

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

CONTROLLING SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the [●] (without taking into consideration the Shares which may be taken up under the [●] and the Shares which may be issued pursuant to the exercise of the [●]), the following persons are the Controlling Shareholders:–

Names	Number of Shares directly held	Number of Shares indirectly held	Percentage of issued Shares (%)
Fortune Pearl	593,000,000	–	[●]
Mr. XU	–	593,000,000	[●]
Mr. XU Da ^(2,5)	–	100,000,000	[●]
Ms. WANG Jianfei ^(1,5)	–	50,000,000	[●]
Mr. WENG Li ^(1,5)	–	3,000,000	[●]
Mr. LIU Jingwei ^(3,5)	–	2,000,000	[●]
Ms. ZHOU Lusha ^(4,5)	–	2,000,000	[●]

Notes:–

1. Ms. WANG Jianfei and Mr. WENG Li are executive Directors.
2. Mr. XU Da is a business development manager of the Group.
3. Mr. LIU Jingwei holds 10% equity interest in Zhuhai Qinfa Trading and 0.41% equity interest in Qinfa Industry, both are on behalf of Mr. XU. Mr. LIU Jingwei is also the legal representative of Yangyuan Guotong.
4. Ms. ZHOU Lusha holds 4% equity interest in Yangyuan Guotong for Mr. XU.
5. Ms. WANG Jianfei, Mr. XU Da, Mr. WENG Li, Mr. LIU Jingwei and Ms. ZHOU Lusha are the participants of the Trust Scheme.

Each of the Controlling Shareholders has entered into a deed of non-competition, details of which are set forth under “Deed of Non-Competition” below.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, immediately following completion of the [●] (without taking into consideration the Shares which may be taken up under the [●] and the Shares which may be issued pursuant to the exercise of the [●]), except for the Controlling Shareholders and Equity Trust (HK) Limited being the trustee of the Trust Scheme, the Company has no other Substantial Shareholders.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

The Directors believe that the Group can carry on its business independent of and without management or financial reliance on its Controlling Shareholders (and the associates of the Controlling Shareholders) following the [●], and that the Group satisfies the relevant requirements under the Listing Rules.

Pursuant to the Structure Contracts, the management of all members of China Qinfu Group are under the control of Qinfu Logistics and all economic benefits arising from the business operations of China Qinfu Group will be obtained by Qinfu Logistics. Hence, the operations of the China Qinfu Group form an integral part of the overall management of the Group as whole. Despite the fact that the coal trading business of the Group in China is depending on the Coal Operation Certificates issued to Qinfu Trading, Datong Jinfu, Yangyuan Guotong and Zhuhai Qinfu Trading, their operations are not independent, but under the control of the Directors through the Structure Contracts. More importantly, all of their economic benefits derived from business operations will be obtained by members of the Group. Similar arrangements are in place for the inland shipping business conducted by Zhuhai Qinfu Shipping. Hence, the Directors consider that, even though members of the China Qinfu Group will continue to be legally owned by the Controlling Shareholders, such ownership per se will not constitute an undue reliance by the Group on any of the Controlling Shareholders. The Group as a whole is able to operate independently in terms of business administration, the licenses, access to customer base and raw materials and production facilities.

In addition, apart from the legal ownership in the members of the China Qinfu Group, the Controlling Shareholders and their respective associates (a) do not have any interests in any business that competes or is likely to compete with the business of the Group; (b) do not have any significant transaction with any member of the Group other than the transactions under the Structure Contracts and (c) have entered into a deed of non-competition in favour of the Group.

In light of the above, the Directors believe that the Group is able to operate independently following the [●].

NON-DISPOSAL UNDERTAKINGS GIVEN BY THE CONTROLLING SHAREHOLDERS

[●]

DEED OF NON-COMPETITION

For the purpose of the [●], the Controlling Shareholders and the executive Directors (collectively, the “**Covenantors**”) have entered into a deed of non-competition whereby each of the Covenantors jointly and severally, irrevocably and unconditionally, undertakes with the Company that with effect from the [●] and for as long as the Shares remain listed on the Stock Exchange and the Covenantors, individually or collectively with their associates, are, directly or indirectly, interested in not less than 30% of the Shares in issue, or are otherwise regarded as Controlling Shareholders, each of the Covenantors will not, and will procure that none of their respective associates will:–

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

- (a) directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of the Group or be in competition with the Group in any business activities which the Group may undertake in the future save for the holding of not more than 5% shareholding interests (individually or any of the Covenantors with their associates collectively) in any listed company in Hong Kong; and
- (b) take any direct or indirect action which constitutes an interference with or a disruption to the business activities of the Group including, but not limited to, solicitation of customers, suppliers and staff of the Group.

In addition, each of the Covenantors hereby jointly and severally, irrevocably and unconditionally, undertakes that if any new business opportunity relating to any products and/or services of the Group (the "**Business Opportunity**") is made available to any of the Covenantors or their respective associates (other than the Company), it will direct or procure the relevant associate to direct such Business Opportunity to the Group with such required information to enable the Group to evaluate the merits of the Business Opportunity. The relevant Covenantor will provide or procure the relevant associate to provide all such reasonable assistance to the Group to enable it to secure the Business Opportunity.

None of the Covenantors and their respective associates (other than the Company) will pursue the Business Opportunity even though the Group decides not to pursue the Business Opportunity because of commercial reasons. Any decision of the Company will have to be approved by the independent non-executive Directors taking into consideration of the Group's prevailing business and financial resources, the financial resources required for the Business Opportunity and any expert opinion on the commercial viability of the Business Opportunity.

The decision making process in relation to assessment of the Business Opportunity is as follows:–

- (a) the independent non-executive Directors will be responsible for deciding, without attendance by any executive Director (except as invited by the independent non-executive Director to assist them or provide any relevant information but in no circumstances shall the executive Director(s) participating in such meeting be counted towards the quorum or allowed to vote on such meeting), whether or not to take up the Business Opportunity;
- (b) the independent non-executive Directors may employ independent financial advisor as they consider appropriate to advise them on the terms of the Business Opportunity;
- (c) the independent non-executive Directors will also review, on an annual basis, any decision in relation to the Business Opportunity and state their view with basis and reasons in the Company's annual report.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

For the avoidance of doubt, the Group will not be required to pay any fees to any of the Covenantors and/or their respective associates in relation to the direction of the Business Opportunity.

Each of the Covenantors further jointly and severally, irrevocably and unconditionally, undertakes that he/she/it will (i) provide to the Group all information necessary for the enforcement of the undertakings contained in the deed of non-competition; and (ii) confirm to the Company on an annual basis as to whether he/she/it has complied with such undertakings.

The deed of non-competition will cease to have any effect on the earliest of the date on which:—

- (a) the Company becomes wholly-owned by the Covenantors and/or their associates;
- (b) the aggregate beneficial shareholding (whether direct or indirect) of the Covenantors and/or their associates in the Shares falls below 30% of the number of Shares in issue or the relevant Covenantor shall cease to be a controlling shareholder (as defined in the Listing Rules) of the Company;
- (c) in the case of any executive Director who is not a Controlling Shareholder, ninety (90) days from the date of resignation or termination of his or her service contract with the Company as a result of his or her breach of the relevant service contract, provided that if the relevant service contract is terminated by the Company without any breach on the part of the relevant executive Director, the date of termination of the relevant service contract; or
- (d) the Shares cease to be listed on the Stock Exchange.

The Directors are aware that, upon the [●], the Company will be required to comply with stringent requirements concerning corporate governance. In this connection, the Company will adopt the following measures to ensure good corporate governance practice and improve transparency:

- (a) the independent non-executive Directors will review, at least on an annual basis, the compliance with the non-competition undertakings by the Covenantors, the options, pre-emptive rights or first rights of refusals provided by the Controlling Shareholders on their existing or future competing businesses;
- (b) the Covenantors have undertaken to provide to the Group all information necessary for the enforcement of the non-competition undertakings, and shall confirm to the Company on an annual basis as to whether he/she/it has complied with the above non-competition undertakings;
- (c) the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the non-competition undertakings in its annual report; and

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

- (d) the Covenantors will make an annual statement on compliance with the non-competition undertaking in the annual report of the Company, including the disclosure on how the non-competition undertaking was complied with and enforced, which is consistent with the principles of making voluntary disclosures in the corporate governance report of the annual report.