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BUSINESS DEVELOPMENT

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 “History and Development – Corporate Development” of this document. The founding investors of Qinhuangdao Trading were 秦皇島開發區秦發物資公司 (Qinhuangdao Development Zone Qinfa Goods Company) and 秦皇島市海港興武物資經銷處 (Qinhuangdao Haigang Xingwu Goods Trading Department), both are Independent Third Parties. Following completion of the acquisitions, Qinhuangdao Trading was owned by Mr. XU 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 南海南光燃料公司 (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.

In order to expand the business to different locations in China, Qinfa Industry was established in January 2001 for coal operation business with an initial registered capital of RMB1,000,000. On the date of incorporation, Qinfa Industry was wholly and beneficially owned by Mr. XU. As of the Latest Practicable Date, Qinfa Industry was owned by Mr. XU as to 50%, Mr. XU Da (holding on behalf of Mr. XU) as to 49.59% and Mr. LIU Jingwei (holding on behalf of Mr. XU) as to 0.41%, respectively. Each of Mr. XU Da and Mr. LIU Jingwei is a beneficial owner under the Trust Scheme and a Controlling Shareholder. Mr. LIU Jingwei has no other relationship with Mr. XU or Mr. XU Da. The Directors confirm that the reason for such trust arrangement in the equity interest of Qinfa Industry was to ensure that Qinfa Industry had more than one equity holder in accordance with the applicable PRC laws and regulations. The PRC Legal Advisers confirm that this trust arrangement is enforceable between the relevant parties, i.e. Mr. XU, Mr. XU Da and Mr. LIU Jingwei, and in full compliance with the applicable PRC laws and regulations. In addition to the coal operation business, Qinfa Industry acquired a hotel in 2001 for its hotel operation business.

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The demand for imported coal in the PRC increased significantly and due to the expansion of the Group's business, coal sourced domestically in China was not sufficient for the customers' demand. In 2002, the Group strategically planned to establish an overseas entity to operate the overseas coal supply chain business, because the Directors believed that it would be costly and less efficient for Qinhuangdao Trading or Qinfa Industry to engage in such overseas business activities including the procurement of the overseas supplies and the arrangement on the coal transportation. Qinfa Trading was therefore established in November 2002. With the assistance of Qinhuangdao Trading and Qinfa Industry, which were granted the Coal Operation Certificates, coal sourced from overseas by Qinfa Trading was sold to Qinhuangdao Trading and Qinfa Industry for re-sale in the PRC market.

To further enhance the Group's coal operation business in China, Datong Jinfa and Yangyuan Guotong were established in April 2003 and December 2003, respectively. The Group also acquired a parcel of land in Datong and leased another parcel of land in Yangyuan for the Group's coal loading stations, which are strategically located along the Daqin Railway. Coal loading stations are important in sourcing coal from coal mine operators and coal traders which do not have direct access to coal railway transportation. As of the Latest Practicable Date, there were only [41] major coal loading stations along the Daqin Railway.

In August 2003, Qinfa Shipping was incorporated for the provision of shipping transportation services to the Group's customers. In April 2005, Qinfa Shipping acquired its first Panamax, MV QINFA 6. To strengthen the Group's shipping transportation capacity, Liberal, Perpetual and Super Grace were incorporated in May 2007, August 2007 and January 2008, respectively, as special operating companies for three Panamax, namely MV QINFA 8, MV QINFA 9 and MV QINFA 10, serving the international routes.

Zhuhai Qinfa Shipping was established in September 2007 to operate the Group's first PRC inland vessel, QINFA 2, which was acquired by the Group in August 2007. In December 2007, Zhuhai Qinfa Shipping was granted a Waterway Transportation Licence, which represented a milestone for the Group's inland shipping business in China. Before the Group was granted the Waterway Transportation Licence in December 2007, the Group was not permitted to engage in the PRC inland shipping business in accordance with the Article 7 of 中華人民共和國水路運輸管理條例 (The Regulations on the Management of Waterway Transport of the People's Republic of China) and 外商投資產業指導目錄(2007修訂) (The Guidance of Foreign Investment (Amended 2007)). Therefore, the Group did not carry out PRC inland shipping business before December 2007.

As part of the business plan of the Group, Zhuhai Qinfa Trading was established in September 2005, followed by the opening of the Group's office in Guangzhou in June 2007. In December 2007, Zhuhai Qinfa Trading established a representative office in Shanghai exploring additional business opportunities along the coastal region in eastern China.

Having considered the significant increase in the demand for imported coal and the expansion of the Group's overseas coal operation business, the Directors planned to centralise the management and operation of the Group's coal business in China and overseas markets and determined that Hong Kong Qinfa Group should manage and operate the coal trading business in China through the establishment of Qinfa Logistics in February 2008.

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The Group is able to respond to the changing market conditions efficiently and effectively, which enables it to capture opportunities and manage the relevant risks. The Directors believe these factors are important when the Zhuhai Terminal will become operational as a major international transshipment hub. In order to combine the business operations of the Group in China and Hong Kong (which involves the international coal business), Qinfafa Logistics and each member of China Qinfafa Group and their respective equity holders entered into the Structure Contracts on 10 June 2009. Particulars of the Structure Contracts are set out in “Reorganisation and the Structure Contracts – Structure Contracts” of this document.

As part of the Reorganisation and for the purpose of streamlining the coal trading business of China Qinfafa Group, Qinhuangdao Trading and Qinfafa Industry entered into a business transfer agreement on 30 March 2008 whereby Qinfafa Industry transferred to Qinhuangdao Trading all assets, liabilities and staff in relation to its coal trading business (except for its investment holding of 51% equity interest in both Qinhuangdao Trading and Datong Jinfafa) for nil consideration. The PRC Legal Advisers confirm that the transfer is enforceable and legally binding under the applicable laws and regulations in the PRC. Following completion of this transfer, Qinfafa Industry is not engaged in any coal trading business which competes or may compete with the Group’s business except for its 51% equity interest in both Qinhuangdao Trading and Datong Jinfafa, particulars of these investment holdings are set forth in “History and Development – Corporate Development” of this document. Qinfafa Industry also operates a hotel in Qinhuangdao.

In December 2008, leveraging its experience in the coal operation business, the Group entered into the first sales and purchase contracts for the trading business of iron ore fines. The relevant transactions were carried on and completed in 2009. The transaction volume of the Group’s first sales and purchase contracts of iron ore fines in December 2008 amounted to approximately 60,000 tonnes of iron ore fines. These business activities represented the Group’s expansion of its business operation into the iron ore industry. [As of the Latest Practicable Date, the Group was negotiating with its business partners, which are Independent Third Parties, for an iron ore cooperation agreement in relation to its operation in the iron ore trading industry. The Directors cannot assure that the iron ore agreement or similar agreements will be implemented as planned. If such iron ore agreement or similar agreements with alternative partner(s) are not duly implemented, the Directors intend to suspend its expansion into the iron ore trading industry.] Details of the Group’s trading business of iron ore and related materials are set out in “Business – Iron ore trading” of this document. The Directors expect that the coal operation business will continue to be the principal business of the Group in the future, but the trading business of iron ore may provide another source of income to the Group.

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CORPORATE DEVELOPMENT

China Qinfa Group

The following sets forth the corporate development of each member of China Qinfa Group:

(1) *Qinhuangdao Trading*

Qinhuangdao Trading is a member of China Qinfa Group holding a Coal Operation Certificate. Qinhuangdao Trading sources coal from the other members of the Group as well as Independent Third Parties, and sells the coal in China.

Qinhuangdao Trading was established on 13 February 1995 with an initial registered capital of RMB500,000 and was owned by 秦皇島開發區秦發物資公司 (Qinhuangdao Development Zone Qinfa Goods Company) ("**Qinhuangdao Goods Company**") and by 秦皇島市海港興武物資經銷處 (Qinhuangdao Haigang Xingwu Goods Trading Department), both of which are Independent Third Parties, as to 96% and 4%, respectively.

On 12 July 1996, Mr. XU entered into an equity transfer agreement with Qinhuangdao Goods Company, pursuant to which Mr. XU acquired 60% equity interest in Qinhuangdao Trading for a cash consideration of RMB300,000. The consideration amount was based on the capital contribution paid by Qinhuangdao Goods Company in Qinhuangdao Trading. On the same day, Mr. DI Xuexun, an Independent Third Party, acquired the remaining 40% equity interest in Qinhuangdao Trading for cash consideration of RMB200,000 which was based on the capital contribution paid by the original investors. Following completion of these transfers, Qinhuangdao Trading was owned by Mr. XU and Mr. DI Xuexun as to 60% and 40%, respectively.

On 1 July 1997, the registered capital of Qinhuangdao Trading was increased to RMB5,500,000 by way of an asset contribution, composing principally coal transportation trucks, by Mr. XU and Mr. DI Xuexun as to 60% and 40%, respectively.

On 29 November 1999, the registered capital of Qinhuangdao Trading was further increased to RMB68,000,000, with additional capital of RMB62,500,000 contributed by way of cash by Mr. XU and Mr. DI Xuexun as to approximately 82% and 18%, respectively. Following completion of this increase in registered capital, Qinhuangdao Trading was owned by Mr. XU and Mr. DI Xuexun as to 80% and 20%, respectively.

On 15 May 2002, Mr. XU Da, acting on behalf of Mr. XU, acquired 20% equity interest in Qinhuangdao Trading from Mr. DI Xuexun for a cash consideration of RMB13,600,000. The consideration amount was based on the relevant capital contribution. Following completion of this transfer, the entire equity interest of Qinhuangdao Trading was beneficially owned by Mr. XU. The Directors confirm that the reason for the trust arrangement holding on behalf of Mr. XU was to ensure that Qinhuangdao Trading had more than one equity holder in accordance with the applicable PRC laws and regulations. The

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PRC Legal Advisers confirm that such trust arrangement is enforceable between the relevant parties, i.e. Mr. XU and Mr. XU Da, and is in full compliance with the applicable PRC laws and regulations.

On 18 February 2003, Mr. XU transferred 51% equity interest in Qinhuangdao Trading to Qinfu Industry for a cash consideration of RMB34,680,000 which was based on the capital contribution amount. On the same day, Mr. XU transferred 29% equity interest in Qinhuangdao Trading to Mr. XU Da for a cash consideration of RMB19,720,000 which was based on the capital contribution amount. Mr. XU Da held such equity interest on trust for Mr. XU. Upon completion of these transfers, the equity interest of Qinhuangdao Trading was beneficially owned by Qinfu Industry and Mr. XU (through Mr. XU Da) as to 51% and 49%, respectively.

(2) *Datong Jinfu*

Datong Jinfu was incorporated on 18 April 2003 and is a member of China Qinfu Group holding a Coal Operation Certificate. Datong Jinfu sources coal from coal mine operators and coal traders, and sells the coal to Qinhuangdao Trading for re-sale to customers of the Group in China. Datong Jinfu operates the Group's coal loading station in Datong, including undertaking the transportation of coal from coal mine operators to the coal loading station in Datong and from Datong to Qinhuangdao port via the Daqin Railway.

Upon its establishment, the registered capital of Datong Jinfu was RMB8,000,000 and it was beneficially owned by Qinfu Industry and Mr. XU as to 51% and 49%, respectively.

(3) *Yangyuan Guotong*

Yangyuan Guotong was incorporated on 20 December 2003 and is a member of China Qinfu Group holding a Coal Operation Certificate. Yangyuan Guotong sources coal from coal mine operators and coal traders, and sells the coal to Qinhuangdao Trading for re-sale to customers of the Group in China. Yangyuan Guotong operates the Group's coal loading station in Yangyuan, including undertaking the transportation of coal from coal mine operators to the coal loading station in Yangyuan and from Yangyuan to Qinhuangdao port through the Daqin Railway.

Upon its establishment, the registered capital Yangyuan Guotong was RMB10,000,000 and it was beneficially owned Mr. XU.

(4) *Zhuhai Qinfu Trading*

Zhuhai Qinfu Trading was incorporated on 21 September 2005 and is a member of China Qinfu Group holding a Coal Operation Certificate. Zhuhai Qinfu Trading sources coal from Qinhuangdao Trading or Qinfu Trading for re-sale to customers of the Group in China.

Upon its establishment, the registered capital of Zhuhai Qinfu Trading was RMB5,000,000 and it was beneficially owned by Mr. XU.

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(5) Zhuhai Qinfa Shipping

Zhuhai Qinfa Shipping was incorporated on 6 September 2007 and is a member of China Qinfa Group holding a Waterway Transportation Licence. Zhuhai Qinfa Shipping operates QINFA 2, the Group's vessel dedicated for inland shipping transportation in China.

Upon its establishment, the registered capital of Zhuhai Qinfa Shipping was RMB5,000,000 and it was beneficially owned by Mr. XU.

Hong Kong Qinfa Group

The following sets forth the corporate development of each member of Hong Kong Qinfa Group:

(1) Qinfa Trading

Qinfa Trading was incorporated on 15 November 2002 and is the principal subsidiary of Hong Kong Qinfa Group responsible for the coal trading business. Qinfa Trading sources coal overseas and secures customers in China and overseas market.

Upon its incorporation, the share capital of Qinfa Trading was HK\$10,000 divided into 10,000 shares of HK\$1.00 each and it was owned by Mr. XU and Mr. XU Da as to 80% and 20%, respectively.

On 3 March 2006, Qinfa Trading allotted and issued 29,990,000 shares of HK\$1.00 each, at nominal value, to Mr. XU. Upon completion of this share allotment and issue, Mr. XU and Mr. XU Da held 29,998,000 shares and 2,000 shares in Qinfa Trading, respectively.

On 11 January 2007, Ms. WANG Jianfei, an executive Director, acquired 2,000 shares and 1,498,000 shares of Qinfa Trading from Mr. XU Da and Mr. XU, respectively, for an aggregate consideration of HK\$8,618,250, which was based on the net asset value of Qinfa Trading. Upon completion of these share transfers, Mr. XU and Ms. WANG Jianfei held 28,500,000 shares and 1,500,000 shares of Qinfa Trading, representing 95% and 5% of all the issued shares of Qinfa Trading, respectively.

At the time of transfer, Mr. XU and Ms. WANG Jianfei, together with Mr. LIU Jingwei, Mr. CAI Binjiang and Ms. ZHOU Lusha controlled the business of the Group.

(2) Qinfa Shipping

Qinfa Shipping was incorporated on 20 August 2003 and is operating MV QINFA 6, the Group's first Panamax for international shipping business.

Upon its incorporation, the share capital of Qinfa Shipping was HK\$10,000 divided into 10,000 shares of HK\$1.00 each and it was owned by Mr. XU, Mr. LIU Jingwei, Ms. ZHOU Lusha, Mr. CAI Binjiang and Ms. WANG Jianfei, an executive Director, as to 75%, 10%, 5%, 5% and 5%, respectively.

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On 11 January 2007, for the purpose of consolidating his control, Mr. XU acquired all issued shares of Qinfa Shipping from Mr. LIU Jingwei, Ms. ZHOU Lusha, Mr. CAI Binjiang and Ms. WANG Jianfei, for an aggregate consideration of HK\$2,134,924, which was based on the net asset value of Qinfa Shipping. Upon completion of these share transfers, Mr. XU held all issued shares of Qinfa Shipping. At the time of transfer, Mr. XU and Ms. WANG Jianfei, together with Mr. LIU Jingwei, Mr. CAI Binjiang and Ms. ZHOU Lusha controlled the business of Qinfa Shipping.

(3) *Perpetual*

Perpetual was incorporated on 10 August 2007 and is operating MV QINFA 9, one of the Group’s Panamax for international shipping transportation.

Upon its incorporation, the share capital of Perpetual was HK\$1,000 divided into 1,000 shares of HK\$1.00 each. Mr. XU was the sole shareholder of Perpetual.

(4) *Liberal*

Liberal was incorporated on 3 May 2007 and is operating MV QINFA 8, one of the Group’s Panamax for international shipping transportation.

Upon its incorporation, the share capital of Liberal was HK\$1,000 divided into 1,000 shares of HK\$1.00 each. Mr. XU was the sole shareholder of Liberal.

(5) *Qinfa Logistics*

Qinfa Logistics was incorporated on 5 February 2008 and was established for the dual purpose of (i) coordinating the procurement of coal imported from overseas suppliers through Qinfa Trading; and (ii) managing and operating the coal operation business and the PRC inland shipping business pursuant to the terms of the Structure Contracts. Particulars of the Structure Contracts are set out in “Reorganisation and the Structure Contracts – Structure Contracts” of this document.

Qinfa Logistics is a wholly foreign-owned enterprise in China with an initial registered capital of HK\$20,000,000 and it is wholly owned by Qinfa Trading.

(6) *Super Grace*

Super Grace was incorporated on 25 January 2008 and is operating MV QINFA 10, one of the Group’s Panamax for international shipping transportation.

On 7 March 2008, Mr. XU was allotted and issued 50,000 shares in Super Grace. Mr. XU was the sole shareholder of Super Grace.

(7) *Qinfa International*

Qinfa International was incorporated on 8 May 2007 and is an investment holding company of Hong Kong Qinfa Group.

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Upon its incorporation, the share capital of Qinfra International was HK\$10,000 divided into 10,000 shares of HK\$1.00 each and it was owned by Mr. XU and by Ms. WANG Jianfei as to 95% and 5%, respectively.

Qinfra International conducts no business activities but will be used as an investment vehicle of the Group for future merger and acquisition activities. As of the Latest Practicable Date, Qinfra International did not have any investment holdings.

(8) Qinfra Investment

Qinfra Investment is an intermediate holding company of Hong Kong Qinfra Group.

Qinfra Investment was incorporated in the BVI on 7 April 2008. Qinfra Investment is authorised to issue up to 50,000 shares with a par value of US\$1.00 each. On 7 April 2008, Mr. XU subscribed for one share in Qinfra Investment.

(9) The Company

The Company was incorporated on 4 March 2008 in the Cayman Islands as an exempted company with limited liability.