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Ming Kei Holdings Limited
明基控股有限公司*

(incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 8239)

**MAJOR TRANSACTION
IN RESPECT OF THE ACQUISITION OF
THE ENTIRE EQUITY INTEREST IN
AND THE SALE LOAN DUE BY
CHINA INDONESIA FRIENDSHIP COAL TRADING
COMPANY LIMITED**



INCUBUS CORPORATE FINANCE LIMITED

On 26 August 2010, Star Coal (as purchaser) entered into the Agreement with the Vendor, pursuant to which Star Coal agreed to acquire and the Vendor agreed to sell the Sale Share and the Sale Loan for a total consideration of HK\$70,000,000.

The Consideration shall be settled by Star Coal in the following manner: (i) the Deposit of HK\$40,000,000 shall be payable by Star Coal in cash at the time of the entering into of the Agreement; (ii) HK\$4,000,000 shall be satisfied by Star Coal procuring the Company to issue the Promissory Note on Completion; and (iii) the balance of HK\$26,000,000 shall be payable in cash on Completion.

The Acquisition constitutes a major transaction on the part of the Company pursuant to Rule 19.06(3) of the GEM Listing Rules. Accordingly, the Acquisition is subject to the approval of the Shareholders at the SGM. Under the GEM Listing Rules, no Shareholders will be required to abstain from voting on the resolution to approve the Acquisition and any vote exercised by the Shareholders at the SGM shall be taken by way of poll.

A circular containing, among other things, details of the Agreement and a notice convening the SGM, will be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

* *for identification purpose only*

THE AGREEMENT

Date: 26 August 2010

Parties:

Purchaser: Star Coal, an indirect wholly-owned subsidiary of the Company

Vendor: Woo Man Wai, David

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

Pursuant to the Agreement, Star Coal has agreed to acquire and the Vendor has agreed to sell: (i) the Sale Share, representing the entire issued share capital of the Target as at the date of this announcement; and (ii) the Sale Loan.

Consideration

The Consideration is HK\$70,000,000 and shall be settled by Star Coal in the following manner:

- (i) the Deposit of HK\$40,000,000 shall be payable by Star Coal in cash at the time of the entering into of the Agreement;
- (ii) HK\$4,000,000 shall be satisfied by Star Coal procuring the Company to issue the Promissory Note on Completion which shall be held by Star Coal and will not be released to the Vendor until the Profit Guarantee is satisfied; and
- (iii) the balance of HK\$26,000,000 shall be payable in cash on Completion.

In order to secure the refund of the Deposit by the Vendor in the event that the conditions (as stated in section headed "Conditions precedent" below) are not fulfilled before the Long Stop Date (as defined below) or the Acquisition fails to proceed to Completion, Star Coal and the Vendor have also entered into (i) the Share Charge, pursuant to which the Vendor, as chargor created a first fixed charge over the entire issued share capital in the Target in favour of Star Coal; and (ii) deed of debt assignment by way of security, in which the Vendor as assignor assigned to Star Coal as assignee his right, title, interest and benefit in the loan owed or incurred by the Target to the Vendor.

The Consideration was arrived at after arm's length negotiations between the Vendor and Star Coal based on (i) the price to earnings ratio of approximately 17.5 times on the Profit Guarantee as provided by the Vendor; (ii) the Profit Guarantee; (iii) the future business opportunities under the Supplier LOI (as defined below) and the Customer LOI (as defined below) entered into by China Energy in the forthcoming three years; (iv) increasing demand from the PRC for coal; and (v) the steady income sources from the Target Group contributing directly to the financial results of the Group.

The Directors consider that such price to earnings multiple is at the lower end of the range of the price to earnings ratios of a number of Hong Kong listed companies engaging in similar business in the coal trading industry. The Directors note that such listed companies are commonly traded at a price to earnings multiple ranges from about 12.257 times to about 29.299 times.

In view of the above, the Directors (including the independent non-executive Directors) consider the Consideration to be fair and reasonable and that the Agreement is on normal commercial terms and its terms are fair and reasonable and the entering into of the Agreement is in the interests of the Group and the Shareholders as a whole.

Conditions precedent

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

- (a) Star Coal being satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of Target Group;
- (b) all necessary consents, licences and approvals required to be obtained on the part of the Vendor and the Target Group in respect of this Agreement and the transactions contemplated hereby having been obtained and remain in full force and effect;
- (c) the passing by the Shareholders at the SGM approving the Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Promissory Note;
- (d) the obtaining of a PRC legal opinion (in form and substance satisfactory to Star Coal) from a PRC legal adviser appointed by Star Coal in relation to the Supplier LOI (as defined below), the Customer LOI (as defined below), and the Supplemental Supplier LOI (as defined below);
- (e) the Vendor's warranties remaining true and accurate in all respects; and
- (f) Star Coal's warranties remaining true and accurate in all respects.

Conditions (a), (b), (d) and (e) above are waivable by Star Coal under the Agreement. Star Coal has no current intention to waive such conditions. Condition (f) above is waivable by the Vendor under the Agreement. Condition (c) is incapable of being waived by both parties.

Long stop date

If any of the conditions has not been satisfied (or, as the case may be, waived by the Vendor or Star Coal) on or before 4:00 p.m. on 31 October 2010 (the "Long Stop Date") or such later date as the Vendor and Star Coal may agree, the Agreement shall cease and determine. The Vendor shall forthwith refund the Deposit to Star Coal and neither party shall have any obligations and liabilities under the Agreement. The Share Charge and the deed of debt assignment by way of security will also be released accordingly.

Completion

Completion shall take place at 4:00 p.m. on the third Business Day after all the conditions of the Agreement have been fulfilled or waived or such later date as may be agreed between the Vendor and Star Coal.

In the event that Completion does not take place as stipulated, the Vendor shall forthwith refund the Deposit to Star Coal and neither party shall have any obligations and liabilities under the Agreement. The Share Charge and deed of debt assignment by way of security will be released accordingly.

Upon Completion, the Target will become an indirect wholly-owned subsidiary of the Company and China Energy will become an indirect non wholly-owned subsidiary of the Company, in which the Group will be interested in 90% equity interests. The account of the Target Group will be consolidated into the consolidated financial statements of the Group.

PROFIT GUARANTEE

The Vendor has guaranteed to Star Coal that the Actual Profit shall be not less than the Profit Guarantee, being not less than HK\$4,000,000 for the period from 1 January 2011 to 31 December 2011.

The Profit Guarantee was based on the expected profit to be generated from the secured Supplier LOI (as defined below) and Customer LOI (as defined below), taken into account (i) the expected quantity of coals to be purchased and delivered under the Supplier LOI (as defined below) and the Customer LOI (as defined below); (ii) the expected per tonne margin of coal sold as indicated therein though the price may be fluctuated with that of the international coal price; and (iii) the estimation of cost involved in running the coal trading business.

In the event that the Profit Guarantee is not achieved, the Consideration will be adjusted downwards by setting off against the payment obligations of the Company under the Promissory Note on a dollar to dollar basis for an amount equivalent to the difference between the Profit Guarantee and the Actual Profit.

In the event that China Energy records a loss in its Actual Profit, the Actual Profit shall be deemed zero. As such, the amount to be set off shall be the total principal value of the Promissory Note, i.e. HK\$4,000,000.

Further announcement will be made by the Company regarding the fulfillment of the Profit Guarantee or in the event that the Actual Profit is less than the Profit Guarantee (as the case may be).

THE PROMISSORY NOTE

The principal amount of the Promissory Note is HK\$4,000,000, which is repayable in one lump sum on maturity on 31 March 2012. The Promissory Note does not bear any interest. The Company has the right to redeem the Promissory Note prior to its maturity in integral multiples of HK\$1,000,000. The Promissory Note may, with prior notice of the Company, be freely transferable and assignable to any Independent Third Parties in whole or in integral multiples of HK\$1,000,000 and in whole only if the outstanding principal sum of this Note is less than HK\$1,000,000.

On Completion, Star Coal will procure the Company to issue the Promissory Note which will be held by Star Coal and will not be released to the Vendor until the Profit Guarantee is satisfied.

INFORMATION ON THE TARGET GROUP

The Target is a company incorporated in the British Virgin Islands on 8 July 2010. It is an investment holding company.

China Energy is a company incorporated in Hong Kong on 24 June 2010 with limited liability. The issued share capital of which is owned as to 90% by the Target and 10% by the Vendor. China Energy is currently an investment holding company, which will soon commence the business of coal trading. In relation to such business, China Energy has entered into the following:

1. a legally binding master framework purchase agreement dated 24 July 2010 (the “**Supplier LOI**”) with a company incorporated in Singapore (the “**Supplier**”) pursuant to which the Supplier has agreed to sell and China Energy has agreed to buy 30,000 metric tonnes of Indonesian coal (subject to (+/-) 10% fluctuation) each month during the term of the Supplier LOI. The indicative contract price per metric tonne will be US\$58 (basic price will be adjusted in accordance with the international coal price). The Supplier LOI has a term of three years commencing from 24 July 2010 and ending on 23 July 2013 and except for special circumstances or exceptional cases, the Supplier LOI will be renewed automatically upon its expiration and the parties’ responsibilities, terms and conditions of the renewal term of the Suppliers LOI will remain unchanged. China Energy shall pay in advance a sum of US\$2.5 million as the refundable security deposit (the “**Supplier Deposit**”) within 20 days after the entering into the Supplier LOI, and such Supplier Deposit shall be refunded within three working days upon the China Energy’s request in writing to the Supplier;
2. a legally binding master framework purchase agreement dated 30 July 2010 (the “**Customer LOI**”) with a state-owned enterprise (the “**Customer**”) of the PRC, pursuant to which the Customer has agreed to buy and China Energy has agreed to sell 30,000 metric tonnes (subject to (+/-) 10% fluctuation) of Indonesian coal each month during the term of the Customer LOI. The indicative contract price per metric tonne will be equal to or not less than US\$60 (basic price will be adjusted in accordance with the international coal price). The Customer LOI has a term of three years commencing from 30 July 2010 and ending on 29 July 2013 and except for special circumstances or exceptional cases,

the Customer LOI will be renewed automatically upon its expiration and the parties' responsibilities, terms and conditions of the renewal term of the Customer LOI will remain unchanged. The Customer has given a guarantee (the "**Customer Guarantee**") in favour of China Energy that (i) in any event that the Supplier Deposit was not refunded by the Supplier pursuant to the Supplier LOI, the Customer shall be responsible to pay China Energy an amount equivalent to the Supplier Deposit within three working days upon written request by China Energy; and (ii) the net profit of China Energy per each contract year shall not be less than 10% of the amount of the Supplier Deposit.

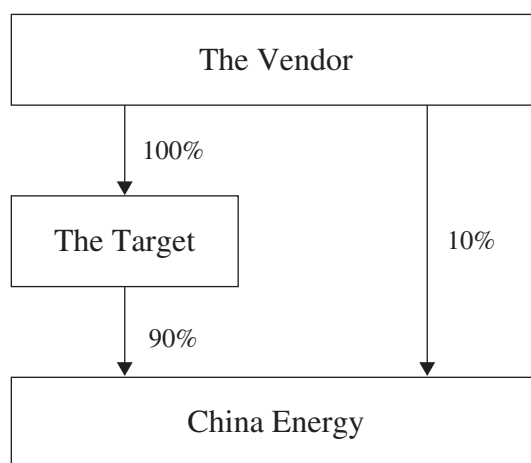
3. a legal binding supplemental agreement to the Supplier LOI dated 10 August 2010 (the "**Supplemental Supplier LOI**") with the Supplier pursuant to which the payment period for the Supplier Deposit has been amended from "within 20 days after the entering into the Supplier LOI" to "on or before 30 September 2010". Other than the payment period for the Supplier Deposit, other terms and conditions of the Supplier LOI remain unchanged.

As at the date of this announcement, the payment of the Supplier Deposit is still outstanding.

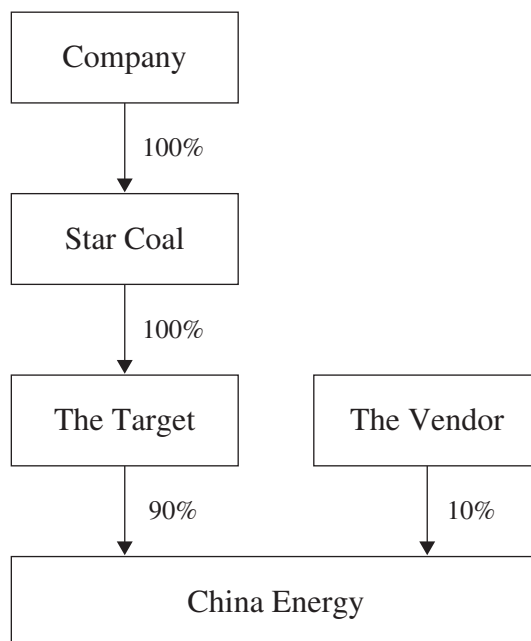
According to the unaudited consolidated management accounts of the Target Group, which has been prepared in accordance with the HKGAAP, the unaudited consolidated net asset value of the Target Group as at 31 July 2010 was approximately HK\$93,000; and the unaudited consolidated net loss before and after income tax of the Target Group for the period from 8 July 2010 (date of incorporation) to 31 July 2010 was approximately HK\$7,000.

The following charts show the group structure of the Target Group immediately before and immediately after the Completion:

Structure of the Target Group immediately before the Completion



Structure of the Target Group immediately after the Completion



REASONS FOR THE ACQUISITION

The Group is principally engaged in investment holding and property investment in Hong Kong and the PRC and business of general trading in the PRC respectively.

The Group recorded audited consolidated net loss for the year of approximately HK\$71.08 million for the year ended 31 March 2010 and audited consolidated net assets of approximately HK\$200.55 million as at 31 March 2010.

The Group has been actively looking for business opportunities and has commenced the business in general trading business and property investment in 2009. In August 2010, the Group disposed of its remaining 49% equity interests in Star Fortune International Investment Company. In order to strengthen the business of the Company, the Directors have been actively exploring other investment opportunities to improve the Shareholders' return.

The Directors consider that the Acquisition (i) provides the Group with a stable income source from the secured legally binding Supplier LOI, Customer LOI and Supplemental Supplier LOI to make contribution to the Company in the future; (ii) represents an opportunity to tap further in the coal trading business; and (iii) strengthens the existing trading business of the Group and believe that the Acquisition would further enhance the future growth of the Group in order to maximise returns to Shareholders.

Taking into account the benefits of the Acquisition, the Board is of the view that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

The Acquisition constitutes a major transaction on the part of the Company pursuant to Rule 19.06(3) of the GEM Listing Rules. Accordingly, the Acquisition is subject to the approval of the Shareholders at the SGM. Under the GEM Listing Rules, no substantial shareholders will be required to abstain from voting on the resolution to approve the Acquisition at the SGM and any vote exercised by the Shareholders at the SGM shall be taken by way of poll.

A circular containing, among other things, details of the Agreement and a notice convening the SGM, will be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Acquisition”	the acquisition of the Sale Share and the Sale Loan pursuant to the Agreement
“Actual Profit”	the actual audited net profit after tax and before any extraordinary items or exceptional items (as defined in the HKGAAP as amended from time to time, where applicable) and before all non-cash items (as defined in the HKGAAP as amended from time to time, where applicable) of the China Energy for the period from 1 January 2011 to 31 December 2011
“Agreement”	the conditional sale and purchase agreement dated 26 August 2010 entered into between Star Coal and the Vendor relating to the sale and purchase of the Sale Share and the Sale Loan
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	board of the Directors from time to time
“Business Day”	a day on which licensed banks in Hong Kong are open for normal banking business throughout their normal business hours (excluding Saturday, Sunday or public holiday)
“China Energy”	China Energy Trading Company Limited, a limited liability company incorporated in Hong Kong, the issued share of which is owned as to 90% by the Target and 10% by the Vendor respectively
“Company”	Ming Kei Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares of which are listed on GEM (stock code: 8239)

“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the total consideration of HK\$70,000,000 to be paid by the Company to the Vendor pursuant to the Agreement
“Deposit”	the sum of HK\$40,000,000 paid by Star Coal to the Vendor upon signing of the Agreement, being refundable deposit and part payment of the Consideration
“Director(s)”	director(s) of the Company from time to time
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries from time to time
“HKGAAP”	accounting principles, standards, and practices generally accepted in Hong Kong, including but not limited to Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party (ies)”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Profit Guarantee”	the profit guarantee provided by the Vendor to Star Coal under the Agreement in respect of the Actual Profit will not be less than HK\$4,000,000 for the period from 1 January 2011 to 31 December 2011

“Promissory Note”	the promissory note to be executed by the Company in favour of the Vendor for the purpose of settling part of the consideration of the Sale Share and Sale Loan under the Agreement
“Sale Loan”	all obligations, liabilities and debts owing or incurred by the Company to the Vendor on or at any time prior to the Completion whether actual, contingent or deferred and irrespective of whether or not the same is due and payable on Completion
“Sale Share”	1 share of US\$1.00, being the entire issued share capital of the Target as at the date of the Agreement which are legally and beneficially owned by the Vendor
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Agreement and the transaction contemplated thereunder including but not limited to the issue of the Promissory Note
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Charge”	the share charge dated 26 August 2010 created by the Vendor, as chargor in favour of Star Coal, pursuant to which the Vendor created a first fixed charge over the entire issued share capital of the Target
“Star Coal”	Star Coal International Investment Company Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly owned subsidiary of the Company, and the purchaser to the Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	China Indonesia Friendship Coal Trading Company Limited, a company incorporated in the British Virgin Islands, wholly owned by the Vendor, the target company under the Acquisition
“Target Group”	the Target and China Energy
“Vendor”	Woo Man Wai, David, a Hong Kong citizen, an Independent Third Party, the vendor of the Acquisition
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“US\$” United States dollar(s), the lawful currency of the United States of America

“%” per cent.

By order of the Board
Ming Kei Holdings Limited
Tsang Ho Ka, Eugene
Chief Executive Officer and Executive Director

Hong Kong, 26 August 2010

As at the date of this announcement, the executive Directors are Ms. Yick Mi Ching Dawnibilly and Mr. Tsang Ho Ka, Eugene; the non-executive Director is Mr. Wong Wai Sing; the independent non-executive Directors are Mr. Sung Wai Tak, Herman, Mr. Kwok Kam Tim and Mr. Kinley Lincoln James Lloyd.

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

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for seven days from the date of its publication and on the website of the Company at <http://www.mingkeiholdings.com>.