Ming Kei Holdings Limited
明基控股有限公司*

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
（於開曼群島註冊成立並於百慕達存續之有限公司）
(Stock Code 股份代號：8239)

擴展迎未來

Expand for Future Growth

First Quarterly Report
第一季度報告
2014/15

* For identification purpose only 僅供識別

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*This report, for which the directors (the "**Directors**") of Ming Kei Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 report 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 in this report misleading.*

The board (the "**Board**") of Directors is pleased to report the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the three months (the "**Period**") ended 30 June 2014 together with the comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 30 June **2014** **(Unaudited)** **HK$'000**	2013 (Unaudited) HK$'000
Turnover	4	**21,989**	25,392
Cost of sales		**(19,151)**	(23,255)
Gross profit		**2,838**	2,137
Other income, and other gains and losses, net	4	**1,432**	407
Selling and distribution costs		**(171)**	(171)
Administrative and other expenses		**(9,420)**	(7,406)
Fair value loss on an investment property		**(3,000)**	–
Fair value loss on convertible bonds – contingent consideration		**(18,767)**	–
Impairment loss on goodwill	11	**(262,546)**	–
Impairment on loans to customers		**(4)**	–
Finance costs	5	**(391)**	–
Loss before income tax		**(290,029)**	(5,033)
Income tax	7	**(465)**	(208)
Loss for the period	6	**(290,494)**	(5,241)
Attributable to:			
Owners of the Company		**(290,619)**	(5,336)
Non-controlling interests		**125**	95
		(290,494)	(5,241)
			(Restated)
Loss per share for loss attributable to owners of the Company	9		
Basic and diluted (in Hong Kong cents)		**(41.52)**	(0.92)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period	**(290,494)**	(5,241)
Other comprehensive income for the period, net of tax:		
— Exchange differences on translation of financial statements of overseas subsidiaries	**315**	130
Total comprehensive income for the period	**(290,179)**	(5,111)
Attributable to:		
Owners of the Company	**(290,304)**	(5,206)
Non-controlling interests	**125**	95
	(290,179)	(5,111)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2014

	Issued capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Convertible bonds equity reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2014 (audited)	6,559	218,334	131,109	120,794	-	2,069	(312,111)	166,754	4,057	170,811
Loss for the period	-	-	-	-	-	-	(290,619)	(290,619)	125	(290,494)
Other comprehensive income for the Period	-	-	-	-	-	315	-	315	-	315
Total comprehensive income for the Period	-	-	-	-	-	315	(290,619)	(290,304)	125	(290,179)
Placements of new shares	445	19,233	-	-	-	-	-	19,678	-	19,678
Arising from acquisition of subsidiaries	2,680	182,240	-	-	-	-	-	184,920	19,376	204,296
Convertible bonds issued for the acquisition of subsidiaries	-	-	-	-	569,660	-	-	569,660	-	569,660
At 30 June 2014 (unaudited)	9,684	419,807	131,109	120,794	569,660	2,384	(602,730)	650,708	23,558	674,266

For the three months ended 30 June 2013

	Issued capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Convertible bonds equity reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2013 (audited)	5,045	192,038	131,109	120,794	–	1,910	(251,054)	199,842	4,648	204,490
Loss for the period	–	–	–	–	–	–	(5,336)	(5,336)	95	(5,241)
Other comprehensive income for the period	–	–	–	–	–	130	–	130	–	130
Total comprehensive income for the period	–	–	–	–	–	130	(5,336)	(5,206)	95	(5,111)
At 30 June 2013 (unaudited)	5,045	192,038	131,109	120,794	–	2,040	(256,390)	194,636	4,743	199,379

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Ming Kei Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and continues as an exempted company with limited liability in accordance with the Bermuda Companies Act 1981 upon the change of domicile of the Company from the Cayman Islands to Bermuda becoming effective on 30 November 2009, and its shares are listed on the GEM. The address of its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its principal place of business has been changed from Unit 01, 3/F., Wheelock House, 20 Pedder Street, Central, Hong Kong to Suites 3509-10, 35/F., Tower 6, The Gateway, Harbour City, Kowloon with effect from 25 July 2014.

The Company is principally engaged in investment holding and the Group is principally engaged in (i) short-term financing services in the People's Republic of China (the "**PRC**"); (ii) property investment; and (iii) business of coal trading between the PRC and Indonesia.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed first quarterly financial statements of the Company for the three months ended 30 June 2014 (the "**First Quarterly Financial Statements**") have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**").

The preparation of the First Quarterly Financial Statements requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The First Quarterly Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial performances of the Group since 31 March 2014, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). They shall be read in conjunction with the Group's audited financial statements for the year ended 31 March 2014 (the "**Annual Report**").

The First Quarterly Financial Statements have been prepared on the historical costs basis, except for investment property and convertible bonds – contingent consideration which have been measured at fair value.

The accounting policies and methods of computation applied in the preparation of the First Quarterly Financial Statements are consistent with those applied in preparing the Annual Report.

The adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period had no significant effect on the results and financial position of the Group for the current and prior accounting periods.

At the date of authorisation of the First Quarterly Financial Statements, the Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the current period. The Directors have already commenced an assessment of the impact of these new and revised HKFRSs but are not yet in a position to reasonably estimate whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

3. SEGMENT INFORMATION

The Group's operating segments are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Summary details of the operating segments are as follows:

(a) The short-term financing services segment comprised pawn loan business, micro-financing business, entrusted loan business and financial consultancy business in Beijing, the PRC;

(b) The coal trading segment comprised the business of coal trading in Hong Kong; and

(c) The property investment segment comprised investment in various properties for rental income purposes in Hong Kong.

In determining the Group's geographical segments, revenues and results are based on the location in which the customer is located.

Reportable segments

The following tables present revenue, results and certain asset, liabilities and expenditure information for the Group's reportable segments for the three months ended 30 June 2014 and 2013.

	Three months ended 30 June 2014			
	Short-term financing services (Unaudited) HK$'000	**Coal trading (Unaudited) HK$'000**	**Property investment (Unaudited) HK$'000**	**Consolidated (Unaudited) HK$'000**
Segment revenue				
External sales and services	**1,011**	**20,093**	**885**	**21,989**
Inter-segment revenue	**–**	**–**	**–**	**–**
Reportable segment revenue	**1,011**	**20,093**	**885**	**21,989**
Reportable segment (loss) profit	**(261,643)**	**955**	**(2,174)**	**(262,862)**
Impairment loss on goodwill	**(262,546)**	**–**	**–**	**(262,546)**
Fair value loss on an investment property	**–**	**–**	**(3,000)**	**(3,000)**
Impairment on loans to customers	**(4)**	**–**	**–**	**(4)**

	Three months ended 30 June 2013			
	Short-term financing services (Unaudited) HK$'000	Coal trading (Unaudited) HK$'000	Property investment (Unaudited) HK$'000	Consolidated (Unaudited) HK$'000
Segment revenue				
External sales and services	–	24,507	885	25,392
Inter-segment revenue	–	–	–	–
Reportable segment revenue	–	24,507	885	25,392
Reportable segment profit	–	1,142	495	1,637

3. SEGMENT INFORMATION *(Continued)*

Reportable segments *(Continued)*

A reconciliation of reportable segment (loss) profit to consolidated loss before income tax is provided as follow:

	Three months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss before income tax		
Reportable segment (loss) profit	**(262,862)**	1,637
Interest income on bank deposits	**1**	1
Fair value loss on convertible bonds – contingent consideration	**(18,767)**	–
Unallocated corporate income and expenses, net	**(8,401)**	(6,671)
Loss before income tax	**(290,029)**	(5,033)

Except for the addition of the short-term financing services segment, there is no difference from the Annual Report in the basis of segmentation or in the basis of measurement of segment profit or loss.

4. TURNOVER, OTHER INCOME, AND OTHER GAINS AND LOSSES, NET

	Three months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Turnover:		
Short-term financing services income	**1,044**	–
Short-term financing services expense	**(33)**	–
Short-term financing services income, net	**1,011**	–
Sales of goods	**20,093**	24,507
Rental income	**885**	885
	21,989	25,392
Other income, and other gains and losses, net:		
Foreign exchange gain, net	**124**	–
Interest income on bank deposits	**1**	1
Sundry income	**1,307**	406
	1,432	407

5. FINANCE COSTS

	Three months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Effective interest on		
– convertible bonds	**334**	–
– promissory notes	**57**	–
Interest expense for loan portfolio	**33**	–
	424	–
Less: Interest expense included in turnover	**(33)**	–
	391	–

6. LOSS FOR THE PERIOD

This is arrived at after charging the following:

	Three months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**19,151**	23,255
Depreciation	**293**	460

7. INCOME TAX

	Three months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax — Hong Kong		
Charge for the period	**242**	208
Current tax — PRC		
Charge for the period	**223**	–
	465	208

Provision for Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) on the estimated assessable profits for the Period.

According to the Enterprise Income Tax Law of the PRC, the income tax provision of the Group's operations in the PRC has been calculated at the applicable corporate tax rate of 25% on the estimated assessable profits based on existing legislations, interpretations and practices.

8. DIVIDEND

The Board does not recommend for payment of a dividend for the Period (2013: HK$Nil).

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the current and prior periods attributable to the owners of the Company, and the weighted average number of ordinary shares in issue during the current and prior periods as adjusted to reflect the rights issue completed in July 2013.

The calculation of diluted loss per share for the current and prior periods are based on the loss for the periods attributable to the owners of the Company, while the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the periods, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

As the Company's outstanding Convertible Bonds (as defined below) had an anti-dilutive effect to the basic loss per share calculation for the current and prior periods, the conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share. Therefore the basic and diluted loss as per share for the respective periods are the same.

The calculation of basic and diluted loss per share is based on:

	Three months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss attributable to the owners of the Company, used in the basic and diluted loss per share calculations	**(290,619)**	(5,336)

	Three months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	'000	'000
		(Restated)
Weighted average number of ordinary shares for basic and diluted loss per share calculations	**699,957**	577,954

10. ACQUISITION OF SUBSIDIARIES

On 23 December 2013, the Company through its wholly-owned subsidiary, Star Capital Global Limited (the "**Purchaser**") entered into an acquisition agreement (the "**Acquisition Agreement**") with Exuberant Global Limited ("**Exuberant Global**"), Bustling Capital Limited ("**Bustling Capital**") and Time Prestige Holdings Limited ("**Time Prestige**"), together, being the vendors (the "**Vendors**") collectively holding the entire equity interest in Prima Finance Holdings Limited (the "**Target**"), for the acquisition (the "**Acquisition**") of the entire issued share capital ("**Sale Shares**") of the Target and the related sale loans (the "**Sale Loans**"), details of which are set out in the Company's circular dated 30 May 2014 (the "**Circular-VSA**").

10. ACQUISITION OF SUBSIDIARIES *(Continued)*

Pursuant to the Acquisition Agreement, the maximum consideration is HK$900,000,000, which comprises the initial consideration (the "**Initial Consideration**") of HK$564,000,000 and the earn-out consideration (the "**Contingent Consideration**") of HK$336,000,000, all subject to adjustments, is to be satisfied as follows;

(i) a maximum of HK$100,000,000 by issue of the promissory notes (the "**Promissory Notes**") by the Company to Exuberant Global;

(ii) a maximum of HK$93,800,000 by allotment and issue of the 268,000,000 new ordinary shares of the Company (the "**Consideration Shares**") by the Company to the Vendors at the issue price of HK$0.35 per share;

(iii) a maximum of HK$656,200,000 by issue of the convertible bonds (the "**Convertible Bonds**") by the Company to the Vendors; and

(iv) a maximum of HK$50,000,000 in cash to Exuberant Global.

The Initial Consideration

The Initial Consideration of HK$564,000,000 shall be apportioned as follows:

(i) the consideration for the Sale Loans shall be equivalent to the face amount of the Sale Loans at the date of completion of the Acquisition on a dollar-for-dollar basis; and

(ii) the balance of the Initial Consideration after deducting (i) above shall be the initial consideration for the Sale Shares.

The Initial Consideration of HK$564,000,000 shall be satisfied upon completion of the Acquisition by the Company in the following manner:

(i) as to HK$50,000,000 by the issue of the Promissory Notes to Exuberant Global or its nominee(s);

(ii) as to HK$420,200,000 by allotment and issue of the Convertible Bonds to Exuberant Global, Bustling Capital and Time Prestige respectively or their respective nominee(s) in the amount of HK$255,630,000, HK$117,550,000 and HK$47,020,000 respectively; and

(iii) as to HK$93,800,000 by allotment and issue of 174,200,000, 67,000,000 and 26,800,000 Consideration Shares to Exuberant Global, Bustling Capital and Time Prestige respectively or their respective nominee(s) in the amount of HK$60,970,000, HK$23,450,000 and HK$9,380,000 respectively.

The Convertible Bonds in an amount up to HK$131,000,000 issued in (ii) above to Exuberant Global would be held by the Purchaser as a security for the fulfilment of the 2013 Target Profit as set out in the Circular-VSA. Deferred Convertible Bonds (as defined in the Circular-VSA) can be cancelled if the actual profit after tax of the Target does not meet certain target levels.

The Contingent Consideration

The Contingent Consideration of HK$336,000,000 (if any) shall be paid in the following priority:

(i) up to HK$236,000,000 (subject to the available remaining balance after the issue of the Early-paid Earn-Out Convertible Bonds as set out in the Circular-VSA) by allotment and issue of the Convertible Bonds (the "**Contingent Convertible Bonds**") to Exuberant Global or its nominee(s);

(ii) up to HK$50,000,000 by cash to Exuberant Global or its nominee(s); and

(iii) up to HK$50,000,000 by the issue of the Promissory Notes to Exuberant Global or its nominee(s).

10. ACQUISITION OF SUBSIDIARIES *(Continued)*

The Contingent Consideration *(Continued)*

According to the Acquisition Agreement, the Contingent Consideration will only be paid if the Target is able to attain certain agreed levels of profit after tax for the year ended 31 December 2013 and the year ending 31 December 2014 collectively.

Further details of the Acquisition, the Initial Consideration and Contingent Consideration are set out in the announcement (the "**Announcement-VSA Completion**") and Circular-VSA of the Company dated 25 June 2014 and 30 May 2014 respectively.

On 25 June 2014, the Acquisition was completed and the fair values of consideration transferred/transferrable are as follows:

	HK$'000
Initial Consideration	
– Promissory Notes	46,081
– Consideration Shares	184,920
– Convertible Bonds	860,078
	1,091,079
Contingent Consideration	
– Contingent Convertible Bonds	83,356
Total consideration	1,174,435

The Directors have engaged an independent valuer, Greater China Appraisal Limited ("**GCA**"), to determine the fair value of the Initial Consideration – Promissory Notes, Consideration Shares and Convertible Bonds, and Contingent Consideration to be recognised, in accordance with HKFRS 13 "Fair Value Measurement" issued by the HKICPA. Fair value is defined in HKFRS 13 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". GCA has reviewed the methodologies and the key valuation parameters and business assumptions adopted.

The fair value of the Promissory Notes and Convertible Bonds included in the Initial Consideration is valued by Trinomial Option Pricing Model. Key valuation parameters include discount rates (for both Promissory Notes and Convertible Bonds), volatility (for Convertible Bonds only) and spot share price and conversion price (for Convertible Bonds only). The fair value of the Consideration Shares included in the Initial Consideration is valued based on last traded price of shares as of 25 June 2014.

Based on the 2013 actual profit of the Target, the Directors consider part of the Convertible Bonds of approximately HK$6,699,000 (face value) as covered by the Initial Consideration would need to be withheld by the Company as Deferred Convertible Bonds according to terms of the Acquisition Agreement. However, the Directors have made an assessment about the Target's 2014 profit forecast and consider it is appropriate to assume such Deferred Convertible Bonds would need to be fully settled in 2015.

The amount of Contingent Convertible Bonds to be issued is subject to the actual 2014 profit after tax level of the Target, therefore the Contingent Consideration is classified as a financial liability, measured at fair value through profit or loss within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" issued by the HKICPA. Subsequent changes to the fair value of the Contingent Consideration will be recognised in profit or loss of the Group.

10. ACQUISITION OF SUBSIDIARIES *(Continued)*

The valuation of the Contingent Consideration is valued by GCA in accordance with HKFRS 13 and is mainly based on the financial position of the Group, the trading price of the Company's shares, the latest financial information of the Target, the Target's financial performance forecast and other relevant indicators. Based on the Target's 2014 financial performance forecast, the Directors estimate that HK$83,356,000 of the Contingent Consideration will be required by way of issuance of the Contingent Convertible Bonds with face value amounting HK$40,653,000. No Promissory Notes or cash will need to be issued/paid. Trinomial Option Pricing Model is used for the valuation of Contingent Convertible Bonds.

The possible range of face value of the Contingent Consideration is between nil and HK$336,000,000, and possible range of the fair value of the Contingent Consideration is between nil and HK$684,016,000 approximately as at 30 June 2014.

On 25 June 2014, the net identifiable assets acquired and liabilities assumed, at fair value of the Target are as follows:

	HK$'000
Non-current assets	
Property, plant and equipment	1,020
Intangible assets	167,845
Other assets	695
Deferred income tax assets	1,849
Current assets	
Prepayments, deposits and other receivables	5,636
Amounts due from related parties	4,349
Loans to customers, net	293,482
Bank balances and cash	95,694
Current liabilities	
Bank borrowings	(29,931)
Accrued expenses, other payables and deposits	(4,832)
The Sale Loans	(5,000)
Current income tax liabilities	(7,848)
Non-current liabilities	
Deferred income tax liabilities	(41,961)
	480,998
Net identifiable assets acquired and liabilities assumed, at fair value	480,998
100% fair value of the Sale Loans	5,000
Non-controlling interests	(19,376)
Goodwill arising from the Acquisition (Note 11)	707,813
	1,174,435

The Directors have engaged GCA to determine the fair value of the net tangible assets and intangible assets of the Target as well as the Sale Loans acquired, in accordance with HKFRS 13. GCA has reviewed the methodologies and the key valuation parameters and business assumptions adopted.

10. ACQUISITION OF SUBSIDIARIES *(Continued)*

Net tangible assets (i.e. other than intangible assets) refer to deferred tax liabilities and other net assets. For other net assets, their carrying values approximate their fair values as at 25 June 2014 given their short term in nature. For the deferred tax liabilities, it is associated with the identifiable intangible assets and is calculated using PRC corporate income tax rate of 25% on the fair value of the identifiable intangible assets.

The identifiable intangible assets are the operating licenses the ("Pawn Licence") of the Pawn Broker Business (as defined in the Circular-VSA) of the Target, and they are valued based on an Income Approach – Multi-period Excess Earnings Method. Multi-Period Excess Earnings Method ("**MPEEM**") is a derivative of the discounted cash flow ("**DCF**") method which is commonly adopted for the valuation of intangible assets. Using this technique, key valuation assumptions include discount rate, indefinite useful life of Pawn License, contributory asset charges, etc. GCA estimates the future economic benefits attributed to the Pawn Licence. Such future economic benefits are then discounted at a rate which reflects all business risks in relation to the pawn licence. To estimate the economic benefits, the revenues for the Pawn Licence are projected over their useful lives. Based on the projected revenues, the costs associated with supporting the Pawn Licence are net off. The net income projection is then adjusted by contributory asset charges in order to derive the excess earnings attributable to the Pawn Licence. The contributory asset charges include returns on the assets that are used or used up in generating the profit of the Pawn Licence. Examples of such assets include fixed assets and assembled workforce.

With respect to the Sale Loans acquired, GCA has considered that its carrying value approximate its fair value because of its short term nature.

Goodwill arising from the Acquisition represents the excess of the fair value of the considerations to be paid by the Group over the fair value of identifiable intangible assets, net tangible assets and contingent liabilities (if any) of the Target.

11. GOODWILL

The amounts of the goodwill recognised by the Group as an asset in the consolidated statement of financial position arising from the acquisition of subsidiaries are as follows:

	At 30 June 2014 HK$'000 (Unaudited)	At 31 March 2014 HK$'000 (Audited)
Reconciliation of carrying amount:		
At beginning of the period	–	–
Arising from acquisition of subsidiaries (Note 10)	707,813	–
Impairment losses	(262,546)	–
At the end of the reporting period	**445,267**	–
Cost	732,238	24,425
Accumulated impairment losses	(286,971)	(24,425)
Net carrying amount	**445,267**	–

Goodwill arising in prior years related to the acquisition of equity interest in China Indonesia Friendship Coal Trading Company Limited ("**CIFC**", together with its 90%-owned subsidiary, China Energy Trading Company Limited ("**China Energy**"), are collectively referred to as the "**CIFC Group**") and was allocated to the coal trading cash generating unit (the "**Coal Trading CGU**").

Goodwill attributable to the Coal Trading CGU was fully impaired in prior years.

Goodwill arising in the Period related to the Acquisition because the consideration paid for the Acquisition effectively included amounts in relation to the benefits originated from fast growing pawn broker business, the business potential of the consulting business and the assembled workforce of the Target. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

Goodwill acquired through business combination during the period has been allocated to a distinct short-term financing cash-generating unit ("**Short-term Financing CGU**") for impairment test. The Directors have engaged GCA to assist them to assess whether there is any impairment of goodwill in the Short-term Financing CGU. GCA has assessed the Target's business value (recoverable value) as well as discounted cash flows arising from the identifiable intangible assets and has also taken into consideration the historical performance and the financial performance of the Target and reviewed the reasonableness and appropriateness of the methodology and the key parameters and business assumptions adopted by the Directors.

Key assumption used for business value calculation are as follow:

– Effective interest rates	19.8% – 38.6%
– Perpetual growth rate	3.0%
– Post-tax discount rate per annum	14.05%

The Group is of the opinion, based on the business value calculation, the Short-term Financing CGU are partially impaired (the "**Impairment-Goodwill**") by the amount of HK$262,546,000 as compared with their recoverable amounts as at 30 June 2014 and was charged to profit or loss during the Period. The Impairment-Goodwill is largely due to the increase in the fair value of the Initial Consideration and Contingent Consideration. As disclosed in the Circular-VSA, the fair value of the Initial Consideration and Contingent Consideration as at the valuation date of 30 May 2014 was approximately HK$744,401,000 and HK$52,545,000 respectively. The market price of shares of the Company has increased since 30 May 2014 and up to Completion Date. The fair value of the Initial Consideration and Contingent Consideration of approximately HK$1,091,079,000 and approximately HK$83,356,000 respectively at the date of completion of the Acquisition was estimated by GCA, which has increased as a result of such increase in the market price of shares of the Company, which in turn has resulted in a substantial amount of goodwill recognised in connection with the Acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in (i) short-term financing services in the PRC; (ii) property investment; and (iii) business of coal trading between the PRC and Indonesia.

The Group recorded total turnover of approximately Hong Kong dollar (the "**HK$**") 21,989,000 (2013: approximately HK$25,392,000) for the Period representing a decrease by approximately HK$3,403,000 over the corresponding Period.

Coal Trading

Since the year 2010, the reduction in selling price per metric tonne of coal sold 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 subject to the bargaining power of the Group against the customer and the supplier in each transaction and the fluctuation of the international coal price. The price negotiation will continue until each of the parties is satisfied and the Group is able to obtain a positive price gap. Given the letter of intents (the "**LOIs**") separately signed with the customers and suppliers to sell and purchase 30,000 metric tonnes of Indonesian coal per month, and will be renewed automatically upon expiration with same trading terms and conditions, the coal trading business will continue and provide a stable and regular source of income to the Group.

Pursuant to the Indonesia Circular, given the LOIs, existing coal trading business will continue and provide a steady source of income and positive impact on the earnings to the Group. The Board has remained positive about the future prospect of the existing coal trading business in view of there was no change in the business relationship with customers or suppliers nor the credit period granted to both customers and suppliers. 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.

The decrement of turnover and reportable segment profit of coal trading business by approximately HK$4,414,000 to approximately HK$20,093,000 (2013: approximately HK$24,507,000) and approximately HK$187,000 to approximately HK$955,000 (2013: approximately HK$1,142,000) was due to the reduction in selling price per metric tonne of coal sold and the reduction in the average positive price gap between the purchase price and the selling price.

Property Investment

Given the annual gross rental income from the property (the "**Investment Property**") located in Tuen Mun of approximately HK$3,540,000 represents a yield of approximately 4.0%, the Board considered the returns satisfactory and provide the Group long term stable income and growth. The Investment Property which was valued at HK$98,000,000 on 30 June 2014 (31 March 2014: HK$101,000,000) in accordance with the valuation performed by an independent valuer.

The property investment segment continued to generate steady rental income of HK$885,000 (2013: HK$885,000). Although the segment results recorded a loss of approximately HK$2,174,000 due to non-cash fair value loss (the "**FV Loss-IP**") on investment property of approximately HK$3,000,000, the reportable segment profit before the FV Loss-IP was approximately HK$826,000. The FV Loss-IP is non-cash in nature and has no impact on the operating cash flows of the Group.

Short-term Financing Services

The Group has recorded losses for the last five consecutive financial years. For the two years ended 31 March 2012 and 2013, the Group recorded the consolidated loss for the year from the continuing operations of approximately HK$35,600,000 and approximately HK$25,500,000 respectively. In view of the unsatisfactory performance of the Group and as part of the business plan as stated in the annual report of the Company for the year ended 31 March 2013, the Group has been exploring and evaluating new businesses and investment opportunities which could be of good potential and/or long-term benefits to the Group and the Shareholders.

To this end, the Company has identified the Target and its subsidiaries (collectively, the Prima Finance Group) as an appropriate acquisition target to the Group and the Directors are of the view that the Acquisition would allow the Group to diversify into a new line of business with significant growth potential. Since the Completion Date, the Group has extended its reach into the field of short-term financing services in the PRC, making a strategic long-term investment of the Group. Details are set out in the Announcement-VSA Completion and the Circular-VSA.

During the Period, the turnover of short-term financing services business was approximately HK$1,011,000. Although the segment results of the short-term financing services recorded a loss (the "**Segmental Loss**") of approximately HK$261,643,000 due to the Impairment-Goodwill of approximately HK$262,546,000 and the non-cash impairment (the "**Impairment-Loans to Customers**") on loan to customers of approximately HK$4,000, the reportable segment profit before the Impairment-Goodwill and Impairment-Loan to Customers was approximately HK$907,000. The Impairment-Goodwill and Impairment-Loans to Customers are non-cash in nature and do not have any impact on the operating cash flows of the Group and the Board remains positive on the prospects of the business of short-term financing services.

During the Period, management of the Group determined that the Impairment-Goodwill of approximately HK$262,546,000 on the Short-term Financing CGU of short-term financing services segment containing goodwill. The Impairment-Goodwill is largely due to the increase in the fair value of the Initial Consideration and Earn-out Consideration. As disclosed in the Circular-VSA, the fair value of the Initial Consideration and Earn-out Consideration as at the valuation date of 30 May 2014 was approximately HK$744,401,000 and HK$52,545,000 respectively. The market price of shares of the Company has increased since 30 May 2014 and up to the Completion Date. The fair value of the Initial Consideration and Contingent Consideration of approximately HK$1,091,079,000 and approximately HK$83,356,000 respectively at the Completion Date was estimated by GCA, which has increased as a result of such increase in the market price of shares of the Company, which in turn has resulted in a substantial amount of goodwill in connection with the Acquisition.

Normalised reportable segment results – short-term financing services

To better present the actual operating results by adding back the non-cash Impairment-Goodwill and Impairment-Loans to Customers of approximately HK$262,546,000 and HK$4,000 respectively, the Segmental Loss for the Period has to be adjusted upward from approximately HK$261,643,000, under the best estimate by management, to a normalised profit of the short-term financing services for the Period of approximately HK$907,000.

	Period ended 30 June 2014 HK$'000
The Segmental Loss – short-term financing services	(261,643)
Add back: Impairment-Goodwill	262,546
Add back: Impairment-Loans to Customers	4
Underlying earnings before tax – short-term financing services	907

The gross profit margin has been improved to approximately HK$2,838,000 for the Period (2013: approximately HK$2,137,000) by approximately HK$701,000 mainly as a result of the newly acquired business of short-term financing services.

The selling and distribution costs for the Period was the same as last corresponding period of approximately HK$171,000 (2013: approximately HK$171,000), which were arising from the coal trading business.

The administrative and other expenses for the Period increased by approximately HK$2,014,000 to approximately HK$9,420,000 (2013: approximately HK$7,406,000) was due to the increase in financial printing costs mainly arising from the Acquisition for the Period.

As announced by the Company on 8 August 2014, the substantial loss attributable to owners of the Company for the Period of approximately HK$290,619,000 (2013: approximately (HK$5,336,000)) was mainly due to the (i) Impairment-Goodwill; (ii) non-cash fair value loss of the Contingent Convertible Bonds which is part of the Contingent Consideration of the Acquisition of approximately HK$18,767,000; and (iii) FV Loss-IP. The above mentioned impairment loss and fair value losses are non-cash adjustments and will not affect working capital sufficiency of the Group. The fair value of the Contingent Convertible Bonds was valued by GCA at the Completion Date and at the end of Period. The loss on the fair value adjustment of Contingent Convertible Bonds represented the fair value of approximately HK$102,123,000 as at the 30 June 2014 over the fair value of Contingent Convertible Bonds of approximately HK$83,356,000 as at Completion Date.

Prospects

Looking ahead, the Group is well-positioned as each of our businesses seeing great opportunities in their respective markets together with experienced management in place, and be able to capitalise on the potential market growth for the short-term financing services business in Beijing and are optimistic about the long-term development of the short-term financing services business in Beijing, the implementation of business plan of the Prima Finance Group catering for the needs of the customers as well as the growth and prospects of the businesses of the Prima Finance Group. At the same time, our strategy on business diversification remains. We will also consider developing new businesses in short-term financing services while continuously seeking potential investment opportunities so as to maximize the returns for the Shareholders in a prudent and pragmatic manner.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**") which (i) 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) were recorded in the register required to be kept by the Company under 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 of Directors	Capacity	Number of ordinary shares held	Approximate percentage of shareholding in the Company
Mr. Wong Wai Sing ("**Mr. Wong**")	Beneficial owner	36,400	0.01%
	Interest of a controlled corporation (Note)	75,676 (Note)	0.01%

*Note: Mr. Wong is the chairman of the Company and an 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 he is deemed to be interested in such 75,676 Shares.*

Save for those disclosed above, as at 30 June 2014, none of the Directors or chief executives of the Company had any interests or short positions 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) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, as at 30 June 2014, the following companies had interests in more than 5% of the Company's issued share capital:

Long Position in the Shares

	Number of shares interested			
Name of substantial shareholder	Direct interests	Deemed interests	Total interests	Percentage of the issued share capital of the Company (Note 7)
Vitasmart Limited ("**Vitasmart**") (Note 1)	96,100,000	–	96,100,000	9.92%
Ms. Chan Yin Kan, Katie ("**Ms. Chan**") (Notes 2 to 3)	–	120,000,000	120,000,000	12.39%
Mr. Lau Kim Hung, Jack ("**Mr. Lau**") (Notes 1 to 3)	23,900,000	96,100,000	120,000,000	12.39%
Exuberant Global (Note 4)	1,578,857,142	–	1,578,857,142	163.04%
Mr. Dai Di (Note 4)	–	1,578,857,142	1,578,857,142	163.04%
Time Prestige (Note 5)	161,142,857	–	161,142,857	16.64%
Mr. Dai Hao (Notes 5 and 6)	–	563,999,999	563,999,999	58.24%
Bustling Capital (Note 6)	402,857,142	–	402,857,142	41.6%
Ms. Jin Yu (Notes 5 and 6)	–	563,999,999	563,999,999	58.24%

Notes:

1. Vitasmart, a company incorporated in the British Virgin Islands, is wholly and beneficially owned by Mr. Lau. Mr. Lau is deemed to be interested in 96,100,000 Shares held by Vitasmart.

2. Ms. Chan, being the spouse of Mr. Lau, is deemed to be interested in 96,100,000 Shares held by Vitasmart and 23,900,000 Shares held by Mr. Lau.

3. Mr. Lau and Ms. Chan are the father-in-law and mother-in-law of Mr. Tsang Ho Ka, Eugene respectively, being the non-executive Director.

4. The 1,578,857,142 Shares held by Exuberant Global represent the 174,200,000 Shares and 730,371,428 Conversion Shares to be issued upon full conversion of the convertible bonds, and a maximum of 674,285,714 Conversion Shares to be issued upon full conversion of the convertible bonds to be issued to Exuberant Global subject to the fulfilment of the profit achievement. Exuberant Global is wholly and beneficially owned by Mr. Dai Di. Accordingly, Mr. Dai Di is deemed to be interested in the 1,578,857,142 Shares.

5. The 161,142,857 Shares held by Time Prestige represent the 26,800,000 Shares and 134,342,857 Conversion Shares to be issued upon full conversion of the convertible bonds. Time Prestige is wholly and beneficially owned by Mr. Dai Hao. Accordingly, Mr. Dai Hao is deemed to be interested in the 161,142,857 Shares. In addition, by virtue of being the spouse of Ms. Jin, Mr. Dai Hao is also deemed to be interested in 402,857,142 Shares held by Bustling Capital.

6. The 402,857,142 Shares held by Bustling Capital represent the 67,000,000 Shares and 335,857,142 Conversion Shares to be issued upon full conversion of the convertible bonds. Bustling Capital is wholly and beneficially owned by Ms. Jin. Accordingly, Ms. Jin is deemed to be interested in the 402,857,142 Shares. In addition, by virtue of being the spouse of Mr. Dai Hao, Ms. Jin is also deemed to be interested in the 161,142,857 Shares held by Time Prestige.

7. The percentage represents the number of Shares interested divided by the number of the issued Shares as at 30 June 2014.

Save as disclosed herein, the directors of the Company are not aware of any person (other than the directors of the Company whose interests are set out in the section headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and or any Associated Corporation" above) who, as at 30 June 2014, had an interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register kept by the Company under Section 336 of the SFO.

INTERESTS IN A COMPETING BUSINESS

As at 30 June 2014, none of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any business that competes or might compete with the business of the Group, or have any other conflict of interests with the Group.

PURCHASE, SALE OR REDEMPTION OF COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE PRACTICES

Throughout the Period, the Company had been fully compliant with all the code provisions set out in Appendix 15 Corporate Governance Code and Corporate Governance Report (the "**CG Code**") of the GEM Listing Rules with the exception of the following deviations:

CODE PROVISION A.4.1

Code Provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

DEVIATION

Non-executive Directors are not appointed for a fixed term. The bye-laws (the "**Bye-laws**") of the Company stipulate that every Director (including executive or non-executive directors) shall be subject to retirement for re-election at least once every three years. Therefore, the Company has adopted adequate measures to ensure the corporate governance of the Company complies with the same level to that required under the CG Code.

CODE PROVISION A.6.7

Code provision A.6.7 of the CG Code stipulates that the independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders.

DEVIATION

Mr. Chen Yihua and Mr. Du Hui, the independent non-executive Directors, were unable to attend the special general meeting of the Company held on 18 June 2014 as they had other important business engagement.

The Company has adopted the code of conduct for securities transactions by Directors on terms no less exacting than the Rules 5.48 to 5.67 (the "**Model Code**") of the GEM Listing Rules. The Company had made specific enquiries with written guidelines in relation to the Model Code to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code throughout the Period.

AUDIT COMMITTEE

The unaudited condensed consolidated financial statements of the Group for the Period have been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such financial information complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements and that adequate disclosures have been made.

By Order of the Board
Ming Kei Holdings Limited
Wong Wai Sing
Chairman and Executive Director

Hong Kong, 13 August 2014

As at the date of this report, the executive Directors are Mr. Wong Wai Sing and Mr. Han Jianli, the non-executive Director is Mr. Tsang Ho Ka, Eugene, and the independent non-executive Directors are Mr. Kwok Kam Tim, Mr. Du Hui and Mr. Chen Yihua.

Ming Kei Holdings Limited
明基控股有限公司 *

(Incorporated in the Cayman Islands and continued
in Bermuda with limited liability)
（於開曼群島註冊成立並於百慕達存續之有限公司）
(Stock Code 股份代號：8239)

Address: Suites 3509-10, 35/F., Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong
地址：香港九龍海港城港威大廈6座35樓3509-10室
Tel 電話：(852) 3752-1000
Fax 傳真：(852) 3752-1088
Email 電郵：general@mingkeiholdings.com
Website 網址：http://www.mingkeiholdings.com