(7,674)	(60,009)	–	(76,658)
Carrying amounts							
At 31 December 2006	10,389	2,474	580	7,330	133,469	–	154,242
At 31 December 2007	36,653	3,055	1,335	6,175	113,606	392,362	553,186
At 31 December 2008	36,212	3,874	1,360	9,823	661,446	214,968	927,683

12. Lease prepayments

	RMB'000
Cost	
At 1 January 2006, and 31 December 2006, 2007 and 2008	6,998
Accumulated amortisation	
At 1 January 2006	(385)
Charge for the year	(140)
At 31 December 2006	(525)
Charge for the year	(140)
At 31 December 2007	(665)
Charge for the year	(140)
At 31 December 2008	(805)
Carrying amounts	
At 31 December 2006	6,473
At 31 December 2007	6,333
At 31 December 2008	6,193

Lease prepayments represent cost of land use rights in respect of land located in the PRC with a lease period of 50 years when granted.

13. Available-for-sale financial assets

	At 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted equity investments at fair value	63,905	100,005	–

The available-for-sale financial assets represent the equity interests held by the Group in Millennium Mine located at the Bowen Basin of Australia. The fair values of the available-for-sale financial assets were the amounts estimated by the directors that the Group would receive upon the derecognition of investments at the balance sheet dates, taking into account the current market conditions. The directors believed that the estimated fair values, which were recorded in the combined balance sheets, with the related changes in fair values recorded in the combined equity, were reasonable, and that they were the most appropriate value at the balance sheet dates.

On 24 July 2008, the Group entered into a share sale agreement with a third party to dispose all its unlisted equity investments in Millennium Mine at a consideration of 18,126,000 Australian dollars.

14. Deferred tax assets

Deferred tax assets recognised and the movements of deferred tax assets of the Group:

	At 1 January 2006	Credited/ (charged) to combined income statement	At 31 December 2006
Deferred tax assets arising from:			
Provision for bad and doubtful debts	3,991	(3,991)	–
Taxable losses carried forward	1,022	2,289	3,311
Unrealised profit arising from intra-group transactions elimination	–	45	45
	5,013	(1,657)	3,356

Deferred tax assets recognised and the movements of the Group during 2007:

	At 1 January 2007	Credited/ (charged) to combined income statement	At 31 December 2007
Deferred tax assets arising from:			
Taxable losses carried forward	3,311	(2,309)	1,002
Unrealised profit arising from intra-group transactions elimination	45	3,659	3,704
	3,356	1,350	4,706

Deferred tax assets recognised and the movements of the Group during 2008:

	At 1 January 2008	Credited/ (charged) to combined income statement	At 31 December 2008
Deferred tax assets arising from:			
Write-down of inventories	–	7,746	7,746
Taxable losses carried forward	1,002	(1,002)	–
Unrealised profit arising from intra-group transactions elimination	3,704	(39)	3,665
	4,706	6,705	11,411

15. Inventories

	At 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	271,976	398,871	57,450
Goods in transit	14,756	–	8,022
Fuel	–	5,393	12,241
	286,732	404,264	77,713

Provision of RMB30,984,000 was made against those inventories with net realisable value lower than carrying value as at 31 December 2008. The inventories as at 31 December 2006 and 2007 were stated at cost.

The analysis of the amount of inventories recognised as an expense is as follows:

	Years ended 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	2,579,974	3,033,163	3,453,719
Write-down of inventories	–	–	30,984
	2,579,974	3,033,163	3,484,703

16. Trade and other receivables

	At 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bill receivables	230,762	259,653	200,643
Deposits and prepayments	221,464	178,223	134,141
Other non-trade receivables	22,300	22,404	40,774
Amount due from a related party (see Note 26(c))	57,502	150,348	–
	532,028	610,628	375,558

All of the trade and other receivables as at 31 December 2008 are expected to be recovered within one year.

Trade and bill receivables included bank accepted bills of RMB96,282,000, RMB35,037,000 and RMB4,900,000 as at 31 December 2006, 2007 and 2008, respectively, which were discounted to the banks.

During the Track Record Period, credit terms granted to customers ranged from 0 to 30 days depending on the customers' relationship with the Group, their creditworthiness and settlement record.

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

	At 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	147,199	222,363	157,816
Over 1 month but less than 3 months	60,510	17,200	33,173
Over 3 months but less than 6 months	22,753	20,090	9,654
Over 6 months	300	–	–
	230,762	259,653	200,643

17. Pledged deposits

Bank deposits of RMB3,208,000, RMB145,741,000 and RMB485,425,000 as at 31 December 2006, 2007 and 2008, respectively, were pledged to the banks to secure the Group's certain bank facilities (see Note 19).

18. Cash and cash equivalents

	At 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Deposits with banks within three months' maturity	54,661	–	32,368
Cash at banks and on hand	93,418	85,060	169,131
	148,079	85,060	201,499

19. Interest-bearing borrowings

		At 31 December		
		2006	**2007**	**2008**
		RMB'000	*RMB'000*	*RMB'000*
Current				
Secured bank loans and bank advances	*(i)*	339,810	561,586	769,482
Unsecured bank loans	*(i)*	–	9,969	–
Bank advances under discounted bill receivables	*(ii)*	96,282	35,037	4,900
Other borrowings from a related party (see Note 26(b))		54,071	3,810	51,817
Current portion of non-current secured bank loans	*(iii)*	–	63,480	81,067
		490,163	673,882	907,266
Non-current				
Secured bank loans	*(iii)*	–	279,338	261,608
		490,163	953,220	1,168,874

(i) Current bank loans and bank advances carried interest rate ranging from 5.58% to 6.73%, 5.63% to 7.29% and 1.75% to 6.77% as at 31 December 2006, 2007 and 2008, respectively, per annum. Current secured bank loans and bank advances were secured by the following assets:

	At 31 December		
	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	133,469	113,606	327,034
Inventories	–	170,000	[15,626]
Trade and bill receivables	17,438	39,901	[59,214]
Pledged deposits	3,208	145,741	485,425

Unutilised bank facilities secured by pledged deposits for the Group were Nil, RMB12,564,000 and RMB27,065,000 as at 31 December 2006, 2007 2008, respectively.

(ii) The Group's discounted bank accepted bills with recourse have been accounted for as collateralised bank advances. The discounted bill receivables and the related proceeds of the same amount are included in the Group's "Trade and bill receivables" and "Bank advances under discounted bill receivables" as at the balance sheet dates.

(iii) Non-current secured bank loans as at 31 December 2007 and 2008 were pledged by certain fixed assets of RMB412,346,000 and RMB569,807,000 and guaranteed by a related party (see Note 26(d)).

Non-current secured bank loans as at 31 December 2007 and 2008 carried variable interest rates based on (i) the LIBOR plus 1% and (ii) 5% discount on the per annum interest rate quoted by the People's Bank of China in respect of long-term borrowings over 5 years.

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

	At 31 December		
	2006	2007	2008
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	–	63,480	81,067
Over 1 year but less than 2 years	–	68,605	82,948
Over 2 years but less than 5 years	–	198,588	167,857
Over 5 years	–	12,145	10,803
	–	279,338	261,608
	–	342,818	342,675

20. Trade and other payables

	At 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bill payables	137,967	107,647	24,885
Dividends payable (see Note 26(b))	–	–	45,704
Other taxes payable	44,966	58,149	32,917
Receipts in advance	22,666	13,813	1,452
Accrued interest on shareholder's loans (see Note 26(b))	6,317	7,246	7,333
Accrued port services fee and other expenses	11,863	19,691	7,776
Other miscellaneous payables	5,079	7,172	3,928
	228,858	213,718	123,995

During the Track Record Period, credit terms granted to the Group by its suppliers ranged from 0 to 30 days. An ageing analysis of trade and bill payables of the Group is as follows:

	At 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	112,487	95,259	23,414
Over 1 month but less than 3 months	16,000	4,277	1,159
Over 3 months but less than 6 months	9,369	8,000	312
Over 6 months but less than 1 year	76	–	–
Over 1 year	35	111	–
	137,967	107,647	24,885

21. Paid-in capital

(a) Paid-in capital in the Group's combined balance sheets as at 31 December 2006, 2007 and 2008 represent the aggregate amount of paid-in capital of the companies comprising the Group at the respective dates, after elimination of investment in subsidiaries.

(b) The capital contribution of 2006 represented capital injection from the Controlling Shareholders to Qinfa Trading.

(c) The capital injection of 2007 represented capital injection from the Controlling Shareholders to Perpetual, Liberal, Qinfa International and Zhuhai Qinfa Shipping.

(d) On 11 January 2007, the Controlling Shareholders acquired the 5% equity interest in Qinfa Shipping from the minority shareholder and contributed such additional interest to the Group.

(e) The capital injection of 2008 represented capital injection from the Controlling Shareholders to Super Grace.

22. Reserves

(a) Merge reserve

Merge reserve represents the difference between the aggregate amount of paid-in capital of Perpetual, Liberal, Qinfa Shipping, Qinfa Trading, Qinfa International and Super Grace and the amount of share capital of Qinfa Investment issued to Fortune Pearl International Limited ("Fortune Pearl") in 2008 in exchange for the entire equity interests in the above six companies as part of the Reorganisation.

(b) Reserves

Reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective shareholders' meetings.

Reserves include statutory reserves and discretionary reserves. For the entity concerned, statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance after such conversion is not less than 25% of the registered capital.

(c) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the balance sheet dates and is dealt with in accordance with the accounting policies set out in Notes 1(f) and 1(j).

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in Note 1(e).

23. Financial instruments

Exposure to credit risk, market risk (including interest risk and foreign currency risk) and liquidity risk arises in the normal course of the Group's businesses. The Group's financial assets include available-for-sale financial assets, cash and cash equivalents, pledged deposits, trade and other receivables. The Group's financial liabilities include interest-bearing borrowings and trade and other payables. The risks associated with these financial instruments are limited by the Group's financial management policies described below:

(a) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

At the balance sheet dates, the Group had no significant concentration of credit risk with any of its customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined balance sheets. The Group does not provide any guarantee which would expose the Group to credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from banks to meet its liquidity requirements in the short and longer term.

(c) Interest rate risk

Cash and cash equivalents, pledged deposits and interest-bearing borrowings are the major types of the Group's financial instruments subject to interest rate risk. Cash and cash equivalents are with fixed interest rates ranging from 0.36% to 0.81% per annum as at 31 December 2006, 2007 and 2008, respectively. Pledged deposits are placed to satisfy conditions for borrowing facilities granted to the Group, with fixed interest rates ranging from 0.72% to 4.14% per annum as at 31 December 2006, 2007 and 2008, respectively.

The Group's interest-bearing borrowings and interest rates as at 31 December 2006, 2007 and 2008 are set as below:

		At 31 December		
	Interest rate	**2006**	**2007**	**2008**
		RMB'000	*RMB'000*	*RMB'000*
Fixed rate borrowings	3.36% to 7.32%	436,092	595,170	649,545
Variable rate borrowings	0.46% to 7.44%	54,071	358,050	519,329
		490,163	953,220	1,168,874

Sensitivity analysis

The Group does not account for any fixed rate borrowings at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Variable rate borrowings are accounted for at fair value through profit or loss at balance sheet dates. A general increase/decrease of 100 basis points in interest rates prevailing at the balance sheet dates, with all other variable held constant, would decrease/increase the group's profit after tax and retained profits by approximately RMB583,000, RMB547,000 and RMB3,598,000 as of 31 December 2006, 2007 and 2008 respectively.

This sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet dates and had been applied to the exposure to interest risk for financial investments in existence at those dates. The analysis has been performed on the same basis for 2006, 2007 and 2008.

(d) Foreign currency risk

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand. The Group is exposed to foreign currency risk primarily through purchases and borrowings that are denominated in USD, while all the other operations of the Group are mainly transacted in RMB. Changes in exchange rate affect the RMB value of purchase costs of commodities that are denominated in foreign currencies.

The following table demonstrates the Group's exposure at the balance sheet dates to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	At 31 December		
	2006	**2007**	**2008**
	USD'000	*USD'000*	*USD'000*
Cash and cash equivalents	–	–	573
Trade and other payables	(10,340)	(9,286)	–
Interest-bearing borrowings	–	(3,786)	(3,725)
Balance sheet exposure	(10,340)	(13,072)	(3,152)

The following table demonstrates the changes in the USD exchange rate during the Track Record Period.

	Years ended 31 December		
	2006	**2007**	**2008**
USD			
– Average rate	7.9718	7.6071	6.9480
– Reporting date mid-spot rate	7.8087	7.3046	6.8346

Foreign exchange sensitivity analysis

A 5 percent strengthening of the RMB against the USD at 31 December would have increased/ (decreased) equity and profit or loss by the amount shown below. This analysis assumes that the reasonably possible change in foreign exchange rates had occurred at the balance sheet dates and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. (The analysis has been performed on the same basis for 2006, 2007 and 2008.)

	2006	**2007**	**2008**
	Profit	**Profit**	**Profit**
	RMB'000	*RMB'000*	*RMB'000*
USD	2,985	4,058	808

A 5 percent weakening of the RMB against the USD at 31 December would have had the equal but opposite effect on the above currency to the amounts shown above. The analysis has been performed on the basis that all other variables remain constant.

The impact on the combined equity as shown in the above sensitivity analysis for the Group's exposure to foreign currencies arises from the re-translation of the net assets of foreign subsidiaries at the respective balance sheet dates. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date.

(e) Fair value

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 31 December 2006, 2007 and 2008, respectively.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to financing at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of debt to equity ratio. For this purpose the Group defines debt as total loans and borrowings and equity as total equity attributable to equity holders of the Company.

The debt to equity ratio at 31 December 2006, 2007 and 2008 was as follows:

	Years ended 31 December		
	2006	**2007**	**2008**
Debt to equity ratio	121.51%	150.08%	159.04%

24. Capital commitments

Capital commitments outstanding at the respective year end not provided for in the combined financial statements were as follows:

	At 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Authorised but not contracted for	312,348	226,058	5,000
Contracted for	19,332	102,980	45,853
	331,680	329,038	50,853

25. Operating leases

(a) Leases at lessee

At each balance sheet date, the total future minimum lease payments of the Group under noncancellable operating leases in respect of land and buildings are payable as follows:

	At 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	22,667	44,035	5,711
After 1 year but within 5 years	1,360	6,082	18,506
After 5 years	–	–	12,719
	24,027	50,117	36,936

(b) Leases at lessor

The Group leases out its vessels under operating leases and the future minimum lease income under non-cancellable operating leases are receivable as follows:

	At 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	4,805	79,809	5,227

26. Related party transactions

The Group has transactions with Qinfa Industry and Mr. Xu. Mr. Xu is one of the Controlling Shareholders. Qinfa Industry is ultimately controlled by the Controlling Shareholders.

Particulars of significant transactions between the Group and the above related parties during the Track Record Period are as follows:

(a) Significant related party transactions

(i) Recurring transactions:

	Years ended 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Operating leases from			
– Qinfa Industry	1,216	1,323	1,209

The directors of the Company are of the opinion that the above related party transactions were conducted on terms no less favourable to the Group than terms available to or from independent third parties, and in the ordinary course of business.

(ii) Non-recurring transactions:

	Years ended 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing borrowings from			
– Mr. Xu:	108,409	6,749	50,480
Interest charge	3,625	929	87
Repayment of interest-bearing borrowings to			
– Mr. Xu:	163,290	57,010	2,473
Expenses paid by the Group on behalf of			
– Qinfa Industry:	41,832	117,721	25,471

(b) Amounts due to related parties

	At 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Shareholder's loan			
– Mr. Xu	54,071	3,810	51,817
Accrued interest	6,317	7,246	7,333
	60,388	11,056	59.150
Dividends payable to Qinfa Industry, the equity holder of Qinhuangdao Trading	–	–	45,704

The amounts due to Mr. Xu represent interest-bearing borrowings and corresponding accrued interests at LIBOR rate (see Note 19 and 20).

[As at the date of this report, the balance of amounts due to Mr. Xu as at 31 December 2008 has been settled in full.]

[As at the date of this report, the dividends have been fully paid.]

[As mentioned in the Document dated [●], Qinfa Industry is ultimately controlled by the Controlling Shareholders.]

(c) Amount due from a related party

	At 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Qinfa Industry	57,502	150,348	–

The amount due from a related party was non-interest bearing and repayable on demand.

(d) Guarantees issued by related parties

	At 31 December		
	2006	**2007**	**2008**
	thousand	*thousand*	*thousand*
Guarantees issued by Mr Xu:			
– RMB	260,000	296,010	635,340
– HK Dollars	110,000	140,000	170,000
– US Dollars	–	60,088	75,088
Guarantees issued by Qinfa Industry			
– RMB	69,000	–	100,000

As at 31 December 2006, 2007 and 2008, Mr. Xu issued guarantees to banks for issuing banking facilities to the Group, equivalent to RMB370,517,000, RMB866,025,000 and RMB1,298,459,000, respectively.

[The Directors have confirmed the guarantees issued by Mr. Xu and Qinfa Industry will be released/ discharged by the bankers upon [●].]

(e) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors.

Remuneration for key management personnel of the Group, including amounts paid to the directors as disclosed in Note 7, is as follows:

	Years ended 31 December		
	2006	**2007**	**2008**
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries, allowances and other benefits	279	1,618	2,450
Contributions to retirement benefit schemes	19	21	35
Discretionary bonuses	–	–	–
	298	1,639	2,485

D. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company of the Company as at the date of this report to be Fortune Pearl, a company incorporated in the BVI.

E. SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 December 2008:

(a) Group reorganisation

The companies comprising the Group underwent and completed a reorganisation in preparation for the [●]. Further details of the Reorganisation are set out in the section headed "Reorganisation and the Structure Contracts" in the Document. As a result of the Reorganisation, the Company became the holding company of the Group.

(b) Valuation of properties

For the purpose of the [●], the properties of the Group were revalued as at [30 April 2009] by Vigers Appraisal & Consulting Limited.

The valuation gave rise to a revaluation surplus of approximately RMB[55,218,000] from the carrying amount of the relevant assets at that date. According to the Group's accounting policy, the revaluation surplus will not be recorded in the Group's Financial Information. If the revaluation surplus were to be included in the Group's Financial Information, additional depreciation charge would be approximately RMB[2,208,000] per annum. Details of the valuation are set out in the professional valuers' certificate in [Appendix III] to the Document.

(c) Share Option Scheme

Pursuant to the written resolution of the shareholders of the Company passed on [●], the Company has conditionally adopted a [●] and a Share Option Scheme. The principal terms of the [●] and Share Option Scheme are summarized in Appendix V to the Document.

[(d) Dividends

According to the [shareholders' meeting] dated [●], Qinfa Trading declared dividends at an aggregate amount of approximately [HKD100,000,000] to the Controlling Shareholders. Such dividends were fully paid before [●].]

F. DIRECTORS' REMUNERATION

Save as disclosed in Section C Note 7 above, no remuneration has been paid or is payable in respect of the Track Record Period by the Group to the directors of the Company.

G. BALANCE SHEET OF THE COMPANY

The balance sheet of the Company as at 31 December 2008 was as follows:

	31 December 2008 *RMB*
Cash and cash equivalents	0.09
Total assets	0.09
Share capital	0.09
Total equity	0.09

The Company was incorporated in Cayman Islands on 4 March 2008 with an authorised share capital of HKD380,000 divided into 3,800,000 shares of HKD0.10 each. On 4 March 2008, 1 share of HKD0.10 of the Company was allotted and issued fully paid to Codan Trust Company (Cayman) Limited as the initial subscriber, which was subsequently transferred by Codan Trust Company (Cayman) Limited to Mr. Xu on the same day. The Company has not carried on any business since its date of incorporation.

H. SUBSEQUENT ACCOUNTS

No audited financial statements have been prepared by the Company in respect of any period subsequent to 31 December 2008.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong