

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Ming Kei Holdings Limited (the "Company"), you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

This circular appears for information only and does not constitute an invitation or offer to shareholders or any other persons to acquire, purchase, or subscribe for securities of the Company.

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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)

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE RIGHTS SHARES FOR TEN EXISTING SHARES
HELD ON THE RECORD DATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

Financial adviser to the Company



Underwriter of the Rights Issue



**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

Nuada Limited

Corporate Finance Advisory

A letter from the Independent Board Committee is set out on page 31 of this circular. A letter from Nuada Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 48 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Wednesday, 5 June 2013. Dealings in the Rights Shares in the nil-paid form will take place from Wednesday, 19 June 2013 to Wednesday, 26 June 2013 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any contemplating persons dealing in the nil-paid Rights Shares during the period from Wednesday, 19 June 2013 to Wednesday, 26 June 2013 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These certain events are set out in the paragraph headed "Termination of the Underwriting Agreement" on pages 6 to 7 of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

A notice convening the SGM to be held at Room 2103, 21/F, No. 9 Queen's Road Central, Central, Hong Kong, at 11:00 a.m. on 3 June 2013 is set out on pages 75 to 77 of this circular. A proxy form for use at the meeting is enclosed. Whether or not you intend to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form shall not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so desire and in such case, the proxy form shall be deemed to be revoked.

This circular will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and the Company's website at <http://www.mkhd.com>.

* for identification purpose only

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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EXPECTED TIMETABLE

The expected timetable for the Rights Issue set out below is indicative only and it has been prepared on the assumption that the Rights Issue will be approved by the Independent Shareholders at the SGM. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

Event	2013
Latest time for lodging transfers of Shares accompanied by the relevant title documents in order to qualify for attendance and voting at the SGM	4:30 p.m. on Monday, 27 May 2013
Latest time for lodging proxy form of SGM (not less than 48 hours prior to time of SGM)	11:00 a.m. Saturday, 1 June 2013
Register of members closed for the SGM (both dates inclusive)	Tuesday, 28 May 2013 to Monday, 3 June 2013
Date and time of SGM	11:00 a.m. on Monday, 3 June 2013
Announcement of results of SGM	Monday, 3 June 2013
Last day of dealings in Shares on a cum-rights basis	Tuesday, 4 June 2013
First day of dealings in Shares on an ex-rights basis.	Wednesday, 5 June 2013
Latest time for lodging transfers of Shares accompanied by the relevant title documents in order to qualify for the Rights Issue	4:30 p.m. on Thursday, 6 June 2013
Register of members closed for the Rights Issue (both dates inclusive)	Friday, 7 June 2013 to Friday, 14 June 2013
Record Date for the Rights Issue	Friday, 14 June 2013
Despatch of the Prospectus Documents.	Monday, 17 June 2013
Register of members re-opens	Monday, 17 June 2013
First day of dealings in nil-paid Rights Shares.	Wednesday, 19 June 2013
Latest time for splitting of the nil-paid Rights Shares	4:30 p.m. on Friday, 21 June 2013

EXPECTED TIMETABLE

Event	2013
Last day of dealings in the nil-paid Rights Shares	Wednesday, 26 June 2013
Latest time for payment for and acceptance of the Rights Shares	4:00 p.m. on Tuesday, 2 July 2013
Latest time for the Rights Issue to become unconditional	4:00 p.m. on Friday, 5 July 2013
Announcement of results of the Rights Issue	Tuesday, 9 July 2013
Share certificates of the fully-paid Rights Shares to be posted.	Wednesday, 10 July 2013
Dealings in fully-paid Rights Shares commences	Thursday, 11 July 2013

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will be postponed if there is:

1. a tropical cyclone warning signal number 8 or above; or
2. a “black” rainstorm warning

in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Tuesday, 2 July 2013. Instead, the Latest Time for Acceptance will be rescheduled to 12:00 noon on the next Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 12:00 noon. If the Latest Time for Acceptance postponed in accordance with the foregoing, the dates mentioned in the section headed “Expected timetable” in this circular may be affected. An announcement will be made by the Company in such event.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Announcements”	the announcements of the Company dated 16 January 2013, 23 April 2013 and 13 May 2013 in relation to the Rights Issue
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Coal Acquisition”	the proposed acquisition of the entire issued share capital of Wider Trading Limited by the Group, the sale and purchase agreement for the same was entered into on 27 March 2013
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as amended from time to time
“Company”	Ming Kei Holdings Limited (stock code: 8239), a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the Shares of which are listed on GEM
“Director(s)”	director(s) of the Company (including the independent non-executive directors) 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
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Board Committee”	an independent board committee comprising all independent non-executive Directors namely Mr. Kwok Kam Tim, Mr. Ho Chi Wai and Ms. Cui Ying, to advise the Independent Shareholders as to whether the Rights Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole
“Independent Financial Adviser” or “Nuada Limited”	Nuada Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regard to the Rights Issue
“Independent Shareholders”	the Shareholders not required under the GEM Listing Rules to abstain from voting on the resolution(s) approving the Rights Issue at the SGM
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third party(ies) independent of the Company and its connected persons (as defined in the GEM Listing Rules)
“Last Trading Day”	16 January 2013, being the last trading day before the release of the announcement of the Company dated 16 January 2013 in relation to the Underwriting Agreement and the Rights Issue
“Last Trading Day for Supplement Agreement”	23 April 2013, being the last trading day before the release of the announcement of the Company dated 23 April 2013 in relation to the Supplemental Agreement and the Rights Issue
“Latest Practicable Date”	7 May 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 2 July 2013 or such other later date and/or time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Rights Shares
“Latest Time for Termination”	4:00 p.m. on the third Business Day after the Latest Time for Acceptance being Friday, 5 July 2013 or such later time and/or date as may be agreed between the Company and the Underwriter

DEFINITIONS

“Listing Committee”	the listing sub-committee of the Stock Exchange
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions provided by the legal advisers, consider it necessary or expedient not to offer the Rights Shares to such Shareholder(s) on account either of the legal restrictions under the laws of the relevant places or the requirements of the relevant regulatory bodies or stock exchanges in those places
“Overseas Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register are in a place(s) outside of Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be used in connection with the Rights Issue in the agreed form
“PRC”	the Peoples’ Republic of China, which for the purpose of this circular, shall exclude, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be issued to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and the PALs
“Prospectus Posting Date”	Monday, 17 June 2013 or such later date as may agree in writing between the Company and the Underwriter, being the date of posting the Prospectus Documents to Qualifying Shareholders and the Prospectus to Non-Qualifying Shareholders for their information
“Qualifying Shareholders”	Shareholders, other than the Non-Qualifying Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	Friday, 14 June 2013 or such other date as may be agreed between the Company and the Underwriter, being the date by reference to which entitlements to the Rights Issue are to be determined
“Rights Issue”	the issue by way of rights of three (3) Rights Shares for every ten (10) existing Shares held on the Record Date at the Subscription Price
“Rights Shares”	new Shares to be allotted and issued under the Rights Issue, being 151,356,987 Shares

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“SGM”	the special general meeting of the Company to be convened and held on or about 11:00 a.m. on Monday, 3 June 2013 (or such other date as the Company and the Underwriter may agree) to consider and approve the Rights Issue and the transactions contemplated thereunder
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Share Options”	the options to subscribe for Shares granted pursuant to the Share Option Scheme and subsisting at the Latest Practicable Date
“Share Option Scheme”	the share option scheme adopted by the Company on 2 August 2012
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination, which would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect, prior to the Latest Time for Termination
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.20 per Rights Share under the Rights Issue
“substantial Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Supplemental Agreement”	the supplemental agreement dated 23 April 2013 entered into between the Company and the Underwriter in relation to the amendment of certain terms of the Underwriting Agreement and the Rights Issue
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Underwriter”	Orient Securities Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO

DEFINITIONS

“Underwriting Agreement”	the underwriting agreement dated 16 January 2013 entered into between the Company and the Underwriter in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“Underwritten Shares”	151,356,987 Rights Shares, being all the Rights Shares, which are fully underwritten by the Underwriter in accordance with the terms and subject to the conditions set out in the Underwriting Agreement as supplemented by the Supplemental Agreement
“Untaken Share(s)”	those (if any) of the Rights Shares for which duly completed PAL(s) (accompanied by cheques or banker’s cashier order for the full amount payable on application which are honoured on first or, at the option of the Company, subsequent presentation) have not been lodged for acceptance, or received, as the case may be, on or before Latest Time For Acceptance
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	percentage or per centum

For the purpose of this circular, unless otherwise specified, conversions of RMB into HK\$ is based on the approximate exchange rate of RMB0.8149 to HK\$1.00.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter may at its sole and absolute discretion terminate the Underwriting Agreement by notice in writing given to the Company at any time prior to Latest Time for Termination if there occurs any of the following events:

- (i) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole, or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any material adverse change in market conditions (including, without limitation, any change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (vi) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (vii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement, this circular and the relevant documents or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (viii) this circular and the relevant documents in relation to the Rights Issue and the Prospectus Documents when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company and which may in the reasonable opinion of any of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it.

Furthermore, the Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (i) any material breach of any of the representations, warranties or undertakings as set out in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (ii) any Specified Event comes to the knowledge of the Underwriter.

If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement for costs, damages, compensation or otherwise save for any antecedent breaches. If the Underwriter exercises its right to terminate the Underwriting Agreement, the Rights Issue will not proceed.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Ho Pui Tin, Terence
Mr. Chow Pak Wah, Oliver

Non-executive Directors:

Mr. Wong Wai Sing
Mr. Tsang Ho Ka, Eugene

Independent non-executive Directors:

Mr. Kwok Kam Tim
Mr. Ho Chi Wai
Ms. Cui Ying

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal

place of business in Hong Kong:
Room 2103, 21/F
No. 9 Queen's Road Central
Central, Hong Kong

15 May 2013

To the Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE RIGHTS SHARES FOR TEN EXISTING SHARES
HELD ON THE RECORD DATE
AND NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcements in relation to, among other matters, the proposed Rights Issue.

The purpose of this circular is to provide you with (i) further details of the Rights Issue; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue; (iii) the advice from Nuada Limited to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; (iv) financial information of the Group; and (v) the notice of SGM.

* for identification purpose only

LETTER FROM THE BOARD

PROPOSED RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue:	Three (3) Rights Shares for every ten (10) existing Shares held on the Record Date
Number of Shares in issue:	504,523,297 Shares
Number of Rights Shares:	151,356,987 Rights Shares
Number of Rights Shares underwritten by the Underwriter:	151,356,987 Rights Shares. Accordingly, the Rights Issue is fully underwritten
Aggregate nominal value of the Rights Shares:	HK\$1,513,569.87
Subscription price:	HK\$0.20 per Rights Share
The enlarged issued share capital upon completion of the Rights Issue assuming no exercise of the outstanding Share Options on or prior to the Record Date:	655,880,284 Shares

As at the Latest Practicable Date, the Board has not received any information from any substantial Shareholders of their intention to take up the Rights Shares.

As at the Latest Practicable Date, the Company has no outstanding options, including the Share Options, warrants or other securities convertible or exchangeable into or giving rights to the holders thereof to subscribe or exchange for the Shares.

The number of Rights Shares is arrived at based on three (3) Rights Shares for every ten (10) existing Shares held on the Record Date, taking into account (i) the 504,523,297 Shares in issue as at the date of the Announcements; and (ii) assuming no new Shares will be issued after the date of the Announcements and up to the Record Date. The Rights Shares would represent approximately 30.0% of the Company's existing issued share capital and approximately 23.1% of the Company's issued share capital as enlarged by the issue of the Rights Shares, assuming no exercise of the Share Options by the holder thereof on or prior to the Record Date.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Non-Qualifying Shareholders, the Company will send copies of the Prospectus to them for their information only, and no PAL will be sent to the Non-Qualifying Shareholders.

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must be a Qualifying Shareholder.

LETTER FROM THE BOARD

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited for registration no later than 4:30 p.m. on Thursday, 6 June 2013. It is expected that the last day of dealings in the Shares on a cum-rights basis is Tuesday, 4 June 2013 and the Shares will be dealt with on an ex-rights basis from Wednesday, 5 June 2013.

The register of members will be closed from Friday, 7 June 2013 to Friday, 14 June 2013 (both dates inclusive) and the Record Date will be on Friday, 14 June 2013. No transfers of Shares will be registered during the book closure period.

Subscription price

The Subscription Price is HK\$0.20 per Rights Share, payable in full upon the acceptance of the relevant provisional allotments for the Right Shares or when a transfer of nil-paid Rights Shares applies for full-paid Rights Shares. The net subscription price for the Rights Shares is HK\$0.185 per Rights Share. The Subscription Price represents:

- (i) a discount of approximately 58.33% to the closing price per Share of HK\$0.480 as quoted on the Stock Exchange on 16 January 2013, being the Last Trading Day;
- (ii) a discount of approximately 51.85% to the theoretical ex-rights price of HK\$0.415 per Share calculated based on the closing price per Share on the Last Trading Day;
- (iii) a discount of approximately 57.72% to the average of the closing prices per Share of HK\$0.473 for the last 5 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a discount of approximately 68.25% to the closing price per Share of HK\$0.630 as quoted on the Stock Exchange on 23 April 2013, being the Last Trading Day for Supplemental Agreement;
- (v) a discount of approximately 62.32% to the theoretical ex-rights price of HK\$0.531 per Share calculated based on the closing price per Share on the Last Trading Day for Supplemental Agreement;
- (vi) a discount of approximately 67.43% to the average of the closing prices per Share of HK\$0.614 for the last 5 trading days as quoted on the Stock Exchange up to and including the Last Trading Day for Supplemental Agreement; and
- (vii) a discount of approximately 66.10% to the closing price of per Share HK\$0.59 as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the historical market price and the current market price of the Shares, scale of the Rights Issue, and the prevailing market conditions. Taking into consideration the theoretical ex-rights price per Share as at the Last Trading Day and the Last Trading Day for Supplemental Agreement, the Directors consider that the Subscription Price is appropriate. The Directors are of the view that the discount would encourage the Qualifying Shareholders to participate in the Rights Issue, which would enable the Qualifying Shareholders to maintain their respective shareholdings in the Company and participate in the future growth of the Group.

Having considered (i) the Rights Issue is fair and reasonable and in the interests of the Company and Shareholders as a whole as discussed in the section headed "Reasons for the Rights Issue and Use of Proceeds"; (ii) difficulties have been encountered in applying for long-term bank borrowings from commercial banks with favorable terms to finance for the purposes of and in relation to the Coal Acquisition; (iii) the difficulties encountered in other fund raising exercises due to the two placements already done in the past 6 months, the low trading liquidity of the Shares and the loss position of the Group; (iv) as compared to a placing or an open offer, only the Rights Issue can provide the existing Shareholders an option to maintain their pro-rata shareholding in the Company and to participate in the future growth of the Group; and (v) the Group needs to provide an attractive subscription price to the existing Shareholders in order to increase their intention to accept the Rights Issue offer due to the two placements already done in the past 6 months, the low trading liquidity of the Shares and the loss position of the Group, the Directors (including the independent non-executive Directors) are of the view that the Subscription Price is fair and reasonable and in the interests of the Shareholders as a whole.

Basis of provisional allotment

The basis of the provisional allotment shall be three (3) Rights Shares for every ten (10) existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank pari passu in all respects with the Shares then in issue on the date of allotment of the Rights Shares, including the right to receive all dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of Rights Shares.

Rights of Overseas Shareholders

No person receiving the Prospectus or the PAL in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy itself/himself/herself, before acquiring any rights to subscribe for the provisionally allotted Rights Shares, as to the

LETTER FROM THE BOARD

observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connection therewith.

Based on the register of members of the Company as at the Latest Practicable Date, there were a total of 2 Overseas Shareholder(s) with registered addresses in the PRC (the “**Concerned Country**”). Pursuant to Rule 17.41(1) of the GEM Listing Rules, the Company has made enquiry regarding the legality and feasibility of extending the Rights Issue to such Overseas Shareholders. Based on the legal opinions from legal advisers in the Concerned Country, there is no restriction to extend the Rights Issue to such Overseas Shareholders and there are no Non-Qualifying Shareholders for the Rights Issue. Accordingly, the Rights Issue will be extended to such Overseas Shareholders and the Prospectus Documents will be sent to such Overseas Shareholders. Save for the aforesaid Overseas Shareholders, all Shareholders on the Company’s register of members as at the Latest Practicable Date have Hong Kong registered addresses.

No application for excess Rights Shares

After arm’s length negotiation with the Underwriter, the Company decided that the Qualifying Shareholders are not entitled to apply for any Rights Shares which are in excess of their assured entitlements. Any Rights Shares not taken up by the Qualifying Shareholders will be taken up by the Underwriter and/or subscribers procured by it.

If application for excess Rights Shares is to be arranged, the Company will be required to put in additional effort and administrative costs (which are estimated to be not less than approximately HK\$300,000 to HK\$800,000) for the excess application procedures.

The Board holds the view that the lack of excess application arrangement is fair and reasonable and in the interest of the Shareholders as a whole because (i) each Qualifying Shareholder will be given an equal and fair opportunity to participate in the Company’s future development by subscribing for his/her/its proportionate entitlement under the Rights Issue; and (ii) they will be able to deal in the nil-paid Rights Shares on the Stock Exchange.

Fractions of the Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form to the Qualifying Shareholders otherwise entitled thereto. All fractions of nil-paid Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market, if a premium (net of expenses) can be achieved, and the Company will retain the proceeds from such sale(s) for its benefit.

Certificates for the Rights Shares

Subject to the fulfillment of the conditions of the Rights Issue as set out in the section headed “Conditions of the Rights Issue” below, share certificates for the fully-paid Rights Shares to those Qualifying Shareholders are expected to be posted on Wednesday, 10 July 2013 at their own risk.

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Application for listings

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Rights Shares, in both nil-paid and fully-paid forms. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 2,000 Shares in one board lot.

Dealings in the Rights Shares in their nil-paid and fully-paid forms will be subject to the payment of stamp duty in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted to CCASS.

No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

UNDERWRITING ARRANGEMENTS

Underwriting Agreement as supplemented by Supplemental Agreement

Date: 16 January 2013 and 23 April 2013 (after trading hours)

Underwriter: Orient Securities Limited

Number of Underwritten Shares: 151,356,987 Rights Shares

Commission: 4% of the aggregate Subscription Price multiplied by the number of the 151,356,987 Underwritten Shares for which the Underwriter has agreed to subscribe or procure subscription, which was determined after arm's length negotiations between the Company and the Underwriter, and the Directors (including the independent non-executive Directors) are of the view that the commission is fair and reasonable.

Pursuant to the Underwriting Agreement as supplemented by Supplemental Agreement and subject to the terms and conditions thereof, the Underwriter has agreed to fully underwrite 151,356,987 Rights Shares at the Subscription Price of HK\$0.20 per Rights Share. The

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Underwriting Agreement as supplemented by Supplemental Agreement provides that the Underwriter will be obliged to subscribe or procure subscribers for any Rights Shares not taken up by the Qualifying Shareholders.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter, its ultimate beneficial owner and its associates are third parties independent of and not connected with the Company and its connected persons (as defined in the GEM Listing Rules).

Undertakings given by the Underwriter

The Underwriter undertakes to the Company that, in any event, when the Underwriter exercise its obligation under the Underwriting Agreement to subscribe for or to procure subscription of the Underwritten Shares, the number of Shares to be held by the Underwriter and each of the subscribers procured by the Underwriter (when aggregated with the Shares (if any) already held by each of them) together with their respective concert parties shall not exceed 30% (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) of the enlarged issued share capital of the Company immediately after completion of the Rights Issue; and the Underwriter or each of the subscribers procured by the Underwriter (when aggregated with the Shares (if any) already held by each of them) together with their respective concert parties shall not be interested in Shares exceeding 10% of the enlarged issued share capital of the Company immediately after completion of the Rights Issue.

The Underwriter is required to exercise its obligation under the Underwriting Agreement to subscribe for or to procure subscription of the Underwritten Shares. The Underwriter will ensure the compliance of the public float requirement pursuant to the Listing Rules.

Conditions of the Rights Issue

The Rights Issue is conditional among other things, on each of the following conditions being fulfilled:

- (i) the delivery to the Stock Exchange and the filing and registration with the Registrar of Companies in Hong Kong on or prior to the Prospectus Posting Date of the Prospectus Documents (and all other documents required to be attached thereto) complying with the requirements of the GEM Listing Rules and the Companies Ordinance;
- (ii) where required, the filing on or as soon as practicable after the Prospectus Posting Date of the Prospectus Documents (and all other documents required to be attached thereto) with the Registrar of Companies in Bermuda, complying with the requirements of the Companies Act 1981 of Bermuda (as amended from time to time);
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) the listing of, and permission to deal in, all the Rights Shares, in their nil-paid and fully-paid forms, by not later than, in respect of the Rights Shares in their nil-paid form, the first Business Day after the Prospectus Posting Date and, in

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respect of the Rights Shares in their fully-paid forms, the day on which certificates for the Rights Shares are despatched to those entitled thereto under the Rights Issue, and such listing not being revoked prior to 5:00 p.m. on the day which is the second Business Day following the Latest Time for Acceptance;

- (iv) compliance by the Company with all relevant obligations under the Underwriting Agreement;
- (v) the passing by no later than the Prospectus Posting Date by the Independent Shareholders at the SGM of all necessary resolution(s) to approve the Rights Issue;
- (vi) the obligations of the Underwriter becoming unconditional and that Underwriting Agreement is not terminated in accordance with its terms;
- (vii) there being no Specified Event occur prior to the Latest Time for Termination; and
- (viii) all requirements and conditions imposed by the Stock Exchange or under the GEM Listing Rules or otherwise in connection with the transactions contemplated by the Underwriting Agreement having been fulfilled or complied with by not later than the Latest Time for Termination.

The conditions set out above are not capable of being waived. If the conditions of the Rights Issue under the Underwriting Agreement are not fulfilled by the relevant dates and times specified in the Underwriting Agreement (or, in each case, such later date or time as the Underwriter may agree in writing with the Company pursuant to the Underwriting Agreement), the Underwriting Agreement will terminate and no party thereto will have any claim against any other party for costs, damages compensation or otherwise save for any antecedent breaches. If the Underwriting Agreement is terminated in accordance with its terms, the Rights Issue will not proceed.

Underwriting Commission

The underwriting commission was determined after arm's length negotiations between the Company and the Underwriter with reference to the current market conditions. The Company will pay the Underwriter an underwriting commission of 4.0% of the aggregate Subscription Price multiplied by the number of the Underwritten Shares (i.e. maximum 151,356,987 Underwritten Shares) for which the Underwriter agreeing to subscribe for or procuring subscription and all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Rights Issue. The Group is identifying potential acquisition activities from time to time and sourcing fund raising opportunities, including approaching the Underwriter, from time to time for identifying interests in equity fund raising exercises without any definitive terms or potential projects. However, it is difficult to find any underwriter to underwrite the Underwritten Shares given the prevailing market conditions. The Company's understanding is that currently underwriters in general have a much lower risk appetite in the current economic environment and are keen to preserve their capital base. Therefore, the Company did not approach any other underwriters for the Rights Issue. In the two earlier placing arrangements announced by the Company in August and December 2012, the underwriting commission was 3.5% and 4.5% respectively. In view of the recent volatile

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economic environment and the uncertainties relating to the European debt crisis and impacts from the current global financial sector, the Directors are of the view that it is not unreasonable for the Underwriter to require a similar level of underwriting commission to cater for the underwriting risks in relation the Rights Issue.

The underwriting commission mentioned above shall not be payable if the Underwriting Agreement does not become unconditional or if it is terminated by the Underwriter, but the Company shall continue to pay all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Rights Issue. The Directors (excluding the independent non-executive Directors whose opinions are set forth in the letter from the Independent Board Committee of this circular, after having been advised by the Independent Financial Adviser) are of the view that the commission is fair and reasonable.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Rights Issue is conditional, inter alia, upon the fulfillment of the conditions set out under the section headed “Conditions of the Rights Issue”. The Underwriter is entitled under the Underwriting Agreement to terminate the Underwriting Agreement on the occurrence of certain events, including but not limited to force majeure, as described above. Accordingly, the Rights Issue may or may not proceed.

Any dealing in the Shares from the date of this circular up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealing in the Rights Shares in their nil-paid form between Wednesday, 19 June 2013 to Wednesday, 26 June 2013 both days inclusive will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or the Rights Shares in their nil-paid form are advised to consult their own professional advisers.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

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

The Group has been unable to generate material positive cash flows from its existing operating activities and been experienced losses (the “Losses”) since the year 2009. Losses attributable to owners of the Company were approximately HK\$765.9 million, HK\$71.1 million, HK\$106.0 million and HK\$36.4 million for the four years ended 31 March 2009, 2010, 2011 and 2012. The Group still has an immediate need to identify other business opportunities, including the Coal Acquisition to strengthen the coal trading business, the core business and broadening its income and customer base, and diversifying its business scope by acquiring an licensed entity holding a coal trading qualification license (煤炭經營資格證) (the “License”) in the PRC.

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According to the agreement (the “**Agreement**”) in relation to the Coal Acquisition, completion (“**Completion**”) of the Agreement is subjected to, inter alia, the License to be possessed by the target group (the “**Target Group**”), which is to be acquired by the Group under the Coal Acquisition, be in full force and effect and the necessary reorganisation of the Target Group be complete. The Board is of the view that it is more practicable for the Vendor to procure the License to be renewed before the kick-off of the Reorganisation. Therefore, in order to proceed to Completion, the Board trusts that the Vendor will procure the License to be in full force and effect and be renewed before it expires.

To the best understanding of the Company, the License is now in the course of renewal by the current beneficial owner of the holder (the “**Licensor**”) of the License. According to the Company’s PRC legal advisor, pursuant to the Management Measures for the Coal Trading Qualification of Henan Province, to renew the License, the Licensor should reach the following main conditions:

- (i) the Licensor should be a qualified coal trading entity and its Business License is legally valid with its registered business scope including coal trading business stated in the License;
- (ii) the License held by the Licensor should be legally valid and all the annual inspections have been successfully passed and the annual inspection seals for 2011 and 2012 should be affixed thereon; and
- (iii) the Licensor should appropriately apply for the renewal to the coal management authority and submit the requested application documents.

As advised by the PRC legal advisor of the Company, once the coal management authority has affirmed that the Licensor is the qualified coal trading entity and the requested application documents are duly prepared, there is no legal obstacle to obtain the renewal.

Having considered the advice of the Company’s PRC legal advisor, the Board considers that the renewal application procedures are not complicated. The Directors are therefore of the view that renewal of the License will unlikely fail and the Vendor can renew the License before Completion. In case Completion does not take place, the net proceeds resulted from the Rights Issue will be allocated to fund the Company’s existing coal trading business or other potential investment opportunities.

The gross proceeds of the Rights Issue will be approximately HK\$30.3 million. It is expected that the aggregate expenses in connection with the Rights Issue will be approximately HK\$2.4 million. The net cash proceeds from the Rights Issue of approximately HK\$27.9 million. The Group intends to apply the proceeds from the Rights Issue for funding (i) the balance of the consideration of approximately HK\$5.0 million for the Coal Acquisition (subject to its completion), as disclosed in the announcement of the Company dated 27 March 2013; (ii) the new coal trading business of approximately HK\$20.0 million the Company expected to commit for the pledging of cash with bank(s) for the purpose of applying bank facilities in the PRC and/or issuing letter(s) of credit when the Coal Acquisition is materialised; and (iii) the working capital of the new coal trading business after the completion of the Coal Acquisition (subject to its completion) of approximately HK\$2.9 million.

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Given the guarantee in annual metric tonnes of coal to be traded in the PRC of the Coal Acquisition, the new coal trading business is expecting to have a similar scale to but not larger than the existing coal trading business. Reference is made to the current coal trading business, average monthly costs of sales generated from coal trading business was approximately HK\$7.26 million base on the latest published third quarterly report of the Company for the nine months ended 31 December 2012. Further reference to the latest published annual report of the Company for the year ended 31 March 2012, the average credit terms of trade payables were of 60 to 90 days and have paid a refundable security deposit in the amount of US\$2,500,000 (equivalent to approximately HK\$19,411,000) to a supplier of coal. Having considered the monthly performance and the security deposits paid of the current coal trading business, the Board expected to commit a similar amount as the refundable deposit paid in applying for trade facilities which is fairly and reasonably sufficient to finance the new coal trading business if materialised. When the Coal Acquisition proceeds further, the Board will approach banks in the PRC for bank facilities.

The Group could expand the regions of its coal trading business through the Coal Acquisition. The Board's observations on the operations and the prospects and the risk in relation to the Coal Acquisition are set out in the section headed "Financial and trading prospects" and the section headed "Risk Factors" in this circular. Given that (i) the Group has been unable to generate material positive cash flows from its existing operating activities and was experienced Losses since the year 2009 as set out above in this section; (ii) the Group has cash position of only HK\$20.9 million (excluding HK\$8.0 million out of the estimated net proceeds from the placement of 78,370,000 new Shares completed on 27 December 2012 of approximately HK\$25.3 million was intended to be apply for the consideration of Coal Acquisition of HK\$8.0 million as set out in the announcement of the Company dated 17 December 2012) as at 31 December 2012 for funding potential acquisition activities as identified by the Group from time to time and as the general working capital of the Group, although the monthly general working capital requirement of the Group was reduced to approximately HK\$3.25 million base on the latest published third quarterly report of the Company for the nine months ended 31 December 2012, the Company may encountered difficulties to proceed with any further negotiation for a formal sales and purchases agreement despite the emulous business potentials of the projects.

Besides the factors as stated above, the Directors have also considered the following factors:

- (i) other fund raising alternatives, including debt financing and bank borrowing, will create interest payment obligations to the Group, increase the gearing ratio and debt-serving costs, incur further and immediate interest burden to the Company and subject the Group to repayment obligations. Under the current circumstances of the Group and recent volatile economic environment and the uncertainties relating to the European debt crisis, the Group has encountered difficulties in applying for long-term bank borrowings from commercial banks with favourable terms to finance for the purposes of and in relation to the Coal Acquisition;

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- (ii) the difficulties encountered in other fund raising exercises due to the two placements already done in the past 6 months (as of the Latest Practicable Date, approximately 99.99% of the existing general mandate of the Company had been utilized) and the low trading liquidity of the Shares and the loss position of the Group. Nevertheless, in order to ensure flexibility, when it is desirable, to allot and issue additional Shares, the Directors will seek approval from the Shareholders to grant a new general mandate to issue Shares as and when appropriate;
- (iii) as compared to a placing or an open offer, only the Rights Issue is the best available pre-emptive fund raising method can provide the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company at the same price, to maintain their pro-rata shareholding in the Company and to participate in the future growth of the Group shall they wish to do so;
- (iv) the Group needs to provide an attractive subscription price to the existing Shareholders in order to increase their intention to accept the Rights Issue offer due to the two placements already done in the past 6 months, the low trading liquidity of the Shares and the loss position of the Group; and
- (v) due to the Losses and ensure its sustainability and/or future growth, the Group has an immediate need to (a) identify other business opportunities (including the Coal Acquisition) to strengthen the coal trading business (by way of horizontal and/or vertical integration), as the core business; (b) broaden the income and customer base; and (c) diversify the business scope of the Group.

Having considered the factors as stated above, the Directors consider the Rights Issue is fair and reasonable to align with the business strategies of the Group in view of the unfavourable situation and needs for further development, and is therefore in the interests of the Company and Shareholders as a whole.

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PREVIOUS FUND RAISING EXERCISE OF THE COMPANY

The following are fund raising activities of the Company during the past 12 months immediately preceding the date of the Announcements:

Date of announcement	Event	Estimated net proceeds	Intended use of proceeds	Actual use of proceeds/intended use of proceeds not yet utilized as at the announcement date
17 December 2012	Placing up to 78,370,000 new Shares under the general mandate	Approximately HK\$25.3 million	To apply (i) for paying up the consideration of the Coal Acquisition of HK\$8.0 million, (ii) for funding other potential acquisition activities as identified by the Group from time to time and (iii) as the general working capital of the Group	Approximately HK\$5.0 million was applied as general working capital which mainly consists of payments for office rent, salaries and professional fees. HK\$8 million was reserved as payment of part of the consideration for the Coal Acquisition, HK\$8.0 million was reserved for funding other potential acquisition activities as identified by the Group from time to time, and the remaining HK\$5.3 million to be applied as general working capital which mainly consists of payments for office rent, salaries and professional fees as planned.
20 August 2012	Placing up to 46,100,000 new Shares under the general mandate	Approximately HK\$15.5 million	To raise equity capital to satisfy part of the outstanding balance of the consideration of the acquisition (the “ Property Acquisition ”) of the entire issued share capital of Foremost Star Investments Limited which had completed and announced on 24 October 2012 and to strengthen its capital base and working capital position	Approximately HK\$15.5 million was used in full for paying up part of the outstanding balance of the Property Acquisition

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Date of announcement	Event	Estimated net proceeds	Intended use of proceeds	Actual use of proceeds/intended use of proceeds not yet utilized as at the announcement date
5 July 2012	Open offer of 115,251,099 new Shares, on a fully underwritten basis, at a price of HK\$0.43 per share, which was completed on 14 August 2012	Approximately HK\$46.0 million	It was intended to use as to approximately (i) HK\$38 million for paying up part of the outstanding balance of the Property Acquisition; (ii) HK\$9 million for general working capital of the Group	Approximately HK\$38.0 million was used for paying up part of the outstanding balance of the Property Acquisition, and the remaining approximately HK\$8.0 million was applied as general working capital which mainly consists of payments for office rent, salary and professional fees
10 April 2012	Placing up to 33,760,000 new Shares under the general mandate	Approximately HK\$8.6 million	To apply to potential acquisition activities as identified by the Group from time to time and as the general working capital of the Group	Approximately HK\$1.0 million for the Group's general working capital and approximately HK\$7.6 million applied to pay the deposit for the Property Acquisition
Total		Approximately HK\$95.4 million		

All the unutilised proceeds arising from the above fund raising activities of the Company have been deposited in the Company's saving account with its principal banker.

Save as disclosed above, the Company did not raise any other funds by issue of equity securities during the 12 months immediately preceding the date of the Announcement.

OTHER FINANCING ALTERNATIVES

The Group has considered the following financing alternatives before the signing of the Underwriting Agreement:

(i) Debt financing

Before signing the Underwriting Agreement, the Group has considered debt financing, such as bank borrowings and issue of bonds, to be the other possible fund raising alternatives available to the Group. The Group has been unable to generate material positive cash flows from its existing operating activities and was experienced the Losses since the year 2009. Additional borrowings will only worsen the results and financial position by creating additional finance costs (e.g. interest expenses).

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Debt financing and bank borrowing will create interest payment obligations to the Group and increase the gearing ratio and debt-serving costs, incur further and immediate interest burden to the Company and subject the Group to repayment obligations. Moreover, taken also the Losses and recent volatile economic environment and the uncertainties relating to the European debt crisis into account, the Group has encountered difficulties in applying for long-term bank borrowings from commercial banks with favorable terms to finance for the purposes of and in relation to the Coal Acquisition.

In addition, the bank loan application may be subject to lengthy due diligence and negotiations with banks. Therefore, the Directors consider debt financing to be relatively uncertain and time-consuming as compared to equity financing, such as a rights issue, which will not only strengthen the Group's capital base and enhance its financial position without increasing the finance costs for the Group to obtain additional funding.

(ii) Equity financing

The Directors have also considered equity financing such as placing of new Shares, open offer of new Shares or other convertible securities before the signing of the Underwriting Agreement. The Group has not officially negotiated with potential investors regarding a placing of new Shares, open offer of new Shares or other convertible securities. However, the Group is of the view that independent investors may not have interest in the subscription of the new Shares of the Company due to the Losses. The Group also compared the above equity financing alternatives to a rights issue and is of the view that none of the alternatives can provide the existing Shareholders an option to maintain their pro-rata shareholding in the Company and to participate in the future growth of the Group. As such, the Directors considered that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

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SHAREHOLDING IN THE COMPANY

The table below depicts the possible shareholding structure of the Company as at the Latest Practicable Date and the possible changes upon completion of the Rights Issue, on the basis of the public information available to the Company as of the Latest Practicable Date, after the Directors having making reasonable enquiries and assuming there is no other changes in the shareholding structure of the Company since the Latest Practicable Date:

Shareholders	Upon completion of the Rights Issue Assuming no exercise of any outstanding Share Options on or before the Record Date					
	As at the Latest Practicable Date		Assuming no Qualifying Shareholders take up their respective entitlements under the Rights Issue (Note 2)		Assuming full subscription by the Qualifying Shareholders as to their respective entitlements under the Rights Issue	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Wong Wai Sing ("Mr. Wong") (Note 1)	112,076	0.02	112,076	0.01	145,697	0.02
The Underwriter and its sub-underwriter(s), if any (Note 2)	—	—	151,356,987	23.08	—	—
Other public Shareholders	<u>504,411,221</u>	<u>99.98</u>	<u>504,411,221</u>	<u>76.91</u>	<u>655,734,587</u>	<u>99.98</u>
Total	<u><u>504,523,297</u></u>	<u><u>100.00</u></u>	<u><u>655,880,284</u></u>	<u><u>100.00</u></u>	<u><u>655,880,284</u></u>	<u><u>100.00</u></u>

Notes:

- Mr. Wong is the chairman of the Company and a non-executive Director. Of the 112,076 Shares, 75,676 Shares are held by Ming Kei International Holding Company Limited ("MKIH"), a company which is wholly and beneficially owned by Mr. Wong, the sole executive director of MKIH. Accordingly Mr. Wong is deemed to be interested in the 75,676 Shares.
- For illustration purpose only. Such scenario will never occur as (i) the Underwriter undertakes that in any event, when the Underwriter exercise its obligation under the Underwriting Agreement to subscribe for and/or to procure subscription of the Underwritten Shares, the number of Shares held by it and the subscribers or sub-underwriter(s) procured by it (when aggregated with the Shares (if any) already held by each of them) together with their respective parties acting in concert shall not exceeds 30% (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) of the enlarged issued share capital of the Company immediately after completion of the Rights Issue; and (ii) each of the subscribers procured by the Underwriter or the Underwriter (when aggregate with the Shares (if any) already held by each of them) together with their respective parties acting in concert shall not be interested in Shares exceeding 10% of the enlarged issued share capital of the Company immediately after completion of the Rights Issue. The Underwriter shall use its best endeavours to ensure each of the sub-underwriters to procure independent subscribers to take up such number of Untaken Shares as necessary to ensure that the public float requirements under Rule 11.23 of the GEM Listing Rules are complied with by the Company.

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DILUTION EFFECTS

The Board is fully aware that the Rights Issue will result in a moderate dilution effect to the existing Shareholders who would not participate in the Rights Issue. Having considered (i) difficulties have been encountered in applying for long-term bank borrowings from commercial banks with favorable terms to finance for the purposes of and in relation to the Coal Acquisition; (ii) debt financing will usually incur an interest burden on the Group; (iii) as compared to other equity financing alternatives, only the Rights Issue can provide the existing Shareholders an option to maintain their pro-rata shareholding in the Company and to participate in the future growth of the Group; (iv) the Shareholders can choose to sell their subscription rights in the open market and get back the net proceeds if they do not wish to take part in the Rights Issue; and (v) the extend of the dilution effect to the existing Shareholders who choose not to participate in the Rights Issue, the Directors considered that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

RISK FACTORS

In compliance with the GEM Listing Rules, the Company sets out below the risk factors of the Group for the Shareholders' attention. The Directors believe that there are certain risks involved in the operations of the Group which includes, but does not limit to, the following:

Business risk relating to the Group

- (a) The industry in which the Group is operating is subject to intense competition and the success of the Group will depend on its capacity and capability to expand its market share and to secure contracts from its potential customers. If the Group fails to maintain its competitiveness against other competitors, this will affect the profitability and market share of the Group.
- (b) Given that the direction for expansion of the Group will principally lie on the South Asian and PRC market, the future success of the Group will rely on the economic growth of the South Asian Countries and the PRC. The Group's profitability and future growth may be adversely affected if the economy of the PRC and the South Asian Countries fails to keep growth.
- (c) Turnover made to the largest customer of the Group contributed approximately 21%, 70% and 80% respectively to the total turnover for the three years ended 31 March 2010, 2011 and 2012. The termination of business relationship with the largest customer without finding a replacement customer could adversely affect the income and business of the Group.
- (d) Purchases from the largest supplier of the Group contributed 35%, 71% and 81% respectively to the total purchases for the three years ended 31 March 2010, 2011 and 2012. The termination of business relationship with the largest supplier and that the Group is not be able to find a new supplier(s) in a timely manner or on acceptable terms to the Group could adversely affect the results of operations, financial conditions and business of the Group.

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- (e) The effective operations and future success of the coal business are depending, to a significant extent, on the capability, experience and continued efforts of our key management personnel. If the Group is unable to attract, retain and motivate the necessary key management personnel, the business and operation conditions of the Group may be disrupted and the results and financial positions of the Group may be materially or adversely affected.

Financial risks relating to the Group

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business.

These risks are limited by the Group's financial management policies and practices as described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The credit risk on bank deposits is limited because the counterparties are banks with high credit-ratings. In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Directors are of the opinion that adequate provision for uncollectible receivables has been made in the financial statements and the Group has no significant concentration of credit risk. Normally, the Group does not obtain collateral from customers.

(b) Liquidity risk

The Directors believe that the current cash and cash equivalents, cash flow from operations will be sufficient to meet our anticipated cash needs for the foreseeable future. The Group may, however, require additional cash resources due to changes in business conditions or other future business developments. If these resources are insufficient to satisfy the cash requirements, the Group may seek to issue additional equity or debt securities or obtain a credit facility. The Group's ability to obtain external financing in the future is subject to a variety of uncertainties, including its future financial condition, results of operations, cash flow, share price performance and the liquidity of international capital markets. In addition, the issuance of additional equity securities could result in additional dilution to the shareholding of the Shareholders. Incurring indebtedness would result in increased debt obligations and could result in operating and financing covenants that would restrict the Group's operations.

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There can be no assurance that financing will be available in a timely manner or in amounts or on terms acceptable to the Group, if at all.

Risks relating to Coal Acquisition

- a. There is no assurance that the Coal Acquisition will be completed within a prescribed time frame or will be completed at all*

To expand our coal trading business and provide the Group with the opportunity to mitigate this exposure and the prospect of a more balanced revenue and customer base, the Company entered into a sale and purchase agreement for the Coal Acquisition on 27 March 2013. The completion of the Coal Acquisition is subject to and depending on the results of the due diligent review and other related issues. We may not be able to complete the Coal Acquisition within a prescribed time frame or conclude on terms commercially acceptable to the Group and the Shareholders. The inability or delay in completion of such transactions may materially and adversely affect our competitiveness and growth prospects.

- b. Fluctuation in the crude oil prices*

The fluctuation in global crude oil prices will affect the demand for coal products as well as its unit selling prices. The costs of raw materials used for coal business generally follow, among other factors, the price trends of, and vary with the market conditions for petroleum and coal which may be highly volatile and cyclical. When crude oil commodity prices go up which lead to an increase in the retail price for traditional petroleum-based diesel, the demand for coal will increase usually as users are more tempted to look for alternative fuels as substitute. Therefore, any significant fluctuation in crude oil commodity prices in future may affect the performance of coal businesses.

- c. Lack of financing options for our business in the future*

The Group has been unable to generate material positive cash flows from its existing operating activities and has experienced the Losses limiting the Group's ability to obtain long-term bank borrowings from commercial banks with favourable terms. The tightening of credit resulting from the more volatile economic environment and the deepening European debt crisis may increase the interest expenses and create difficulties for the Group to apply for banking facilities or cause the lender to request restrictive covenants that would limit our flexibility in conducting future business activities and developments. Although the Group may consider to apply for short term trade financing after the completion of Coal Acquisition, the Group is well conscious of the risk that the Group may not be able to obtain necessary funding with favourable terms or at all, either through debt or equity financing or both, to finance the coal business. There is no absolute assurance that the Group will have the ability to raise necessary financing with favourable terms to fund the coal trading business after completion.

LETTER FROM THE BOARD

Risks related to politics, economics and regulations

The business operations of the Group are primarily based in the PRC and Indonesia. Accordingly, the Group's operating results, financial position and prospects could be adversely affected by economic, political and legal developments in these jurisdictions. As a result of the financial tsunami, there is no assurance that economic, political and legal developments in these jurisdictions will not be adversely affected. If there is any material adverse change in the general economic, political and legal developments in these jurisdictions, the Group's operations and financial position may be adversely affected.

Risks relating to the Share price

The price and trading volume of the Share will be determined in the market price and may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flows, changes in or challenges to its business, announcements of new investments, acquisitions or disposals, the depth and liquidity of the market for the Shares, investors' perceptions of the Group and general political, economic, social and market conditions both globally and in the PRC, Indonesia or Hong Kong could cause the market price of the Shares to change substantially.

Risk relating to the Rights Issue

Under the Underwriting Agreement, the Underwriter is entitled to terminate its obligations by giving notice in writing to the Company upon the occurrence of any of the events stated in the paragraph headed "Termination of the Underwriting Agreement" in this circular on or before the Latest Time for Termination.

Shall the Rights Issue proceed as intended, the interest of the existing Shareholders in the Company will be diluted if they do not or cannot, as the case may be, subscribe for the Rights Shares which they are entitled to.

Additional risks and uncertainties not presently known to the Directors, or not expressed or implied above, or then the Directors currently deem immaterial, may also adversely affect the Group's business, operating results and financial condition in a material aspect.

LISTING RULES IMPLICATIONS

Since the Rights Issue will increase the issued share capital and the market capitalisation of the Company by more than 50% within the 12 months period immediately preceding the Announcement, pursuant to Rule 10.29(1) of the GEM Listing Rules, the Rights Issue is subject to the approval of the Independent Shareholders at the SGM by poll. The SGM will therefore be convened for the purpose of approving the Rights Issue.

To ascertain shareholders' eligibility to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 7 June 2013 to Friday, 14 June 2013, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify to attend and vote at the SGM, Shareholders must lodge any transfers of Shares

LETTER FROM THE BOARD

(together with the relevant share certificates) with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited for registration no later than 4:30 p.m. on Thursday, 6 June 2013.

Any controlling Shareholders and their associates shall abstain from voting in favour of the relevant resolutions relating to the Rights Issue, or where there are no such controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of such resolutions.

As at the Latest Practicable Date, there are no controlling Shareholders of the Company and therefore, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of such resolutions. Mr. Ho Pui Tin, Terence ("**Terence Ho**") and Mr. Chow Pak Wah, Oliver ("**Mr. Chow**"), being the executive Directors, Mr. Wong and Mr. Tsang Ho Ka, Eugene ("**Mr. Tsang**"), being the non-executive Directors, the Underwriter and its concert parties and their respective associates shall abstain from voting on the relevant resolutions to approve the Rights Issue at the SGM.

Save for Mr. Wong, who has interest in 112,076 Shares, no Shareholder has a material interest in the Rights Issue and is required to abstain from voting in respect of the approval of the Rights Issue at the SGM as at the Latest Practicable Date.

Subject to the conditions of the Rights Issue, inter alia the approval the of Independent Shareholders at the SGM, the Company will send the Prospectus Documents containing, among other documents, details of the Rights Issue, to the Qualifying Shareholders. The Company will send the Prospectus to Non-Qualifying Shareholders for their information only but the Company will not send any PAL a to the Non-Qualifying Shareholders, if any, as soon as practicable.

INDEPENDENT BOARD COMMITTEE

The Company has established the Independent Board Committee, which comprises all independent non-executive Directors, namely Mr. Kwok Kam Tim ("**Mr. Kwok**"), Mr. Ho Chi Wai ("**Mr. Ho**") and Ms. Cui Ying ("**Ms. Cui**"), to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

In this connection, the Company has appointed Nuada Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote.

LETTER FROM THE BOARD

The Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable, subject to the conditions of the Rights Issue being satisfied.

SGM

A notice of the SGM to be held at 11:00 a.m. on 3 June 2013 at Room 2103, 21/F, No. 9 Queen's Road Central, Central, Hong Kong is set out on pages 75 to 77 of this circular for the purpose of considering and, if thought fit, approving the Rights Issue.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby any one of them has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A proxy form for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment of it, if you so wish.

Subject to the Rights Issue being approved at the SGM, the Prospectus or Prospectus Documents, where appropriate, containing further information on the Rights Issue will be despatched to the Shareholders as soon as practicable.

RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the SGM. Nuada Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on page 31 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 32 to 48 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Rights Issue is fair and reasonable and that the Rights Issue is in the interests of the Company and the

LETTER FROM THE BOARD

Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions relating to the Rights Issue at the SGM.

The Directors (as for the Rights Issue, excluding members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee set out in page 31 of this circular) after considered the reasons as set out under the section headed “Reasons for the Rights Issue and Use of Proceeds” and believe that the terms of the Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Ming Kei Holdings Limited
Ho Pui Tin, Terence

Chief Executive Officer and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue.



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)

15 May 2013

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR TEN EXISTING SHARES HELD ON THE RECORD DATE

We refer to the circular of the Company dated 15 May 2013 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable insofar as the Independent Shareholders are concerned.

Nuada Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

Having taken into account the terms of the Rights Issue and the advice of Nuada Limited, we are of the opinion that the Rights Issue is on normal commercial terms, are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend you to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,
Independent Board Committee

Ms. Cui Ying

Mr. Ho Chi Wai

Mr. Kwok Kam Tim

Independent non-executive Directors

* for identification purpose only

LETTER OF ADVICE FROM NUADA LIMITED

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited prepared for the purpose of inclusion in this circular:

Nuada Limited
Corporate Finance Advisory

19th Floor, BLINK, 111 Bonham Strand,
Sheung Wan, Hong Kong
香港上環文咸東街111號BLINK 19字樓

15 May 2013

*To the Independent Board Committee
and the Independent Shareholders
of Ming Kei Holdings Limited*

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY TEN EXISTING SHARES HELD ON THE RECORD DATE

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, details of which are set out in the section headed “Letter from the Board” (the “**Letter**”) contained in the circular dated 15 May 2013 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

On 16 January 2013, the Company announced, among other things, that the Company entered into the Underwriting Agreement with the Underwriter (as supplemented by Supplemental Agreements dated 23 April 2013) in relation to the underwriting and certain other arrangements in respect of the Rights Issue.

The Company proposes to carry out the Rights Issue by provisionally allotting on the basis of three Right Shares for every ten existing Shares held on the Record Date. The Rights Issue involves the allotment and issue of 151,356,987 Rights Shares at a price of HK\$0.2 per Rights Share. As at the Latest Practicable Date, the Company has no outstanding warrants, options or convertible or exchangeable securities. The Rights Issue is only available to the Qualifying Shareholders and such Qualifying Shareholders are not entitled to apply for any Rights Shares which are in excess of their assured entitlements.

The Rights Issue is fully underwritten by the Underwriter, on the terms and subject to the conditions set out in the Underwriting Agreement as supplemented by the Supplemental Agreement. The terms of the Underwriting Agreement as supplemented by the Supplemental Agreement are determined after arm’s length negotiation between the Company and the Underwriter.

LETTER OF ADVICE FROM NUADA LIMITED

The gross proceeds of the Rights Issue will be approximately HK\$30.3 million. It is expected that the aggregate expenses of the Company to be incurred in connection with the Rights Issue will be approximately HK\$2.4 million. The Company plans that net cash proceeds from the Rights Issue of approximately HK\$27.9 million will be used for funding the new coal trading business.

Since the Rights Issue (together with the open offer as disclosed in the prospectus of the Company dated 24 July 2012) will increase the issued share capital or the market capitalization of the Company by more than 50% within the 12 months period immediately preceding the Announcements, the Rights Issue is subject to the approval of the Independent Shareholders at the SGM by poll. In accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders in SGM by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates, shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, there are no controlling Shareholders of the Company and therefore, Mr. Ho Pui Tin, Terence and Mr. Chow Pak Wah, Oliver, being the executive Directors, Mr. Wong Wai Sing and Mr. Tsang Ho Ka, Eugene, being the non-executive Directors, the Underwriter and its concert parties and their respective associates shall abstain from voting on the relevant resolutions to approve the Rights Issue at the SGM.

Save for Mr. Wong, who has interest in 112,076 Shares, no Shareholder has a material interest in the Rights Issue and is required to abstain from voting in respect of the approval of the Rights Issue at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Kwok Kam Tim, Mr. Ho Chi Wai and Ms. Cui Ying, has been established to make recommendations to the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the SGM. We, Nuada Limited, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the management of the Company and the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the date of the SGM.

LETTER OF ADVICE FROM NUADA LIMITED

Accordingly, we have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular, or the reasonableness of the opinions expressed by the management of the Company and the Directors provided to us. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. Furthermore, we relied on the Company that it has provided us with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such information and opinions but have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in relation to the terms of the Rights Issue and the transaction contemplated thereunder, we have considered the following principal factors and reasons.

1. Background information of the Group

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

The table below summarised the financial results of the Group for the six months ended 30 September 2012 and each of the two years ended 31 March 2012 as extracted from the Company's interim report for the six months ended 30 September 2012 (the "**Interim Report**") and the Company's annual report for the year ended 31 March 2012 (the "**Annual Report**"), respectively.

	For the six months ended 30 September 2012	For the year ended 31 March	
	(unaudited)	2012	2011
	<i>HK\$'000</i>	(audited)	(audited)
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	46,017	100,631	54,804
Loss for the year attributable to the owners of the Company	16,511	36,356	106,038
Loss per share — basic (Hong Kong dollar)	0.057	0.21	0.65

As shown in the above table, the revenue increased by approximately 83.62% in 2012 to approximately HK\$101 million. The increment was mostly contributed by the revenue stream which derived from the coal trading business which commenced in November 2010 and the increase in income from the property investments.

LETTER OF ADVICE FROM NUADA LIMITED

For the year ended 31 March 2012, the Group recorded a loss attributable to the owners of the Company of approximately HK\$36.36 million (2011: approximately HK\$106.04 million) represented a significant decrease in loss by approximately HK\$69.68 million or 65.71%. The overall decrease in loss attributable to the owners of the Company as compared to the corresponding prior year ended was mainly attributable by (i) the increase in the revenue stream derived from the coal trading business and the general trading business and property investment; (ii) the decrease of the administrative costs and other expenses; (iii) the record of nil loss from the discontinued operation for the disposal of the 49% equity interests in Star Fortune International Investment Company Limited for the year ended 31 March 2012; and (iv) the record of nil impairment losses on goodwill and decrease in impairment loss on intangible assets for China Indonesia Friendship Coal Trading Company Limited for the financial year ended 31 March 2012. Subsequently, the Group recorded a loss of approximately HK\$17 million for the 6 months ended 30 September 2012.

As stated in the Annual Report, the Group is capable to actively looking for possible future investments with or within the property investments and coal trading sectors or other sectors with growth potential to improve its Shareholders' value. More funds are needed for enhancing the Group's financial position and hence to meet the challenges faced by the Group in the future.

2. Reasons for the Rights Issue and the use of proceeds

As stated in the Letter, the Group has been unable to generate material positive cash flows from its existing operating activities and experiencing losses since the year 2009. Losses attributable to owners of the Company were approximately HK\$765.9 million, HK\$71.1 million, HK\$106.0 million and HK\$36.4 million, respectively, for the year ended 31 March 2009, 2010, 2011 and 2012. The Group still has an immediate need to identify other business opportunities, including the Coal Acquisition to strengthen the coal trading business, the core business and broadening its income and customer base, and diversifying its business scope by acquiring a licensed entity holding a coal trading qualification license (煤炭經營資格證) (the "License") in the PRC.

For the Coal Acquisition, we note from the Company's announcement dated 27 March 2013 that the expiry date of the License is approaching. However, we have been advised by the Company that it is unlikely that the License's renewal will fail and the renewal can be duly completed before Completion as there are condition precedents that the License possessed by the PRC Licensor (as defined in the announcement dated 27 March 2013) will remain in full force and effect and the Reorganisation (as defined in the announcement dated 27 March 2013) will be completed before Completion. Meanwhile, the License is now in the course of renewal by the current beneficial owner of the PRC Licensor. Furthermore, as advised by the PRC legal advisor of the Company, once the coal management authority has affirmed that the Licensor is the qualified coal trading entity and the application documents are duly prepared, there is no legal obstacle to obtain the renewal. Having considered there is no legal obstacle to obtain the renewal and the application procedures are not complicated, we concur with the Board that it is unlikely that the License's renewal will fail and the renewal can be duly completed before Completion.

LETTER OF ADVICE FROM NUADA LIMITED

The gross proceeds of the Rights Issue will be approximately HK\$30.3 million. It is expected that the aggregate expenses of the Company to be incurred in connection with the Rights Issue will be approximately HK\$2.4 million. The net cash proceeds from the Rights Issue of approximately HK\$27.9 million. The Group intends to apply the proceeds from the Rights Issue for funding (i) the balance of the consideration of approximately HK\$5.0 million for the Coal Acquisition (subject to its completion), as disclosed in the announcement of the Company dated 27 March 2013; (ii) the new coal trading business of approximately HK\$20.0 million the Company expected to commit for the pledging of cash with bank(s) for the purpose of applying bank facilities in the PRC and/or issuing letter(s) of credit when the Coal Acquisition is materialised; and (iii) the working capital of the new coal trading business after the completion of the Coal Acquisition (subject to its completion) of approximately HK\$2.9 million.

Given the guarantee in annual metric tonnes of coal to be traded in the PRC of the Coal Acquisition, the new coal trading business is expecting to have a similar scale to but not larger than the existing coal trading business. Reference is made to the current coal trading business, average monthly costs of sales generated from coal trading business was approximately HK\$7.26 million based on the latest published third quarterly report of the Company for the nine months ended 31 December 2012. Further reference to the latest published annual report of the Company for the year ended 31 March 2012, the average credit terms of trade payables were of 60 to 90 days and have paid a refundable security deposit in the amount of US\$2,500,000 (equivalent to approximately HK\$19,411,000) to a supplier of coal. Having considered the monthly performance and the security deposits paid of the current coal trading business, we concur with the Board that it is reasonable to commit a similar amount as the refundable deposit paid in applying for trade facilities to finance the new coal trading business if materialised.

The Group could expand the regions of its coal trading business through the Coal Acquisition. The Board's observations on the operations and the prospects and the risk in relation to the Coal Acquisition are set out in the sections headed "Financial and trading prospects" and "Risk Factors" in the Circular.

Given that (i) the Group has been unable to generate material positive cash flows from its existing operating activities and experiencing losses since the year 2009 as set out above in this section; and (ii) the Group has cash position of only HK\$20.9 million (excluding HK\$8.0 million out of the estimated net proceeds from the placement of 78,370,000 new Shares completed on 27 December 2012 of approximately HK\$25.3 million was intended to be applied for the consideration of Coal Acquisition of HK\$8.0 million as set out in the announcement of the Company dated 17 December 2012) as at 31 December 2012 for funding potential acquisition activities as identified by the Group from time to time and as the general working capital of the Group, although the monthly general working capital requirement of the Group was reduced to approximately HK\$3.25 million based on the latest published third quarterly report of the Company for the nine months ended 31 December 2012, the Company may encounter difficulties to proceed with any further negotiation for a formal sales and purchases agreement despite the emulous business potentials of the projects.

LETTER OF ADVICE FROM NUADA LIMITED

Given the use of proceeds of the Rights Issue is in accordance with the ordinary business of the Company, we are of the view that the reasons for the Rights Issue are justifiable.

3. Financing alternatives available to the Group

The following are fund raising activities of the Company during the past 12 months immediately preceding the Announcements:

Date of announcement	Event	Estimated net proceeds	Intended use of proceeds	Actual use of proceeds/ intended use of proceeds not yet utilized as at the announcement date
17 December 2012	Placing up to 78,370,000 new Shares under the general mandate	Approximately HK\$25.3 million	To apply (i) for paying up the consideration of the coal Acquisition of HK\$8 million; (ii) for funding other potential acquisition activities as identified by the Group from time to time; and (iii) as the general working capital of the Group	Approximately HK\$5.0 million was applied as general working capital which mainly consists of payments for office rent, salaries and professional fees. HK\$8 million was reserved as payment of part of the consideration for the Coal Acquisition, HK\$8 million was reserved for funding other potential acquisition activities as identified by the Group from time to time, and the remaining HK\$5.3 million to be applied as general working capital which mainly consists of payments for office rent, salaries and professional fees as planned

LETTER OF ADVICE FROM NUADA LIMITED

Date of announcement	Event	Estimated net proceeds	Intended use of proceeds	Actual use of proceeds/ intended use of proceeds not yet utilized as at the announcement date
20 August 2012	Placing up to 46,100,000 new Shares under the general mandate	Approximately HK\$15.5 million	To raise equity capital to satisfy part of the outstanding balance of the consideration of the acquisition (the “ Property Acquisition ”) of the entire issued share capital of Foremost Star Investments Limited which had completed and announced on 24 October 2012 and to strengthen its capital base and working capital position	Approximately HK\$15.5 million was used in full for paying up part of the outstanding balance of the Property Acquisition
5 July 2012	Open offer of 115,251,099 new Shares, on a fully underwritten basis, at a price of HK\$0.43 per share, which was completed on 14 August 2012	Approximately HK\$46 million	It was intended to use as to approximately (i) HK\$38 million for paying up part of the outstanding balance of the Property Acquisition; and (ii) HK\$9 million for general working capital of the Group	Approximately HK\$38 million was used for paying up part of the outstanding balance of the Property Acquisition, and the remaining approximately HK\$8 million to be applied as general working capital which mainly consists of payments for office rent, salary and professional fees
10 April 2012	Placing up to 33,760,000 new Shares under the general mandate	Approximately HK\$8.6 million	To apply to potential acquisition activities as identified by the Group from time to time and as the general working capital of the Group	Approximately HK\$1 million for the Group’s general working capital and approximately HK\$7.6 million applied to pay the deposit for the Property Acquisition
Total		Approximately HK\$95.4 million		

As stated in the above table, save for (i) the placing of 78,370,000 new Shares under the general mandate as announced by the Company on 17 December 2012; (ii) the placing of 46,100,000 new Shares under the general mandate as announced by the Company on 20 August 2012; (iii) the open offer of 115,251,099 offer shares as announced by the Company on 5 July

LETTER OF ADVICE FROM NUADA LIMITED

2012; and (iv) the placing of 33,760,000 new Shares under the general mandate as announced by the Company on 10 April 2012, the Group had not carried out any other equity fund raising activity during the past 12 months immediately prior to the Latest Practicable Date.

We have been advised by the Directors that the Group has considered various fund raising methods, namely placing of new Shares, open offer of new Shares or other convertible securities.

Apart from the Rights Issue, the Company confirmed that it had considered other fund raising options available, details of which has been set out in the paragraph headed “Other Financing Alternatives” in the Letter, and taking into account the benefits and costs of each of the alternatives, we concur with the Directors that the Rights Issue is an appropriate means to finance the operations of the Coal Acquisition by considering that (i) debt financing and bank borrowing will create interest payment obligations to the Group and increase the debt-serving costs, and incur further and immediate interest burden to the Company and subject the Group to repayment obligations; (ii) while considered the current circumstances of the Group, the repayment ability of the Group which mainly depends on the profitability of the Group, the recent volatile economic environment and the uncertainties relating to the European debt crisis, we concur with the Directors that the Group has encountered difficulties in applying for long-term bank borrowings from commercial banks with favorable terms to finance for the purposes of and in relation to the Coal Acquisition; (iii) the difficulties encountered in other equity fund raising exercises due to the two placements already done in the past 6 months, (as of the Latest Practicable Date, approximately 99.99% of the existing general mandate of the Company had been utilized), and the loss position of the Group since the year 2009; (iv) as compared to a placing or an open offer, only the Rights Issue is the best available pre-emptive fund raising method can provide the existing Shareholders an option to maintain their pro-rata shareholding in the Company and to participate in the future growth of the Group shall they wish to do so; (v) all the Qualifying Shareholders have an equal opportunity to participate in the enlargement of the Company’s capital base and the Company’s further development; and (vi) the terms of the Rights Issue are fair and reasonable, details of which will be discussed on the section headed “Principal terms of the Rights Issue” below.

Based on the above, we consider the Rights Issue is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

4. Principal terms of the Rights Issue

The table below summarises the major terms of the Rights Issue:

Basis of the Rights Issue	:	Three (3) Rights Shares for every ten (10) existing Shares held on the Record Date
Subscription Price	:	HK\$0.20 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date	:	504,523,297 Shares
Number of Rights Shares	:	151,356,987 Rights Shares

LETTER OF ADVICE FROM NUADA LIMITED

The Company proposes to carry out the Rights Issue by provisionally allotting on the basis of three Right Shares for every ten existing Shares held on the Record Date. The Rights Issue involves the allotment and issue of 151,356,987 Rights Shares at a price of HK\$0.2 per Rights Share. As at the Latest Practicable Date, the Company has no outstanding warrants, options or convertible or exchangeable securities. The Rights Shares would represent approximately 30% of the Company's existing issued share capital and approximately 23.1% of the Company's issued share capital as enlarged by the issue of the Rights Shares. The Rights Issue is only available to the Qualifying Shareholders and such Qualifying Shareholders are not entitled to apply for any Rights Shares which are in excess of their assured entitlements.

The Rights Issue is fully underwritten by the underwriter and is subject to the Underwriting Agreement as supplemented by the Supplemental Agreement becoming unconditional and not being terminated in accordance with its terms.

To assess the fairness and reasonableness on the Right Issue, we would like to focus on the following terms:

(i) *Subscription Price*

(a) *Review on the Share prices*

The Subscription Price is HK\$0.2 per Rights Share, payable in full upon the acceptance of the relevant provisional allotments for the Right Shares or when a transfer of nil-paid Rights Shares applies for full-paid Rights Shares. The net subscription price for the Rights Shares is HK\$0.185 per Rights Share. The Subscription Price represents:

- (i) a discount of approximately 58.33% to the closing price per Share of HK\$0.48 as quoted on the Stock Exchange on 16 January 2013, being the Last Trading Date;
- (ii) a discount of approximately 57.72% to the average of the closing prices per Share of HK\$0.473 for the last 5 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iii) a discount of approximately 51.85% to the theoretical ex-rights price of HK\$0.415 per Share calculated based on the closing price per Share on the Last Trading Day;
- (iv) a discount of approximately 68.25% to the closing price per Share of HK\$0.630 as quoted on the Stock Exchange on 23 April 2013, being the Last Trading Day for Supplemental Agreement;
- (v) a discount of approximately 62.32% to the theoretical ex-rights price of HK\$0.531 per Share calculated based on the closing price per Share on the Last Trading Day for Supplemental Agreement;

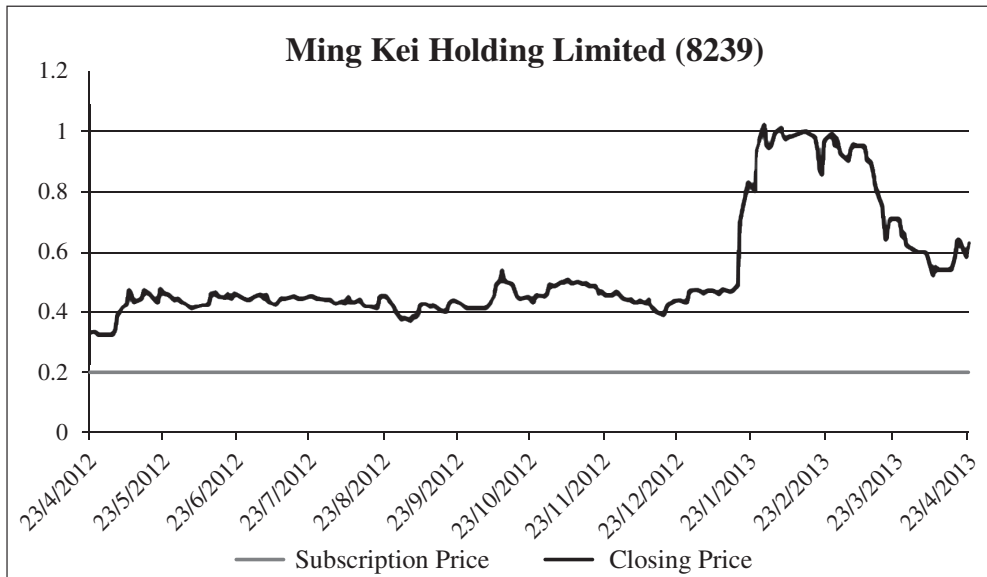
LETTER OF ADVICE FROM NUADA LIMITED

- (vi) a discount of approximately 67.43% to the average of the closing price per Share of HK\$0.614 for the last 5 trading days as quoted on the Stock Exchange up to and including the Last Trading Day for Supplemental Agreement; and
- (vii) a discount of approximately 66.10% to the closing price Shares of HK\$0.59 as quoted on Stock Exchange on the Latest Practicable Date.

As set out in the Letter, the Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter after taking into account the current market price of the Shares, scale of the Rights Issue, and the prevailing market conditions. Taken into account the Rights Issue is offered to all Qualifying Shareholders, the two placements already done in the past 6 months, the similar fund raising scale of the open offer and the loss position of the Group, the Directors would like to set the Subscription Price at a discount level that would attract the Qualifying Shareholders to participate in the Rights Issue and accordingly maintain their pro rata shareholding in the Company and participate in the future growth of the Group if they wish to do so. We reviewed the announcement of the open offer of 115,251,099 new Shares ("**Open Offer**") of the Company and the results of it, which has been announced by the Company on 5 July 2012 and 13 August 2012 respectively. We noted that the Company carried out the Open Offer on the basis of one offer share for every two existing Shares held on the record date at a price of HK\$0.43 per offer share, representing a discount of approximately 8.51% to the closing price per Share of HK\$0.470 as quoted on the Stock Exchange on 5 July 2012. However, according to the results of the open offer dated 13 August 2012, a total of only 2 valid acceptances in respect of 41,771,240 offer shares provisionally allotted under the Open Offer were received, representing approximately 36.24% of the total number of the offer shares available for subscription under the Open Offer and approximately 12.08% of the enlarged issued share capital of the Company of 345,753,297 Shares immediately after the completion of the Open Offer. As a matter of fact, the underwriter, being the same underwriter of the Rights Issue, subscribed the remaining of 73,479,859 underwritten shares, representing approximately 63.76% of the total number of the offer shares available for subscription under the Open Offer. In this regard, we concur with the Directors that it is reasonable to provide a discount to encourage Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth of the Group.

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In order to further assess the fairness and reasonableness of the Subscription Price, we have reviewed the closing price of the Shares for the period from 23 April 2012, being the 12-month period prior to the Last Trading Day for Supplemental Agreement (the “**Review Period**”). We believe that the data collected during the Review Period can reveal recent common market practice in rights issue transactions of companies listed in Hong Kong and relevant trading information on the Shares. The Chart below illustrates the daily closing price of the Shares versus the Subscription Price during the Review Period:



Source: the Stock Exchange web-site (www.hkex.com.hk)

During the Review Period, the closing price of the Shares ranged from HK\$0.323 per Shares to HK\$1.02 per Shares. The highest and lowest closing prices of the Shares were HK\$1.02 on 16 January 2013 and HK\$0.323 on 3, 4, 5, 6 and 9 January 2012. The Subscription price is lower than all the lowest monthly closing price of the Shares and the monthly average closing price of the Shares.

(b) Review on the similar financing activities in the market

As part of our analyses, we have identified all rights issue transactions which are subject to shareholders' approval and have been approved by shareholders, on a best effort basis, (the “**Comparables**”) from 23 October 2012 up to and including the Last Trading Day for Supplemental Agreement, being the approximate six-month period prior to and including the Last Trading Day for Supplemental Agreement, by companies listed on the Stock Exchange. To the best of our knowledge and as far as we are aware of, we found 7 companies which met the said criteria. The list of the Comparables is considered to be exhaustive, for comparison purpose. Since the selected period (i) has covered the prevailing market conditions and sentiments; and (ii) is adequate for the Shareholders to understand the similar rights issue transactions which increase the issued share capital and the market capitalisation of the company by more than 50% within the 12 months period immediately preceding

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the date of the announcement, we consider that the period under review is appropriate and the Comparables are fair and representative samples. Nevertheless, the Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and thus the Comparables are only used to provide a general reference for the common market practice in recent rights issue transactions by listed companies in Hong Kong. Summarised below is our relevant finding:

Company name (stock code)	Date of announcement	Basis of allotment	Premium/ (discount) of the Subscription Price over/to the closing price of the shares as at the last trading day (Note) %	Premium/ (discount) of the Subscription Price over/to the theoretical ex-rights/ ex-entitlement price %	Underwriting Commission %
Mascotte Holdings Limited (136)	4/2/2013	4 for 1	(65.85)	(27.84)	3
Simsen International Corporation Limited (993)	29/1/2013	3 for 1	(50.52)	(20.17)	2.5
Up Energy Development Group Limited (307)	8/1/2013	1 for 2	(54.50)	(44.40)	2
A8 Digital Music Holdings Limited (800)	6/1/2013	2 for 1	(52)	(26.53)	2
Asia Commercial Holdings Limited (104)	27/11/2012	3 for 1	(87.5)	(63.60)	2
Dragonite International Limited (329)	20/11/2012	1 for 1	(48.98)	(32.43)	2.5
Qin Jia Yuan Media Services Company Limited (2366)	2/11/2012	1 for 1	(55.7)	(38.60)	2.5
Max. discount:			(87.5)	(63.6)	
Min. discount:			(48.98)	(26.53)	
Mean discount:			(59.29)	(36.22)	
Max.:					3
Min.:					2
Mean:					2.36
The Company:		10 for 3	(68.25)	(62.32)	4

Source: website of the Stock Exchange (www.hkex.com.hk)

Note: The last trading day of the Comparables mean the last trading day on or one day before the release of the announcement of the Comparables.

The subscription prices of the Comparables ranged from discounts of approximately 48.98% to 87.50% to the respective closing prices of their shares on the last trading days on or one day prior to the release of the rights issue announcements (the “**LTD Market Range**”), with an average of approximately

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59.29% (the “**LTD Market Average**”). The discount of approximately 68.25% to the closing price of HK\$0.48 per Share on the Last Trading Day for Supplemental Agreement as represented by the Subscription Price falls within the LTD Market Range and is larger than the LTD Market Average.

In addition, the subscription prices of the Comparables ranged from discounts of approximately 26.53% to approximately 63.6% to the respective theoretical ex-rights/ex-entitlement prices of their shares on the last trading days, being the last trading day on or one day before the release of the rights issue announcements of the Comparables (the “**TE Market Range**”), with an average of approximately 36.22% (the “**TE Market Average**”). The discount of approximately 62.32% to the theoretical ex-rights price of HK\$0.531 per Share calculated based on the closing price per Share on the Last Trading Day for Supplemental Agreement falls within the TE Market Range and is larger than the TE Market Average.

As shown in our findings, it is common for the listed issuers in Hong Kong to issue rights shares at discounts to the respective market prices of the listed issuers in order to enhance the attractiveness of the rights issue. Having considered that (i) the Subscription Price was determined after arm’s length negotiations between the Company and the Underwriter; (ii) the discount represented by the Subscription Price to the closing price of the Shares on the Last Trading Day for Supplement Agreement falls within the LTD Market Range; (iii) the discount represented by the Subscription Price to the theoretical ex-rights price calculated based on the closing price per Share on the Last Trading Day for Supplemental Agreement falls within the TE Market Range; (iv) the Subscription Price which represents a discount to the market price as illustrated above may be likely to attract the Qualifying Shareholders to participate in the Rights Issue and accordingly maintain their respective shareholding interests in the Company; and (v) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares, we are of the view that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(ii) Application for excess Rights Shares

After arm’s length negotiations between the Underwriter, the Company decided that the Qualifying Shareholders are not entitled to apply for any Rights Shares which are in excess of their assured entitlements. Any Rights Shares not taken up by the Qualifying Shareholders will be taken up by the Underwriter and/or subscribers procured by it.

If application for excess Rights Shares is to be arranged, the Company will be required to put in additional effort and administrative costs (which are estimated to be not less than approximately HK\$300,000 to HK\$800,000) for the excess application procedures.

As (i) each Qualifying Shareholder will be given an equal and fair opportunity to participate in the Company’s future development by subscribing for his/her/its proportionate entitlement under the Rights Issue; (ii) they will be able to deal in the nil-paid Rights Shares on the Stock Exchange; and (iii) based on the results of the open offer

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announcement dated 13 August 2012, there were only 2 valid acceptances (out of a total of 304 CCASS shareholders and participants on the record date) which however represented approximately 36.24% of the total number of the offer shares available for subscription under the Open Offer and approximately 12.08% of the enlarged issued share capital of the Company of 345,753,297 Shares immediately after completion of the Open Offer, we concur with the Directors that such arrangement is fair and reasonable and in the interest of the Shareholders as a whole.

Given there is a specified period for dealing of nil paid Rights Shares, we believe the relevant buyers and sellers of nil-paid Rights Shares can be matched up and concentrated simultaneously to deal with the nil paid Rights Shares. As such, we are of the view that the dealing of nil-paid Rights Shares on the Stock Exchange is in the interest of the Shareholders.

(iii) Underwriting Commission

Pursuant to the Underwriting Agreement, the Company will pay the Underwriter an underwriting commission of 4% of the aggregate subscription price of the Rights Shares underwritten by it. The Directors consider that the underwriting commission accords with market rates. From the table in the section headed “Comparison with other rights issue transactions”, we noted that the underwriting commission charged by the underwriters in those rights issue transactions ranged from 2% to 3% of the aggregate subscription price of the underwritten shares. Although the underwriting commission is slightly higher than the range of the Comparables, given that (i) the poor financial condition of the Group, the Group has been unable to generate material positive cash flows from its existing operating activities and experiencing losses since the year 2009; losses attributable to owners of the Company were approximately HK\$765.9 million, HK\$71.1 million, HK\$106.0 million and HK\$36.4 million for the years ended 31 March 2009, 2010, 2011 and 2012, respectively which may discourage the Shareholders to participate in Rights Issue; (ii) the underwriting arrangement secure the full intended funding of the Company; (iii) the underwriting commission is at similar level of the two earlier placing arrangements and the open offer announced by the Company in August, December and July 2012 respectively, the underwriting commission was 3.5%, 4.5% and 3.5%, respectively; (iv) the low subscription rate of the Open Offer; (v) Group had carried out four fund raising activities during past 12 months immediately prior to the Latest Practicable Date which may create negative image to the Shareholders and affect the subscription rate of the Rights Issue; and (vi) the Company has approached 3 underwriters for the Rights Issue, two of which even not willing to quote the terms of a rights issue to the Company because of the poor financial performance of the Group and frequent fund raising activities conducted by the Group during past 12 months; only the same underwriter provided a positive response to act as underwriter, we concur with the Directors that it is reasonable for the Underwriter to require 4% underwriting commission, which is a similar level of the prior placements and the Open Offers, to cater for the underwriting risks in relation to the Rights Issue.

We have also reviewed the other terms of the Rights Issue, the Underwriting Agreement and the Supplemental Agreement and are not aware of any terms which are uncommon to normal market practice. Accordingly, we consider that the terms of the

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Rights Issue and the Underwriting Agreement as supplemented by Supplemental Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

5. Potential dilution effect on the shareholding interests of the Shareholders

Upon completion of the Rights Issue, 151,356,987 Rights Shares will be issued, Qualifying Shareholders who subscribe for in full their assured entitlements under the Rights Issue will retain their current shareholding interests in the Company. Qualifying Shareholders who do not subscribe for in full their assured entitlements under the Rights Issue will be diluted after the completion of the Rights Issue and their aggregate shareholding interests in the Company may reduce by a maximum of approximately 23.08%, assuming all of the Rights Shares are taken by the Underwriter. The table below depicts the possible shareholding structure of the Company as at the Latest Practicable Date and the possible changes upon completion of the Rights Issue, on the basis of the public information available to the Company as of the Latest Practicable Date, assuming there is no other changes in the shareholding structure of the Company since the Latest Practicable Date:

Shareholders	As at the Latest Practicable Date		Upon completion of the Rights Issue Assuming no exercise of any outstanding Share Options on or before the Record Date			
			Assuming no Qualifying Shareholders take up their respective entitlements under the Rights Issue (Note 2)		Assuming full subscription by the Qualifying Shareholders as to their respective entitlements under the Rights Issue	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Wong Wai Sing (“Mr. Wong”) (Note 1)	112,076	0.02	112,076	0.01	145,697	0.02
The Underwriter and its subunderwriter(s), if any (Note 2)	—	—	151,356,987	23.08	—	—
Other public Shareholders	<u>504,411,221</u>	<u>99.98</u>	<u>504,411,221</u>	<u>76.91</u>	<u>655,734,587</u>	<u>99.98</u>
Total	<u>504,523,297</u>	<u>100.00</u>	<u>655,880,284</u>	<u>100.00</u>	<u>655,880,284</u>	<u>100.00</u>

Notes:

- Mr. Wong is the chairman of the Company and a non-executive Director. Of the 112,076 Shares, 75,676 Shares are held by Ming Kei International Holding Company Limited (“MKIH”), a company which is wholly and beneficially owned by Mr. Wong, the sole executive director of MKIH. Accordingly Mr. Wong is deemed to be interested in the 75,676 Shares.
- This scenario is for illustrative purpose only.

In addition, the Qualifying Shareholders who wish to increase their shareholding interests in the Company through the Rights Issue may subject to availability, acquire additional nil-paid rights in the market.

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Having considered (i) the inherent dilutive nature of rights issue in general; (ii) debt financing and bank borrowing will create interest payment obligations to the Group and increase the debt-serving costs, and incur further and immediate interest burden to the Company and subject the Group to repayment obligations; (iii) while considered the current circumstances of the Group, the repayment ability of the Group which mainly depends on the profitability of the Group, recent volatile economic environment and the uncertainties relating to the European debt crisis, we concur with the Directors that the Group has encountered difficulties in applying for long-term bank borrowings from commercial banks with favorable terms; (iv) the difficulties encountered in other equity fund raising exercises due to the two placements already done in the past 6 months, (as of the Latest Practicable Date, approximately 99.99% of the existing general mandate of the Company had been utilized), and the loss position of the Group since the year of 2009; (v) as compared to other equity financing alternatives, only the Right Issue can provide the existing shareholders an option to maintain their pro-rata shareholding in the Company and to participate in the future growth of the Group; (vi) the Qualifying Shareholders have their choice whether to accept the Rights Issue or not; and (vii) the Qualifying Shareholders have the opportunity to realise their nil-paid rights by selling their subscription rights in the open market and get back the net proceeds if they do not wish to take place in the Rights Issue, we concur with the Directors that possible dilution effect on the existing Shareholders to be acceptable.

6. Financial effects of the Rights Issue

Net tangible asset

According to the unaudited pro forma financial information as set out in Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group of approximately HK\$160 million as at 31 December 2012 will increase by approximately HK\$27.9 million to HK\$187.9 million being the unaudited pro forma adjusted consolidated net tangible assets of the Group after the Rights Issue. In addition, the unaudited consolidated net tangible assets of the Group per Share as at 31 December 2012 was HK\$0.32 and since the Subscription Price is at a discount to the net asset value per Rights Shares, meaning that the net increase in tangible assets per Share is smaller than the existing tangible assets per Share, the unaudited pro forma adjusted consolidated net tangible assets of the Group per Share would be diluted to approximately HK\$0.29 as at 31 December 2012.

Working Capital

As at 31 December 2012, the cash position of the Group was approximately HK\$28.9 million. Upon the completion of the Rights Issue, the cash and bank balances of the Group will increase as a result of the net proceeds of approximately HK\$27.9 million from the Rights Issue. Accordingly, the working capital of the Group will be improved as a result of the Rights Issue.

As the aforesaid unaudited pro forma adjusted consolidated net tangible assets, the cash and bank balances of the Group will increase and all the Qualifying Shareholders have an equal opportunity to participate in the enlargement of the Company's capital base

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and the Company's further development, we consider the Rights Issue is in the interests of the Company and the Shareholders as a whole even though there is a deduction of the net tangible assets per Shares.

RECOMMENDATION

Taking into account the factors and reasons as mentioned above, which include (i) background information of the Group; (ii) reasons for the Rights Issue and the use of proceeds; (iii) principal terms of the Rights Issue; (iv) potential dilution effect on the shareholding interests of the Shareholders; and (v) financial effects of the Rights Issue, we consider that, on balance, the terms of the Rights Issue are fair and reasonable so far as the Shareholders are concerned and the Rights Issue is in the interest of the Company and the Shareholders as a whole and we would advise (i) the Independent Board Committee to recommend to the Shareholders; and (ii) the Independent Shareholders, to vote in favour of the resolutions to be proposed at the SGM to approve the Rights Issue and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
Nuada Limited
Kevin Chan
Executive Director

1. FINANCIAL SUMMARY AND INDEPENDENT AUDITOR'S REPORTS

The audited financial information of the Group for each of the three years ended 31 March 2010, 2011 and 2012 can be referred to the annual reports of the Company for the years ended 31 March 2010 (pages 53 to 121), 2011 (pages 61 to 137) and 2012 (pages 69 to 137) respectively. The auditor of the Company has not issued any qualified opinion on the Group's financial statements for the financial years ended 31 March 2010, 2011 and 2012. The unaudited financial information of the Group for the three (the "**Quarterly Period**") and nine (the "**Period**") months ended 31 December 2012 can be referred to the third quarterly report of the Company for the nine months ended 31 December 2012 (pages 1 to 14).

References are made to the announcements of the Company dated 24 October 2012 in relation to the completion of the Property Acquisition. The accountants' report (pages II-1 to II-28) in relation to the Property Acquisition has already been submitted to the Shareholder and can be referred to the circular (the "**Property Circular**") of the Company dated 26 September 2012.

The above-mentioned financial information and accountants' report have been published on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://www.mkhld.com>). Please refer to the hyperlinks as stated below:

Third Quarterly Report 2012/13:

<http://www.hkexnews.hk/listedco/listconews/GEM/2013/0214/GLN20130214025.pdf>

Annual report 2011/12:

<http://www.hkexnews.hk/listedco/listconews/GEM/2012/0628/GLN20120628126.pdf>

Annual report 2010/11:

<http://www.hkexnews.hk/listedco/listconews/GEM/2011/0628/GLN20110628029.pdf>

Annual report 2009/10:

<http://www.hkexnews.hk/listedco/listconews/GEM/2010/0623/GLN20100623023.pdf>

Property Circular:

<http://www.hkexnews.hk/listedco/listconews/GEM/2012/0925/GLN20120925030.pdf>

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 March 2013, being the latest practicable date for the purposes of preparing this statement of indebtedness prior to the printing of this Circular, the Group had an amount due to a non-controlling owner of a subsidiary of approximately HK\$1,950,000, which is unsecured, interest-free and has no fixed terms of repayment.

Disclaimer

Save as aforesaid or as otherwise mentioned herein, and apart from intra-group liabilities, the Group did not have any outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 31 March 2013, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular.

Save as aforesaid, the Directors are not aware of any material changes in the indebtedness, contingent liabilities and commitments of the Group since 31 March 2013, the date to which the statement of indebtedness is made and up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that the Group will, taking into account the Rights Issue and the financial resources available to the Group, have sufficient working capital for its present operating requirements and for the next twelve months from the date of this circular.

4. BUSINESS REVIEW AND FINANCIAL AND TRADING PROSPECTS**Business and financial review**

The Group is principally engaged in (i) property investments; and (ii) business of coal trading business between the PRC and Indonesia.

Decrease in revenue were mostly contributed by the reduced of selling price per metric tonne of coal sold for the coal trading business and the disposal of Star International Business Company Limited (“SIB”) and its Subsidiaries (collectively the “SIB Group”) completed on 11 May 2012. The reduced of selling price per metric tonne of coal sold for did not have significant impact to the cash flows or the operating model of the coal trading business pursuant to pages 18 and 19 of the circular (the “Indonesia Circular”) of the Company dated 14 October 2010, in particular maintaining a positive price gap between the purchase price and the selling price of at least US\$2 per metric tonne of coal sold. Given the letter of intents signed with the customers and suppliers separately, the coal trading business will continue and provide a stable and regular source of income to the Group.

The Group reported total turnover of approximately HK\$70,044,000 (2011: approximately HK\$80,192,000 (restated)) for the Period representing a decrease by approximately HK\$10,148,000 over the corresponding prior period. The decrement of revenue were mostly contributed by the reduction in selling price per metric tonne of coal sold for the coal trading business from approximately HK\$79,190,000 (restated) to approximately HK\$69,100,000 for the Period. Since completion of the Property

Acquisition on 24 October 2012, the property located in Tuen Mun, Hong Kong was generated additional and steady rental income and cash flow of approximately HK\$799,000 during the Quarterly Period.

The Group's gross profit was approximately HK\$4,682,000 for the Period (2011: approximately HK\$4,946,000 (restated)) representing a decrease by approximately HK\$264,000. The gross profit margin of approximately of 6.7% was comparable with corresponding prior period of approximately 6.2%. Included in other income, and gains and losses, net of approximately HK\$2,931,000 (2011: approximately HK\$1,195,000 (restated)) was mainly a gain on disposal of SIB Group of approximately HK\$2,143,000 (2011: HK\$Nil) during the Period.

The Group's selling and distribution costs for the Period decreased slightly to approximately HK\$514,000 (2011: approximately HK\$557,000 (restated)), which were arising from the coal trading business and was in line with the trend of turnover during the Period.

The administrative and other expenses increased to approximately HK\$28,755,000 from approximately HK\$27,943,000 (restated) was mainly due to increase in rental expenses, the financial printing costs and the legal and professional fees.

Loss attributable to the owners of the Company for the Period was approximately HK\$22,535,000 (2011: approximately HK\$23,635,000 (restated)) which was comparable with corresponding prior period.

The Group had no borrowings and had cash and cash equivalents of approximately HK\$28,896,000 (31 March 2012: approximately HK\$8,543,000). The increase was mainly due to net proceeds raised from a placement of new Shares completed on 27 December 2012. Details were set out in the announcements of the Company dated 17 December 2012 and 27 December 2012.

Financial and trading prospects

As part of its business plan, the Board will continue to explore and evaluate new businesses and investment opportunities which could be of good potential and/or long-term benefit to the Group.

Property Investments

Reference is made to the announcement of the Company dated 11 May 2012 in relation to a discloseable and connected transaction of the disposal of the entire issued share capital of SIB Group to Mr. Wong for the consideration of HK\$15.74 million pursuant to the agreement entered on 29 February 2012 was completed on 11 May 2012. The only investment property (the "**PRC Property**") located in the PRC was disposed and ceased to earn rental income generated from the PRC Property.

Reference is made to the Property Circular, and announcements of the Company dated 16 October 2012 and 24 October 2012. Unless otherwise defined, capitalized terms used herein shall have the same meanings as defined in the Property Circular. All Conditions were satisfied and the Completion took place on 24 October 2012, at which the Consideration Shares were issued to the Vendor in accordance with the Agreement. The Group completed the acquisition of the Sale Shares and the Sale Loan at a consideration of HK\$88,000,000, and warranted by the Vendor that the Property and the Target Group was free from any mortgage, charge, pledge or other security. The members of the Target Group are investment holding companies having no material assets other than their beneficial interests in the Property located in Tuen Mun, Hong Kong, valued at HK\$101,000,000 in accordance to the indicative valuation performed by the Valuer. At Completion, the Target Group became wholly-owned subsidiaries of the Company.

The Consideration of HK\$88.0 million was fully settled by:

- (1) the allotment and issue of the Consideration Shares for part of the balance of the Consideration, being approximately HK\$13.0 million;
- (2) internal fundings of the Group for part of the balance of the Consideration, being approximately HK\$13.9 million; and
- (3) the Funding Raising Exercise for the outstanding balance of the Consideration, being approximately HK\$61.1 million in aggregate, including:
 - (i) on 14 August 2012, 115,251,000 offer shares of par value HK\$0.01 each of the Company were issued under an open offer at a subscription price of HK\$0.43 each for net proceeds of approximately HK\$46.0 million. Approximately HK\$38.0 million was applied for paying up part of the outstanding balance of the Consideration; and
 - (ii) during the Period, 33,760,000 and 46,100,000 placing shares (79,860,000 placing shares in aggregate) of the Company were placed at subscription prices at HK\$0.28 and HK\$0.36 respectively, for net proceeds of approximately HK\$8.6 million and approximately HK\$15.5 million respectively. Approximately HK\$7.6 million and HK\$15.5 million was applied for paying up part of the outstanding balance of the Consideration.

Further to all resolutions passed on the SGM, all Conditions to the Completion of the Agreement entered into between Star International and Mr. Yuan Huafeng, the Vendor, were satisfied and the Completion took place on 24 October 2012, at which the 34,300,000 Consideration Shares were allotted and issued by the Company at HK\$0.38 issued to the Vendor as part of the consideration. The Group resume the business in the property investment holdings in Hong Kong upon the captioned completion.

Given the annual gross rental income from the Property of approximately HK\$3.5 million represents a yield of approximately 4.0% to the Consideration, the Board considers the return satisfactory and the Acquisition is a good opportunity for the Group to achieve long term stable income and growth. The Board is of the same view as set out

in the Property Circular that there is more appreciation potential for properties in Hong Kong and save for the Property Acquisition and subject to the availability of additional financial resources to the Group, may continue to explore the possibility of investing in more properties in Hong Kong that could strengthen the return on rental income, with good growth and/or profit potential. Further announcement(s) will be made by the Company as and when necessary.

Coal Trading Business

Pursuant to the Indonesia Circular of the Company dated 14 October 2010, given the letter of intents signed with the customers and suppliers separately, the existing coal trading business will continue and provide a steady source of income and positive impact on the earning to the Group. Although the Board has remained positive about the future prospect of the existing coal trading business, the Group will continue monitoring the sale price of steam coal as well as the controls over costs and related expenses towards the coal trading operations to ensure its continued profitability. By maintaining the same strategies as set out in the Indonesia Circular, the Group takes opportunities to expand its customer base and supplier networks through the business plan of a new coal trading business in the PRC and uses the best endeavour to make appropriate decision and process on a timely manner.

We have reviewed a news article published in www.marketwatch.com (<http://www.marketwatch.com/story/outlook-2013-the-case-for-a-coal-recovery-2012-12-17>), who is one of the major financial news providers in the United States, in order to assess the operations, prospects and risks of the Coal Acquisition. According to the article, the global coal sector may come to a recovery in 2013. As the coal industry has been sluggish in 2012, it is reasonable to expect that the major coal plant closures have happened already and the industry is on the way to recovery. In addition, the quantitative easing policies as launched by the central banks among the developed nations will also give a boost to the economy recovery, which will increase coal consumption. Especially the heavy reliance on coal for electricity generation in the PRC, the rapid development and urbanization boosted the coal demand and consumption to a high level.

In order to catch the surge in demand as aforesaid, the Group entered into sale and purchase agreement for the Coal Acquisition on 27 March 2013 and processing the due diligent process for the new establishment in the PRC. The Group continues to hold the business strategy by taking opportunities to expand its customer base and suppliers network. Through the acquisition of a PRC enterprise with a coal trading qualification license (煤炭經營資格證) that (a) can enabling the Group to step in the business of trading coal domestically and nation-wide in the PRC; (b) expand the regions and geographical coverage; (c) provide a synergy effect to the existing coal trading business in the future by introducing new customer base and supplier networks; (d) improve the financial results of the Group through the additional income source; and (e) with the opportunity to mitigate this exposure and the prospect of a more balanced revenue and customer base.

The Company has been exploring opportunities to broaden the Group's business scope and additional income sources within the same industry.

Following completion of the Rights Issue, additional working capital may be employed and available for the operations to capitalize on newly presented business opportunities, the Coal Acquisition. The net proceeds of the Rights Issue will be approximately HK\$27.9 million. The Directors are of the view that the Rights Issue will enable the Company to raise funds for the Coal Acquisition which will provide an opportunity to all Shareholders to participate in the growth of the Company in proportion to their shareholdings. As such, the Rights Issue is consistent with the strategic plans of the Group, and is therefore fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The completion of the Coal Acquisition subject to and depending on the results of the due diligent review, valuation, if applicable, and other related issues. We may not be able to complete the Coal Acquisition within a prescribed time frame or conclude on terms commercially acceptable to the Group and the Shareholders as set out in the section headed "Risk Factors", the Directors hold the view that other business opportunities as the alternatives of the Coal Acquisition could be identified if sufficient financial resources is available to the Group as the Directors have experienced to receive proposals from potential vendors in respect of potential investment projects from time to time as set out in the section headed "Reasons for the Rights Issue and Use of Proceeds". The net proceeds from the Rights Issue will (a) enable the Group to use the best endeavour to make appropriate decision and on a timely manner; (b) has sufficient financial resources to negotiate with other potential vendors; and (c) to facilitate the completion of potential acquisition (including Coal Acquisition).

The Board will take a cautious and conservative approach in the evaluation and timing of potential projects or investments, including Coal Acquisition and constantly keep reviewing the Group's strategies and operations with a view to improve its business performance and Company's shareholders' returns. The Board considers that there are possibilities that the Group would identify suitable investment opportunities which may broaden the Group's business scope and provide additional income sources within the same industry have greater potential returns and may enhance the earnings per share of the Group may arise from time to time by taking advantage of the good market sentiments in future.

APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION
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(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets (the “**Unaudited Pro Forma Financial Information**”) of the Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had taken place on 31 December 2012.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purpose only, based on the judgments, estimates and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Rights Issue actually taken place on 31 December 2012 or any future date.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the unaudited consolidated net tangible assets of the Group derived from the unaudited condensed consolidated statement of financial position of the Group as at 31 December 2012, as extracted from the published third quarterly report of the Company for the three months ended 31 December 2012 and is adjusted for the effect of the Rights Issue.

Unaudited consolidated net tangible assets of the Group as at 31 December 2012 <i>(Note 1)</i> <i>HK\$'000</i>	Estimated net proceeds from the Rights Issue <i>(Note 2)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets of the Group after the Rights Issue <i>HK\$'000</i>	Unaudited consolidated net tangible assets of the Group per Share as at 31 December 2012 <i>(Note 3)</i> <i>HK\$</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share as at 31 December 2012 <i>(Note 4)</i> <i>HK\$</i>
Based on the Subscription Price of HK\$0.2 per Rights Share				
159,985	27,871	187,856	0.32	0.29

- (1) The unaudited consolidated net tangible assets of the Group as at 31 December 2012 is arrived at by deducting the intangible assets of approximately HK\$47,425,000 as at 31 December 2012 from the unaudited consolidated net assets of the Group of approximately HK\$207,410,000 as at 31 December 2012.
- (2) The estimated net proceeds from the Rights Issue are approximately HK\$27,871,000 calculated based on 151,356,987 Rights Shares to be issued at the Subscription Price of HK\$0.2 per Rights Share, and after the deduction of the estimated direct legal and professional costs of approximately HK\$2,400,000.
- (3) The calculation of unaudited consolidated net tangible assets of the Group per Share as at 31 December 2012 is based on the unaudited consolidated net tangible assets of the Group of approximately HK\$159,985,000 and 504,523,297 Shares in issue as at 31 December 2012.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (4) The calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group per Share as at 31 December 2012 is based on the unaudited pro forma adjusted consolidated net tangible assets of the Group after the Rights Issue of approximately HK\$187,856,000; and 655,880,284 Shares in issue immediately following the completion of the Rights Issue which comprise the 504,523,297 Shares in issue as at 31 December 2012 and the 151,356,987 Rights Shares to be issued to the Qualifying Shareholders on the basis of three Rights Shares for every ten existing Shares held on the Record Date.

- (5) Save as disclosed above, no adjustment has been made to reflect any trading results or other transaction of the Group entered into subsequent to 31 December 2012.

The following is the text of an accountants' report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the Unaudited Pro Forma Financial Information of the Group.

**(B) REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED
CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**



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香港干諾道中111號
永安中心25樓

15 May 2013

The Board of Directors
Ming Kei Holdings Limited
Room 2103, 21/F
9 Queen's Road Central
Central
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of the Company and its subsidiaries (collectively referred to as the “**Group**”) as set out on pages 55 to 56 under the heading of “Unaudited Pro Forma Financial Information” (the “**Unaudited Pro Forma Financial Information**”) in Appendix II of the Company’s circular dated 15 May 2013 (the “**Circular**”) for the Rights Issue (defined below). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, solely for illustrative purposes only, to provide information about how the proposed rights issue of 151,356,987 rights shares at the subscription price of HK\$0.2 per rights share on the basis of three rights shares for every ten existing shares of the Company held on the record date (the “**Rights Issue**”) might have affected the relevant financial information of the Group as at 31 December 2012 as if the Rights Issue had taken place on 31 December 2012. The basis of preparation of the Unaudited Pro Forma Financial Information is set out under the heading of “Unaudited Pro Forma Financial Information” in Appendix II of the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

It is our responsibility to form an opinion, as required by paragraph 7.31 of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31 of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and because of its hypothetical nature, does not give any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group had the Rights Issue actually taken place on 31 December 2012 or any future date.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group so far as such policies related to the transaction; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31 of the GEM Listing Rules.

Yours faithfully,
BDO Limited
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

2. SHARE CAPITAL

<i>Authorised:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares	<u>100,000,000</u>
<i>Issued and fully paid or credited as fully paid:</i>		
504,523,297	Shares as at the Latest Practicable Date	5,045,232.97
<u>151,356,987</u>	Rights Shares to be issued	<u>1,513,569.87</u>
<u>655,880,284</u>	Shares	<u>6,558,802.84</u>

All the Shares in issue and the Rights Shares (when allotted and fully paid) to be issued rank pari passu with each other in all respects including as regards to dividends and voting rights. The Rights Shares to be issued will be listed on the Stock Exchange.

As at the Latest Practicable Date, the Company had no outstanding warrants, options or convertible, exchangeable securities or Share Options.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Offer Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there is no arrangement under which future dividends are/will be waived or agreed to be waived.

3. DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives of the Company and their associates in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), (i) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or

short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares

Name	Nature of interest	Number of Shares	Approximately percentage of interests
Mr. Wong	Interest of controlled corporation (<i>note</i>)	75,676	0.015%
	Beneficial owner	36,400	0.007%

Note: MKIH is wholly and beneficially owned by Mr. Wong, the sole executive director of MKIH. Accordingly, Mr. Wong is deemed to be interested in the 75,676 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

(b) Substantial shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or, who was substantial Shareholder as recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a letter of appointment with the Company for a term of one (1) year commencing from the date of the relevant appointment, which will continue thereafter until terminated by either party giving not less than one month's notice in writing to the other party.

As at the Latest Practicable Date, none of the Directors had entered into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within a year without payment of any compensation (other than statutory compensation)).

5. EXPERTS

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualifications
BDO Limited	Certified Public Accountants
Donvex Capital Limited	A licensed corporation registered under the SFO to conduct type 6 (advising on corporate finance) regulated activity under the SFO
Hills & Co.	Legal Advisor on the PRC law
Nuada Limited	A licensed corporation registered under the SFO to conduct type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of their letters or its name in the form and context in which it appears.

Each of the above experts does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts and every Director or any proposed Director did not have any interest, either directly or indirectly, in any assets which have been since 31 March 2012 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware of, no members of the Group was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

- (a) the non-legal binding memorandum of understanding dated 25 February 2011 and entered into between Starry Gold Resources Investment Limited, an indirect wholly owned subsidiary of the Company, as purchaser and Mr. Li, Man Keung Edwin and Zenon International Limited as vendors in relation to the possible acquisition of the entire issued share capital of Initial Garden Limited for a refundable deposit of HK\$4,000,000;
- (b) the non-legal binding memorandum of understanding dated 8 July 2011 and entered into between Star Enterprise Investment Company Limited, an indirect wholly owned subsidiary of the Company, as purchaser and Mr. Woo Man Wai, David as vendor in relation to the possible acquisition of the entire issued share capital of Sino-Singapore (Offshore) Chemical Resources Trading Company Limited for a refundable deposit of HK\$3,000,000;
- (c) the provisional sale and purchase agreement dated 3 August 2011 and the formal sale and purchase agreement dated 17 August 2011 entered into among Star Energy International Investment Company Limited, an indirect wholly owned subsidiary of the Company as vendor and three independent third parties as purchasers in relation to the sale and purchase of a flat in Block 5 Sorrento, 1 Austin Road West, Kowloon Hong Kong with gross area of approximately 848 sq. feet for a consideration of HK\$11,300,000;
- (d) the sale and purchase agreement dated 29 February 2012 and entered into between Star Fortune International Group Company Limited, a direct wholly owned subsidiary of the Company as vendor and Mr. Wong as purchaser in relation to the disposal of the entire interest in Star International Business Company Limited and its subsidiary for a consideration of HK\$15,740,000;
- (e) the placing agreement dated 10 April 2012 and entered into between the Company as the issuer and the Underwriter, as placing agent in relation to the placing of 33,760,000 Shares at HK\$0.28 per placing share of the Company;
- (f) the sale and purchase agreement (the “**Foremost Star Agreement**”) dated 24 May 2012 and entered into between Mr. Yuan Huafeng (“**Mr. Yuan**”), an Independent Third Party, as vendor and Star International Business Development Company

Limited (“**Star International**”), an indirect wholly owned subsidiary of the Company in relation to the acquisition of the entire issued share capital of Foremost Star Investments Limited for a consideration of HK\$88,000,000;

- (g) the underwriting agreement dated 24 July 2012 and entered into between the Company as the issuer and the Underwriter in relation to the open offer of 115,251,099 Shares on the basis of one Share for two existing Shares held on 23 July 2012 at HK\$0.43 per offer Share;
- (h) the supplemental agreement dated 15 August 2012 to amend certain terms and conditions of the Foremost Star Agreement entered into between Star International and Mr. Yuan;
- (i) the placing agreement dated 20 August 2012 and entered into between the Company as the issuer and the Underwriter as placing agent in relation to the placing of 46,100,000 Shares at HK\$0.36 per placing Share;
- (j) the letter of agreement dated 10 September 2012 to amend certain terms and conditions of the Foremost Star Agreement and entered into between Star International and Mr. Yuan;
- (k) the non-legal binding memorandum of understanding dated 14 December 2012 and entered into between Grand Just Limited, a direct wholly owned subsidiary of the Company, as purchaser and Mr. Lau Loi Hei as vendor in relation to the Coal Acquisition;
- (l) the placing agreement dated 17 December 2012 and entered into between the Company as the issuer and the Underwriter as placing agent in relation to the placing of 78,370,000 Shares at HK\$0.35 per placing Share;
- (m) the non-legal binding memorandum of understanding dated 14 January 2013 and entered into between Elite Best Enterprises Limited, a direct wholly owned subsidiary of the Company, as purchaser and Ms. Liu Mei Mei as vendor in relation to the acquisition of 51% equity interests of First May Holdings Limited;
- (n) the sale and purchase agreement dated 27 March 2013 and entered into between Grand Just Limited, a wholly owned subsidiary of the Company, as purchaser and Mr. Lau Hoi Hei, an Independent Third Party, as vendor in relation to the acquisition of the entire interest in Wider Trading Limited and its subsidiaries for a consideration of HK\$13,000,000;
- (o) the Underwriting Agreement; and
- (p) the Supplemental Agreement.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and the controlling Shareholders or their respective associates had any interests in businesses which competed or might compete with the businesses of the Group or had any other conflict of interests with the Group.

9. MATERIAL ADVERSE CHANGE

Save as disclosed herein, the Directors have not been aware of any material adverse change in the financial position or trading position of the Group since 31 March 2012, being the date to which the latest published audited financial statements of the Group was made up.

10. EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission, financial advisory fees, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$2.4 million, which are payable by the Company.

11. CORPORATE INFORMATION

Registered Office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business in Hong Kong	Room 2103, 21/F No. 9 Queen's Road Central Central, Hong Kong
Executive Directors	Ho Pui Tin, Terence Room 2103, 21/F No. 9 Queen's Road Central Central, Hong Kong
	Chow Pak Wah, Oliver Room 2103, 21/F No. 9 Queen's Road Central Central, Hong Kong
Non-executive Directors	Wong Wai Sing Unit 01, 3/F Wheelock House 20 Pedder Street Central, Hong Kong

	<p>Tsang Ho Ka, Eugene Unit 01, 3/F Wheelock House 20 Pedder Street Central, Hong Kong</p>
Independent non-executive Directors	<p>Kwok Kam Tim Room 2103, 21/F No. 9 Queen's Road Central Central, Hong Kong</p> <p>Ho Chi Wai Room 2103, 21/F No. 9 Queen's Road Central Central, Hong Kong</p> <p>Cui Ying Room 2103, 21/F No. 9 Queen's Road Central Central, Hong Kong</p>
Senior management	<p>Ho Pui Tin, Terence Room 2103, 21/F No. 9 Queen's Road Central Central, Hong Kong</p> <p>Chow Pak Wah, Oliver Room 2103, 21/F No. 9 Queen's Road Central Central, Hong Kong</p> <p>Hui Ngai Hon, Edward Room 2103, 21/F No. 9 Queen's Road Central Central, Hong Kong</p> <p>Cheng Man Wah Room 2103, 21/F No. 9 Queen's Road Central Central, Hong Kong</p> <p>Sung Ting Yee Unit 01, 3/F Wheelock House 20 Pedder Street Central, Hong Kong</p>

Company secretary	Cheng Man Wah Room 2103, 21/F No. 9 Queen's Road Central Central, Hong Kong
Compliance Officer	Ho Pui Tin, Terence Room 2103, 21/F No. 9 Queen's Road Central Central, Hong Kong
Authorised representatives	Ho Pui Tin, Terence Room 2103, 21/F No. 9 Queen's Road Central Central, Hong Kong Cheng Man Wah Room 2103, 21/F No. 9 Queen's Road Central Central, Hong Kong
Auditor	BDO Limited Certified Public Accountants 25/F., Wing On Centre 111 Connaught Road Central Hong Kong
Principal share registrar	Codan Services Limited Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Hong Kong branch share registrar	Tricor Tengis Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
Principal bankers	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong Standard Chartered Bank Shop A25-27, Ground Floor Kwai Chung Plaza Hong Kong

12. PARTIES INVOLVED IN THE RIGHTS ISSUE

Underwriter	Orient Securities Limited Room 2801-4, 28/F Dah Sing Financial Centre No.108 Gloucester Road Wan Chai, Hong Kong
Independent Financial Adviser	Nuada Limited 17/F BLINK, 111 Bonham Strand Sheung Wan, Hong Kong
Financial adviser to the Company	Donvex Capital Limited Unit 1305, 13/F Carpo Commercial Building 18-20 Lyndhurst Terrace Central, Hong Kong
Legal advisers to the Company	<i>as to Hong Kong law</i> Michael Li & Co 19/F., Prosperity Tower No. 39 Queen's Road Central Central, Hong Kong <i>as to Bermuda law</i> Conyers Dill & Pearman 2901, One Exchange Square 8 Connaught Place Central, Hong Kong <i>as to the PRC law</i> Hills & Co. 11/F., Central Tower No. 88 Fu Hua 1st Road Fu Tian District Shenzhen, the PRC
Reporting accountant	BDO Limited Certified Public Accountants 25/F., Wing On Centre 111 Connaught Road Central Hong Kong

13. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Terence Ho, aged 46, completed a professional diploma in accountancy in the Hong Kong Polytechnic University in 1989 and is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). Terence Ho has over 24 years of extensive practical experiences and extensive knowledge in the accounting, corporate finance, financial, property investment and development, manufacturing, retail, securities and infrastructures industry. Prior to joining the Company, Terence Ho had been the financial director and non-executive director of Wah Nam International Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which were listed on the main board (the “**Main Board**”) of the Stock Exchange (stock code: 159) from 1997–1999. Terence Ho is currently the director of Metro Capital Securities Limited, and responsible for overseeing the accounting, compliance and reporting of the securities broker. Terence Ho has taken up the management role as the director of a number of subsidiaries of the Company respectively. Terence Ho is also a member of the nomination committee and remuneration committee of the Company.

Mr. Chow, aged 53, completed a diploma course in the accounting and business development from the Hong Kong Management Association in 1980. Mr. Chow has over 33 years of extensive practical experience and extensive knowledge in the corporate finance and securities industry.

Prior to joining the Company, Mr. Chow had been head of operation, head of regional operations, and held a managerial position in different international securities companies including but not limited to Cazenove & Co (Overseas) Ltd., Jupiter Tyndall (Asia) Ltd., Credit Lyonnais Securities (Asia) Ltd., JS Cresvale Securities International Ltd. and Sunice Enterprise International Ltd.. Mr. Chow had also been a director of investor relationship of eForce Holdings Limited (stock code: 943), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board and a director of corporate finance of Ngai Lik Industrial Holdings Limited (stock code: 332), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board. Mr. Chow is currently the managing director of Sure Success Investments Holdings Ltd., a private independent consulting company. Mr. Chow has taken up the management role as an executive director of a number of subsidiaries of the Company.

Non-executive Directors

Mr. Wong, aged 27, is a member of the Hong Kong Institute of Directors. Mr. Wong holds a bachelor of science degree in international business from the Canterbury University, London, an international master degree of business administration from the Stratford University, Falls Church, Virginia, the United State of America and a master of arts and a doctor of philosophy from the Universidad Empresarial De Costa Rica. He also obtained a certificate of three-tiers’ integrate coal mine’s safety (三級煤礦安全技術綜合考試) from the Bureau of Xinjiang Coal Mine Safety Supervision, the PRC (中國新疆煤

礦安全監察局) and a diploma of lifestyle medicine for stress management from the Harvard Medical School Department of Continuing Education. Mr. Wong is also the Trade Adviser of the Honorary Consulate of Equatorial Guinea to Bucharest Romania and the Diplomatic Adviser to the Special Representatives for the PRC of the Sovereign Order of Saint John of Jerusalem, Knights of Malta, Federation of the Autonomous Priorities.

Mr. Wong has experience in a wide range of business, including the coal mining, natural resources industry, international coal trading, business consultation, property investment, provision of internet e-gaming, rendering of travel agent services, entertainment programme production, events organization, TV series production, operation of an artist training school, provision of motor vehicles beauty services, provision of underwriting services for general insurance and reinsurance business and manufacture and trading of hygienic disposables for household and clinical uses, trading of methyl tert-butyl ether's and wholesale and retail of household consumables. He is also the owner of Colors Securities Limited which is principally engaged in dealing in securities (Type 1), advising on securities (Type 4) and asset management (Type 9) and Colors Commodities Limited which is principally engaged in dealing in futures contracts (Type 2) and advising on futures contracts (Type 5).

Mr. Wong has taken up the management role as an executive director of a number of subsidiaries of the Company.

Mr. Wong was a consultant of a Hong Kong-based medium-sized CPA firm for more than a year. He was also the chairman and an executive director of TLT Lottotainment Group Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the GEM (stock code: 8022) from 17 April 2009 to 31 May 2011.

Mr. Wong is also an executive director, the vice chairman and the chief executive officer of Newtree Group Holdings Limited (“**Newtree**”), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board (stock code: 1323).

Mr. Tsang, aged 31, is a Certified Practising Accountant of the CPA Australia, a Certified Public Accountant of the HKICPA, an international associate of the American Institute of Certified Public Accountants, a member of the Hong Kong Institute of Directors, an associate management accountant of the Institute of Certified Management Accountants, Australia, an associate of the Taxation Institute of Hong Kong, a full member of the Institute of Accountants Exchange, a Certified Tax Adviser of the Taxation Institute of Hong Kong and also the member of the Hong Kong Mining Investment Professionals Association. Mr. Tsang holds a bachelor's degree in commerce from the University of New South Wales, Australia and also completed an accounting extension course of Australian Taxation Law and Australian Corporations Law in the University of Sydney, Australia. Mr. Tsang has over 10 years of experience in accounting and financial management and previously worked in Deloitte Touche Tohmatsu, an international CPA firm and a company listed in the Hong Kong. Mr. Tsang is also the founder of the Gattaca Company Limited, an independent consultancy company specializing in corporate restructuring and financial reengineering. Mr. Tsang has experience in a wide range of

business, including trading and distribution of recycled computers and related accessories, the provision of information technology consulting and related maintenance services, trading of bags and accessories, coordination of various logistics services, coal mining, sale and distribution of coals in the PRC, international coal trading, general trading in the PRC, property investments, business consultancy, financial printing services and manufacture and trading of hygienic disposables for household and clinical uses, trading of methyl tert-butyl ether's and wholesale and retail of household consumables. Prior to joining the Company, Mr. Tsang was the company secretary and the qualified accountant of the Richfield Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which were previously listed on the GEM (stock code: 8136) and subsequently transferred to the Main Board (stock code: 183) from March 2006–March 2007. Mr. Tsang is also an executive director and joint company secretaries of Newtree.

Independent non-executive Directors

Mr. Kwok, aged 36, is a Certified Public Accountant of the HKICPA and a member of the Association of Chartered Certified Accountants (the “ACCA”). Mr. Kwok holds a bachelor's degree of engineering in electronics engineering from the Hong Kong University of Science and Technology and bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University. Mr. Kwok has over 11 years of experience in accounting and financial managements and previously worked in an international CPA firm. Mr. Kwok is currently a financial controller, company secretary and authorised representative of the Loudong General Nice Resources (China) Holdings Limited (stock code: 988), a company listed on the Main Board. Mr. Kwok is also an independent non-executive director of Newtree. Mr. Kwok is the chairman of the remuneration committee and a member of the audit committee and nomination committee of the Company.

Mr. Ho, aged 38, holds a Bachelor of Business Administration (Hons) from the Lingnan University (Hong Kong) (formerly known as Lingnan College (Hong Kong)), and a master of finance (Taxation) from Jinan University (PRC). He is a Certified Public Accountant of the HKICPA, a fellow of the ACCA, a certified tax adviser of the Taxation Institute of Hong Kong and also an associate of the Taxation Institute of Hong Kong. Mr. Ho had over 15 years of experience in audit and financial managements. Mr. Ho is also the chairman of the audit committee, and a member of the nomination committee and remuneration committee of the Company.

Ms. Cui, aged 45, holds a Bachelor of Economy Management majoring in external trade economics' technology (經濟管理工程系外貿技術經濟) from the Hunan University, Department of the Economic Management Engineering (湖南大學經濟管理工程系) and also a professional accountant of the Certificate of Accounting Professional, Luohu District, Bureau of Finance (羅湖區財政局), the PRC. Ms. Cui has over 21 years of experience in administrative and financial managements. Ms. Cui is also the chairman of the nomination committee, and a member of the audit committee and remuneration committee of the Company.

Senior management

Terence Ho is the senior management of the Company. For details of his biography, please refer to the paragraph headed “Executive Directors” in this section.

Mr. Chow is the senior management of the Company. For details of his biography, please refer to the paragraph headed “Executive Directors” in this section.

Mr. Hui Ngai Hon, Edward (“**Mr. Hui**”), aged 38, holds a bachelor’s degree of arts from The University of British Columbia, Canada and a Certificate of Mining Economics issued by the Runge Limited, Australia. Mr. Hui has a wide range of experiences in the industry of stock brokerage, fund broker, asset management, financial projects, land development, mining and resource business. Mr. Hui is currently one of the shareholder and a director of Race Resources Limited and responsible in numerous inspection, assessment, exploration and exploitation work involving different types of mineral resources (including iron, nickel, tin, copper and gold mines) in different countries including Mongolia, Philippines, the PRC and Indonesia. Mr. Hui first joined the Company as the Group’s project manager in April 2012 and was appointed as the chief investment officer and subsequently re-designated as the chief operating officer of the Group since 9 May 2012 and 6 August 2012 respectively.

Mr. Cheng Man Wah (“**Mr. Cheng**”), aged 32, holds a bachelor’s degree of arts in accountancy from the Hong Kong Polytechnic University. Mr. Cheng is a Certified Public Accountant of the HKICPA, a fellow member of the ACCA, a member of the Hong Kong Institute of Directors, and an ordinary member of the Hong Kong Securities and Investment Institute. Mr. Cheng has extensive experience in corporate finance and compliances matters for the listed companies in Hong Kong. Mr. Cheng has worked for RSM Nelson Wheeler, PricewaterhouseCoopers, and Golden Resources Development International Limited whose shares are listed on the Stock Exchange (stock code: 677), for the period from 2005 to 2009. Mr. Cheng then joined as financial controller for the period from January 2010 to May 2012 for Powerwell Pacific Holdings Limited whose shares were successfully listed on the Stock Exchange (stock code: 8265) on 25 January 2011. Mr. Cheng then joined Strong Petrochemical Holdings Limited (stock code: 852), a company listed on the Stock Exchange as its chief financial officer and company secretary for the period from May 2012 to Jul 2012. Mr. Cheng has been appointed as the joint company secretary, chief financial officer and an authorised representative of the Company with effect from 6 August 2012 and subsequently as the sole company secretary, chief financial officer and an authorised representative of the Company with effect from 29 August 2012.

Ms. Sung Ting Yee (“**Ms. Sung**”), aged 38, holds a master degree of business administration from University of Birmingham, United Kingdom and a bachelor degree of arts (Honours) in accountancy from Birmingham City University (formerly known as University of Central England in Birmingham), United Kingdom. Ms. Sung is a Certified Public Accountant of HKICPA and a fellow member of the ACCA. Ms. Sung has over 14 years’ experience in finance, accounting, auditing and internal auditing in both Hong Kong and the PRC respectively. Ms. Sung previously worked as an audit manager in an

international accounting firm and as an internal audit manager in a company listed on the Main Board. Prior to join to this Company, Ms. Sung was a finance manager of the China Mining Resources Group Limited (stock code: 340), a company incorporated in the Bermuda with limited liability and whose shares are listed on the Main Board. Ms. Sung is also the finance director and executive director of Newtree and also the company secretary and the chief financial officer of Colors Securities Limited and Colors Commodities Limited respectively. Ms. Sung first joined the Group as internal audit manager and was appointed as the chief investment officer of the Group on 2 March 2010. Ms. Sung was subsequently re-designated as a chief financial officer and a group financial controller of the Group with effect from 27 September 2010 and 6 August 2012 respectively.

Audit Committee

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the HKICPA and the mandatory provisions in the Corporate Governance Code of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual reports and accounts, interim reports and quarterly reports and to provide advices and comments thereon to the Board. The audit committee is also responsible for reviewing the accounting principles and practices adopted by the Group and also the auditing, internal control and financial reporting matters.

The audit committee of the Company comprises of three independent non-executive Directors, namely Mr. Kwok, Mr. Ho and Ms. Cui.

14. MISCELLANEOUS

- (A) There is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group.
- (B) This circular and the accompanying proxy form have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.
- (C) As at the Latest Practicable Date, there was no capital of any member of the Group which was under option, or agreed conditionally or unconditionally to be put under option.

- (D) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside of Hong Kong. Save and except for US\$ and RMB, the Group has no exposure to foreign exchange liabilities. As HK\$ is pegged to US\$, the Group considers the risk of movements in exchange rates between HK\$ and US\$ to be insignificant for transactions denominated in US\$. The Group will have sufficient foreign exchange, generated from the operation of the PRC subsidiaries to pay forecasted or planned dividends and to meet its foreign exchange liabilities as they become due. The Company will pay its dividends, if any, in HK\$.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the head office and principal place of business in Hong Kong of the Company at Room 2103, 21/F, No. 9 Queen's Road Central, Central, Hong Kong from the date of this circular up to and including the Latest Practicable Date and at the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for each of the two years ended 31 March 2011 and 2012;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 31 of this circular;
- (d) the letter of advice from Nuada Limited, the text of which is set out on pages 32 to 48 of this circular;
- (e) the accountants' report from BDO Limited on the unaudited pro forma financial information following completion of the Rights Issue, the text of which is set out in Appendix II to this circular;
- (f) the letters of advice from Hills & Co.;
- (g) the written consents referred to in the paragraph headed "Experts" in this appendix;
- (h) the material contracts as referred to in the paragraph headed "Material contracts" in this appendix;
- (i) the circulars of the Company dated 18 April 2012 and 26 September 2012; and
- (j) this circular.

NOTICE OF SGM



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)

NOTICE IS HEREBY GIVEN THAT an a special general meeting (the “**SGM**”) of Ming Kei Holdings Limited (the “**Company**”) will be held at 11:00 a.m. on Monday, 3 June 2013 at Room 2103, 21/F, No. 9 Queen’s Road Central, Central, Hong Kong for the following purpose of considering and, if thought fit, passing with or without amendments, the following resolution:

ORDINARY RESOLUTION

“**THAT** subject to the fulfillment of the conditions as set out in the underwriting agreement (the “**Underwriting Agreement**”, a copy of which has been produced to the Meeting marked “**A**” and signed by the chairman of the SGM for the purpose of identification) dated 16 January 2013 as supplemented by the supplemental agreement (the “**Supplemental Agreement**”, a copy of which has been produced to the Meeting marked “**B**” and signed by the chairman of the SGM for the purpose of identification) dated 23 April 2013 and both entered into among the Company and Orient Securities Limited (the “**Underwriter**”), and the Underwriting Agreement as supplemented by the Supplemental Agreement not being terminated in accordance with the terms thereof prior to 4:00 p.m. on the third business days after the last day of acceptance of Rights Shares (as defined below),

- (i) the issue by way of rights issue (the “**Rights Issue**”) of 151,356,987 shares (the “**Rights Shares**”) of HK\$0.01 each in the share capital of the Company to the shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company on the date by reference to which entitlements to the Rights Issue are to be determined (the “**Record Date**”) (excluding those shareholders (the “**Non-Qualifying Shareholders**”) of the Company with registered addresses as shown in the register of members of the Company at the close of business on the Record Date in places outside Hong Kong in respect of whom the board (the “**Board**”) of directors (the “**Directors**”) of the Company consider it necessary or expedient not to offer the Rights Shares after making the relevant enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory body or stock exchange in those places) on the basis of three Rights Shares for every ten existing shares (the “**Shares**”) of HK\$0.01 each in the share capital of the Company then held is hereby approved, confirmed and ratified;

* for identification purpose only

NOTICE OF SGM

- (ii) any one Director be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, any Director be and is hereby authorised to make such exclusions or other arrangements in relation to Non-Qualifying Shareholders as he/she deems necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company;
- (iii) the Underwriting Agreement as supplemented by the Supplemental Agreement and the transactions contemplated thereunder (including but not limited to the arrangements for taking up of the unsubscribed Rights Shares, if any, by the Underwriter) be and are hereby approved, confirmed and ratified; and
- (iv) any one Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Rights Issue or as he considers necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement as supplemented by the Supplemental Agreement and the transactions contemplated thereunder.”

By the order of the Board
Ming Kei Holdings Limited
Ho Pui Tin, Terence

Chief Executive Officer and Executive Director

Hong Kong, 15 May 2013

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*
Room 2103, 21/F
No. 9 Queen's Road Central
Central, Hong Kong

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A proxy form for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are encouraged to complete and return the enclosed proxy form in accordance with the instructions printed thereon.
3. In order to be valid, the proxy form, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at Company's branch share registrar in Hong Kong, Tricor Tengis Limited of 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

NOTICE OF SGM

4. Completion and return of a proxy form shall not preclude a member from attending and voting in person at the SGM or any adjournment thereof and in such event, the proxy form appointing a proxy shall be deemed to be revoked.
5. In the case of joint registered holders of Shares, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such Shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
6. Pursuant to the GEM Listing Rules, the voting on the ordinary resolution at the SGM will be conducted by way of poll.