

**CHINA QINF A GROUP LTD:  
CHINA NEEDS COAL, TO BE SURE,  
BUT DO PROSPECTIVE INVESTORS NEED THIS TSURIS ?**

Aside from the fact that China Qinfa Group Ltd () (Code: 866, Main Board, The Stock Exchange of Hongkong Ltd) lost money, during the first 4 months of the 2009 Financial Year, ended April 30, its Net Profit Attributable to Shareholders in respect of the 2008-Year, ended December 31, was boosted, very materially, by a one-off gain on the disposal of the Company's equity interest in an entity that owns an Australian mine.

This is all spelled out in the Global Offering Prospectus of this Company, dated June 19, 2009, but one has to search, painstakingly, to dig out these facts.

China Qinfa Group Ltd describes its activities as being, primarily, a vendor of coal, with most of its customers, being located in the People's Republic of China (PRC).

About 75 percent of its annual sales are consummated with the managements of PRC power plants, while PRC cement plants and other end users in the most-populous country in the world take about 15.70 percent of annual sales.

China Qinfa Group Ltd went public on the Main Board of The Stock Exchange of Hongkong Ltd, Offering 250 million, 10-cent Shares at an Offer Price of not less than \$HK2.00 per Share and not more than \$HK2.52 per Share.

The investing public of the Hongkong Special Administrative Region (HKSAR) of the PRC was Offered 25 million Shares.

The Global Offering Prospectus states, at Page 264, that the Company is seeking about \$HK517 million, based on an Offer Price of \$HK2.26 per Share, being the midway point between \$HK2.00 per Share and \$HK2.52 per Share, for the following purposes:

1. About \$HK329 million to be used to develop a terminal at Zhuhai, the PRC, proper, being separate and distinct from the HKSAR of the PRC, which will be used as a transshipment hub for coal;
2. About \$HK137 million for the purchase of some land at Shanxi, the PRC, proper; and,
3. About \$HK51 million to be used a General Working Capital.

This Company has a history, dating back to July 1996, when the current Chairman, Mr Xu Ji Hua (), teamed up with a Mr Di Xue Xun to acquire control of Qinhuangdao Development Zone Qinfa Trading Company Ltd (), a PRC-domiciled company with a limited liability.

Under the heading of Business Development, Page 114 of the Global Offering Prospectus gives a précis of the history of China Qinfa Group Ltd for the first 5 years of its corporate life:

*'The history of the Group can be traced back to July 1996 when Mr. XU, together with Mr.*

*DI Xuexun, an Independent Third Party, acquired all equity interest in Qinhuangdao Trading for an aggregate amount of RMB500,000. The amount of consideration was equivalent to the capital contribution of Qinhuangdao Trading. Further information on these acquisitions is set forth in the paragraphs under “– Corporate development” below. The founding investors of Qinhuangdao Trading were (Qinhuangdao Development Zone Qinfa Goods Company) and (Qinhuangdao Haigang Xingwu Goods Trading Department), both are Independent Third Parties. Following completion of the acquisitions, Qinhuangdao Trading was owned by Mr. XU (Xu Ji Hua []) and Mr. DI Xuexun as to 60% and 40%, respectively. Qinhuangdao Trading was principally engaged in coal trading business in China.*

*‘During the period between 1996 and 2001, Qinhuangdao Trading was the only member of China Qinfa Group engaged in coal trading business in China. Qinhuangdao Trading actively explored the coal trading business in China with customer base expanding to electricity plants in southern China. In 1996, Qinhuangdao Trading became a coal supplier of state-owned electricity generation enterprises in the PRC such as (Nanhai Nanguang Fuel Company) with an annual aggregate coal trading volume of approximately 420,000 tonnes. In 1996, Qinhuangdao Trading started sourcing coal from coal mines in Hebei Province to support the increasing demand for coal in China. In 1997, the annual coal trading volume of Qinhuangdao Trading was approximately 610,000 tonnes. The annual coal trading volume of Qinhuangdao Trading in 2001 was approximately 1.56 million tonnes, representing a growth of approximately 271.4% from 420,000 tonnes in 1996.’*

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